FOREWORD

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

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

Mumbai
April 1, 2009

(Rakesh Mohan)
Deputy Governor
Reserve Bank of India

REPORT ON CURRENCY AND FINANCE 1995-96

VOLUME I

ECONOMIC REVIEW

Price { Inland Rs.110 / Foreign US $ 40 } Postage free

Published by S.D.J. Pandian, Director, Division of Reports, Reviews and Publications, Department of Economic Analysis and Policy, Reserve Bank of India, Mumbai-400 001 and printed at M/s. Vijay Corporation, 65, Ideal Industrial Estate, Mathuradas Mills Compound, Lower Parel, Mumbai-400 013.

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LIST OF SELECTED ABBREVIATIONS

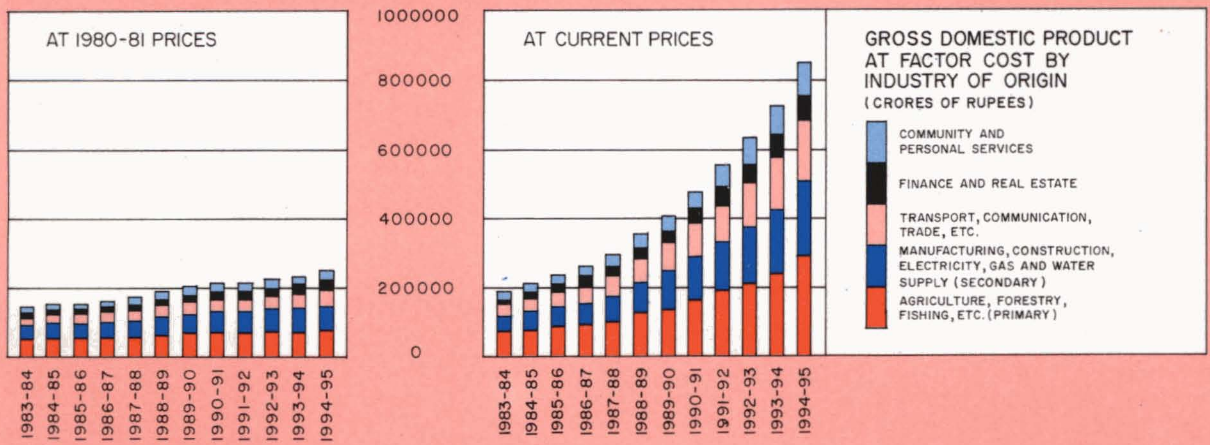
ADB	Asian Development Bank
ADF	Asian Development Fund
APEDA	Agricultural and Processed Food Products Exports Development Authority
ARDR	Agricultural and Rural Debt Relief Scheme
ARM	Additional Resource Mobilisation
ASI	Annual Survey of Industries
ATM	Automated Teller Machine
BIFR	Board for Industrial and Financial Reconstruction
BOP	Balance of Payments
BSR	Basic Statistical Returns
CAB	Cotton Advisory Board
CACP	Commission for Agricultural Costs and Prices
CAD	Command Area Development
CARE	Credit Analysis and Research Limited
CCFF	Compensatory and Contingency Financing Facility
CCI	Cotton Corporation of India
CCIS	Comprehensive Crop Insurance Scheme
CD	Certificates of Deposit
CIP	Central Issue Price
CIS	Commonwealth of Independent States
CP	Commercial Paper
CPI	Consumer Price Index
CRISIL	The Credit Rating Information Services of India Limited
CRR	Cash Reserve Ratio
CSO	Central Statistical Organisation
DAC	Development Assistant Committee
DDP	Desert Development Programme
DFHI	Discount and Finance House of India Ltd.
DGCI&S	Directorate General of Commercial Intelligence and Statistics
DGFT	Directorate General of Foreign Trade
DGTD	Directorate General of Trade and Development
DMCs	Developing Member Countries
DPAP	Drought Prone Area Programme
DRI	Differential Rate of Interest
DVP	Delivery Versus Payments
ECB	External Commercial Borrowing
EEC	European Economic Community
EEFC	Exchange Earners' Foreign Currency
EFF	Extended Fund Facility
EOU	Export Oriented Unit
EPCG	Export Promotion Capital Goods Scheme
EPRS	Engineering Products (Replenishment of Iron and Steel Intermediates) Scheme
EPZ	Export Processing Zone
ESAF	Enhanced Structural Adjustment Facility

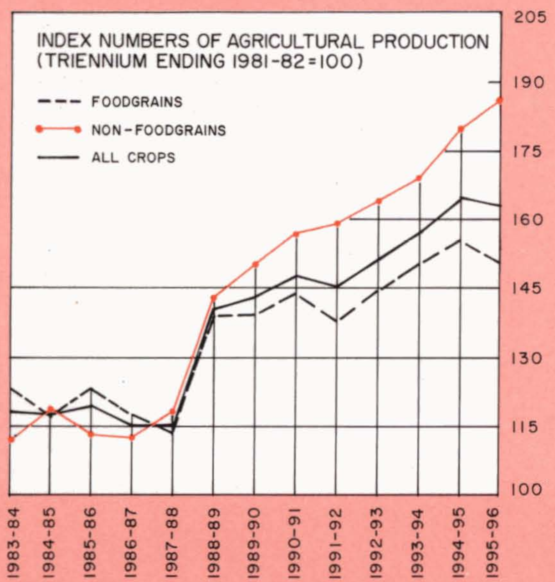
EU	European Union
FAO	Food and Agricultural Organisation
FC(B&O)D	Foreign Currency (Banks & Others) Deposit Scheme
FCCBs	Foreign Currency Convertible Bonds
FCI	Food Corporation of India
FCNRA	Foreign Currency (Non-Resident) Accounts
FCNR(B)	Foreign Currency (Non-Resident) Accounts (Banks) Scheme
FC(O)NR	Foreign Currency (Ordinary) Non-Repatriable Deposit Scheme
FEDAI	Foreign Exchange Dealers Association of India
FIIs	Foreign Institutional Investors
FIPB	Foreign Investment Promotion Board
FSS	Farmers' Service Societies
GATT	General Agreement on Tariffs and Trade
GDCF	Gross Domestic Capital Formation
GDP	Gross Domestic Product
GDRs	Global Depository Receipts
GDS	Gross Domestic Saving
GFD	Gross Fiscal Deficit
GIC	General Insurance Corporation of India
GNIE	Government, not included elsewhere
GNP	Gross National Product
HDFC	Housing Development Finance Corporation Ltd.
HUDCO	Housing and Urban Development Corporation Ltd.
HYVP	High Yielding Varieties Programme
IATA	International Air Transport Association
IBRD	International Bank for Reconstruction and Development
ICDP	Intensive Cotton Development Programme
ICICI	Industrial Credit and Investment Corporation of India Ltd.
IDA	International Development Association
IDBI	Industrial Development Bank of India
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFCI	Industrial Finance Corporation of India
IIP	Index of Industrial Production
IL&FS	Infrastructure Leasing and Financial Services Ltd.
IMF	International Monetary Fund
IOC	Indian Oil Corporation
IPAs	Investment Promotion Agencies
IPRs	Intellectual Property Rights
IRBI	Industrial Reconstruction Bank of India
IRDP	Integrated Rural Development Programme
JCI	Jute Corporation of India
KVIC	Khadi and Village Industries Commission
LAMPs	Large Sized Adivasi Multi-Purpose Societies

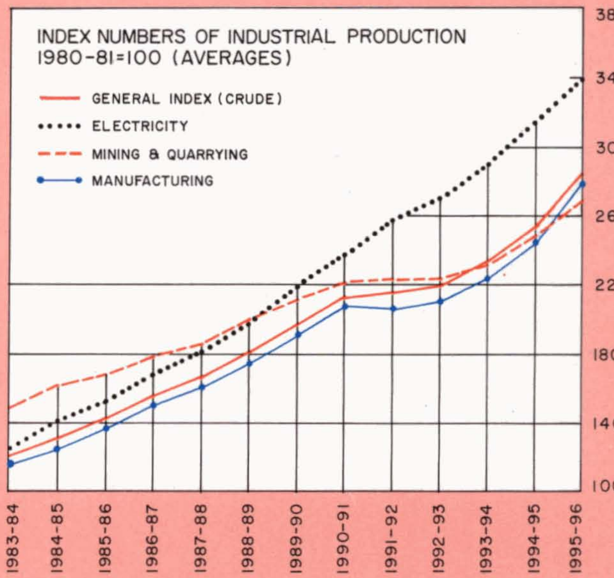
LERMS	Liberalised Exchange Rate Management Systems
LPG	Liquified Petroleum Gas
MFA	Multi-fibre Arrangements
MIGA	Multilateral Investment Guarantee Agency
MMFs	Money Market Mutual Funds
MMTC	Minerals and Metals Trading Corporation of India
MODVAT	Modified Value Added Tax
MPBF	Maximum Permissible Bank Finance
MRTP	Monopolies and Restrictive Trade Practices
MSCCGMF	Maharashtra State Co-operative Cotton Growers' Marketing Federation Ltd.
MSE	Mumbai Stock Exchange
MSP	Minimum Support Price
NABARD	National Bank for Agriculture and Rural Development
NAFED	National Agricultural Co-operative Marketing Federation
NBFCs	Non- Banking Financial Companies
NCDC	National Co-operative Development Corporation
NDDB	National Dairy Development Board
NEER	Nominal Effective Exchange Rate
NFEA	Net Foreign Exchange Assets
NHB	National Housing Bank
NICs	Newly Industrialised Countries
NNP	Net National Product
NOF	Net Owned Funds
NPA	Non Performing Assets
NPDP	National Pulses Development Project
NPP	Nitrogen Phosphate Potash
NR(E)RA	Non Resident (External) Rupee Account
NRI	Non- Resident Indian
NR(NR)RD	Non-Resident (Non-Repatriable) Rupee Deposit
NSDP	Net State Domestic Product
NSE	National Stock Exchange
OCBs	Overseas Corporate Bodies
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OGL	Open General Licence
ONGC	Oil and Natural Gas Corporation
OPEC	Organisation of Petroleum Exporting Countries
OTCEI	Over the-Counter Exchange of India
PLF	Plant Load Factor
PLR	Prime Lending Rate
PMRY	Prime Minister's Rojgar Yojana
POL	Petroleum Oil & Lubricants
PSCFC	Post Shipment Export Credit in Foreign Currency
PSUs	Public Sector Undertakings
PWCS	Primary Weavers' Co-operative Societies
QRs	Quantitative Restrictions
REER	Real Effective Exchange Rate
Repos	Repurchase Obligations

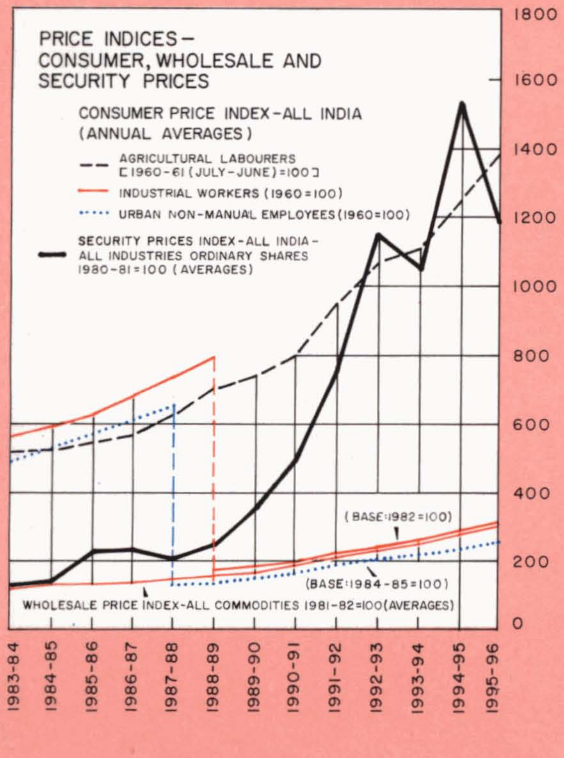
RCTC	Risk Capital and Technology Finance Corporation Ltd.
RIDF	Rural Infrastructure Development Fund
SAA	Service Area Approach
SAARC	South Asian Association for Regional Co-operation
SAF	Structural Adjustment Facility
SDF	Sugar Development Fund
SDP	State Domestic Product
SDR	Special Drawing Rights
SEBI	Securities and Exchange Board of India
SEEUY	Scheme for Self Employment for Educated Unemployed Youth
SFCs	State Financial Corporations
SGL	Subsidiary General Ledger
SHCIL	Stock Holding Corporation of India Ltd.
SIA	Secretariat for Industrial Approval
SIDBI	Small Industries Development Bank of India
SIDCs	State Industrial Development Corporations
SJDP	Special Jute Development Programme
SLR	Statutory Liquidity Ratio
SMP	Statutory Minimum Price
SSI	Small Scale Industry
STCI	Securities Trading Corporation of India
SUME	Scheme of Urban Micro Enterprises
TDICI	Technology Development and Investment Company of India Ltd.
TFCI	Tourism Finance Corporation of India
UNCTAD	United Nations Conference on Trade and Development
VAT	Value Added Tax
WMA	Ways and Means Advances
WPI	Wholesale Price Index
WTO	World Trade Organisation
YTM	Yield To Maturity

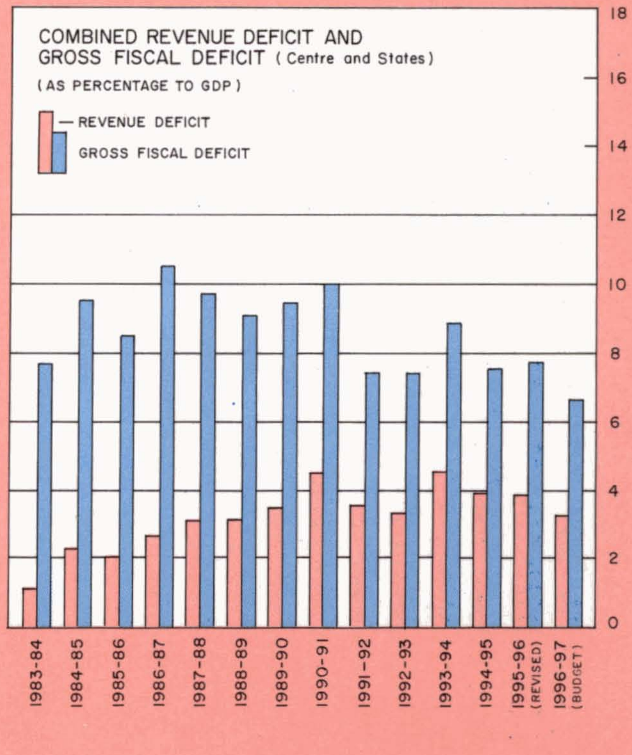
SELECTED ECONOMIC INDICATORS











SELECTED ECONOMIC INDICATORS

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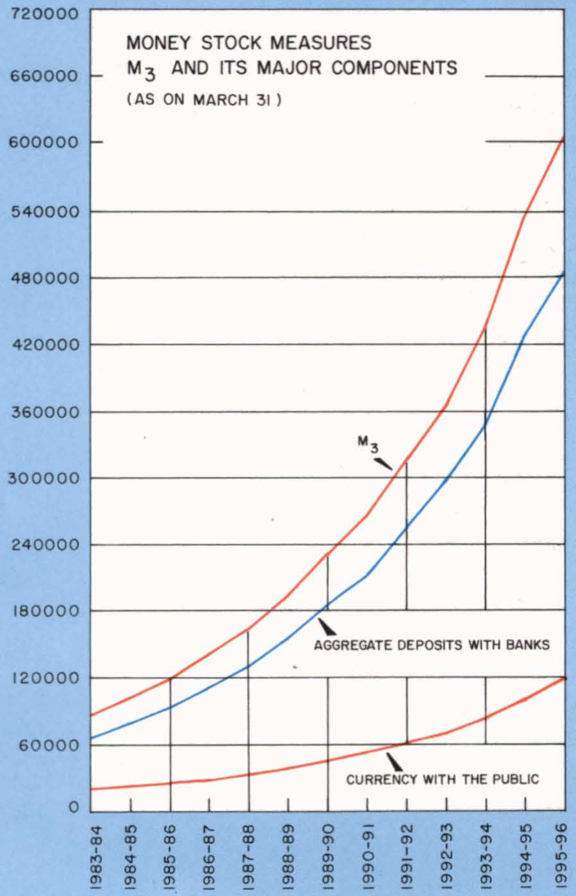
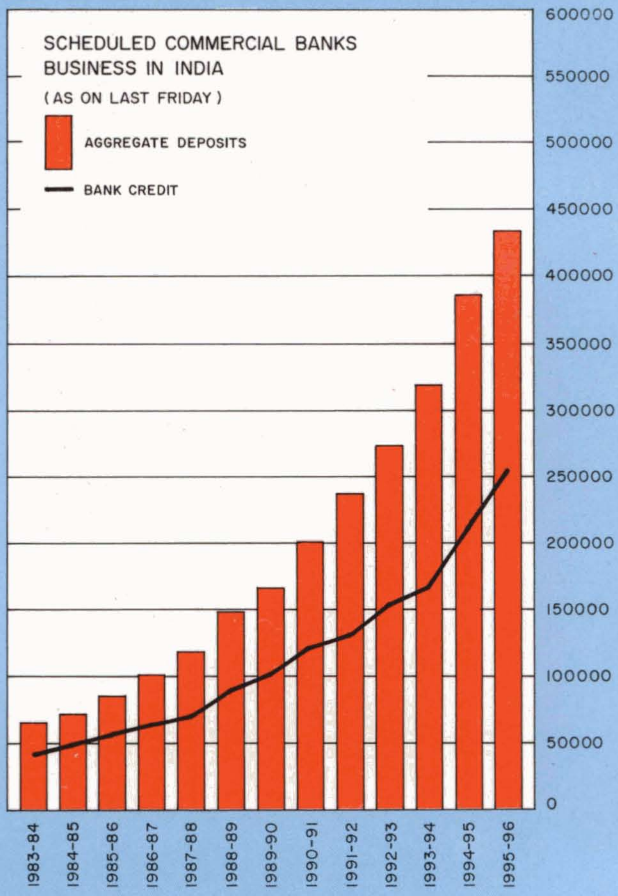
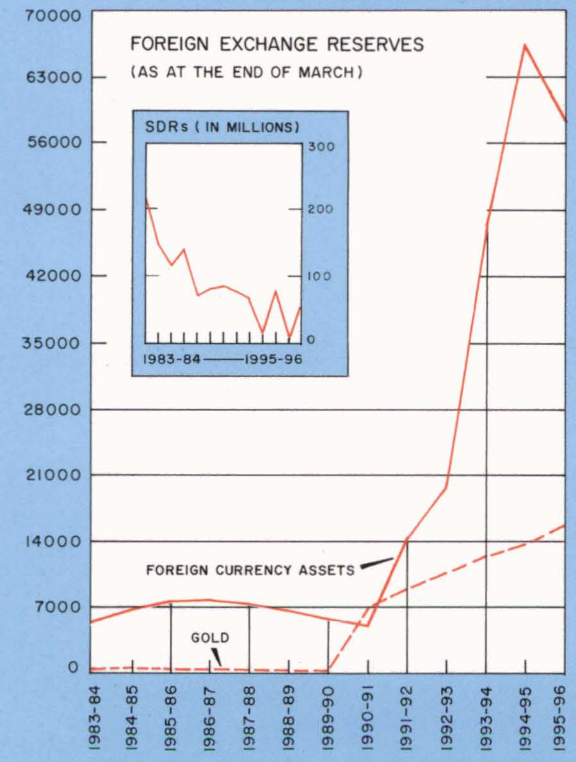
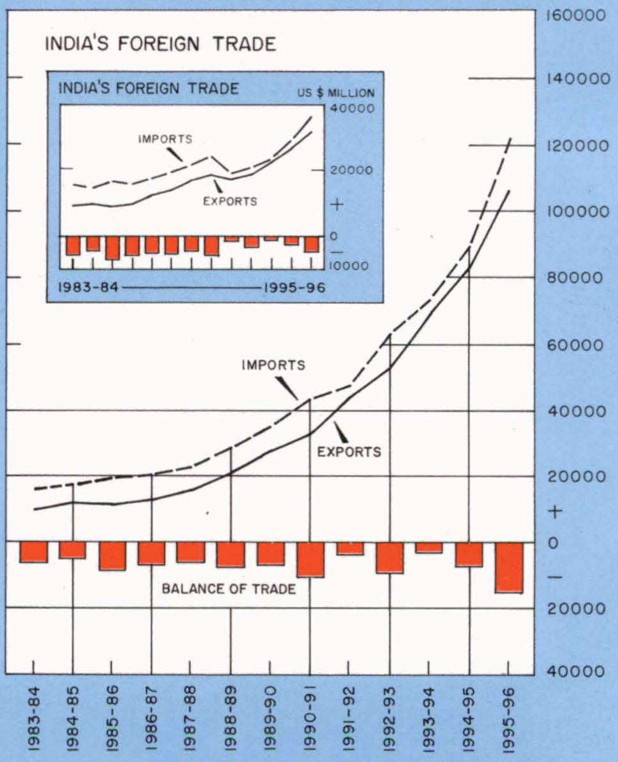








CHAPTER I

REVIEW OF DEVELOPMENTS*

Developments during 1995-96

The major highlights of the economic developments during 1995-96 were the continued high real GDP growth and the moderation in the inflation rate to a reasonable level. The quick estimates released by the Central Statistical Organisation (CSO) in January 1997 place the real GDP growth rate for 1994-95 at 7.2 per cent and for 1995-96 at 7.1 per cent. The impressive growth in 1995-96 emanated mainly from high growth in industrial and services sectors. In 1994-95, growth was widespread across all the sectors.

During the year 1995-96, agricultural output suffered a severe setback, as evident from a negative growth rate of 0.4 per cent, in sharp contrast to a robust growth of around 5.0 per cent during 1994-95. The production of foodgrains declined to 185.0 million tonnes during 1995-96 from the peak of 191.5 million tonnes in preceding year. On the other hand, the output of major commercial crops registered better performance. Oilseeds production was placed at a record 22.4 million tonnes, compared with 21.3 million tonnes in 1994-95. Sugarcane output touched the highest ever record of 283.0 million tonnes while cotton output improved considerably to 13.1 million bales from 11.9 million bales in 1994-95.

The industrial sector put up an impressive performance with a record growth of 11.6 per cent during 1995-96. A noteworthy feature was the broad-based composition of the growth, the improvement being witnessed in all the three major sectors. The acceleration was led by the 'manufacturing sector' with a significant growth rate of 13.0 per cent followed by the 'electricity' and 'mining and quarrying' sectors with growth rates of 8.2 per cent and 7.0 per cent, respectively. In terms of use-based classification, almost all the major groups, *viz.*, basic goods, intermediate goods and consumer durables registered accelerated growth rates with the exception of capital goods and consumer non-durables which witnessed a decelerated growth rate.

The activity in both the primary and secondary segments of the capital market remained subdued during 1995-96. New capital issues by the non-Government public limited companies and Government companies, public sector undertakings, banks and financial institutions at Rs.23,057 crore in aggregate showed a decline of 25.1 per cent over the year. The aggregate sanctions and disbursements of all-India financial institutions (net of inter-institutional flows) at Rs.64,115 crore and Rs.36,312 crore, respectively, were higher by 12.0 per cent and 13.9 per cent, respectively as compared with the previous year.The annual average of RBI Ordinary Share Price Index (Base:1980-81 = 100) at 1189.6 during 1995-96 recorded a decline of 22.6 per cent over the previous year.

The fiscal scenario was one of continued strain on the Centre's finances as reflected in various deficit indicators. The Centre's revenue deficit was higher at Rs.33,331 crore than that of Rs.31,029 crore in 1994-95 while the budget deficit, as per the records of the Reserve Bank of India, widened to Rs.9,934 crore from Rs.946 crore in 1994-95. With the sharp rise in both the revenue deficit and budget deficit, the monetised deficit, as measured by net RBI credit to the Centre, shot up to Rs.15,572 crore, on a fortnightly average basis during 1995-96, in sharp contrast to a decline to Rs.550 crore in 1994-95. The substantial increase in all the three deficit indicators was also reflected in the Centre's gross fiscal deficit which rose to Rs.64,010 crore from Rs.57,704 crore in 1994-95. As proportion to GDP, the budget deficit as well as the monetised deficit widened even as the revenue deficit and the fiscal deficit came down during the year. The budget deficit increased from 0.10 per cent in 1994-95 to 0.70 per cent of GDP in 1995-96, while the monetised deficit rose sharply from 0.23 per cent to 1.83 per cent of GDP during the same period. On the other hand, the revenue deficit declined from 3.28 per cent in 1994-95 to 3.07 per cent of GDP in 1995-96 while the gross

* The reference period of the Report is the financial year, April-March. This Chapter provides latest data and information available upto the time of going to the Press and therefore differs in the period coverage from the subsequent Chapters.

fiscal deficit came down from 6.10 per cent to 5.90 per cent of GDP during the same period.

Monetary expansion (M_3) was substantially lower at 13.2 per cent as compared with that of 22.3 per cent in 1994-95, and the average of about 17.0 per cent in the last 10 years. However, the lower growth in M_3 during 1995-96 should be viewed with caution since it was distorted on account of the unusually high base of March 31, 1995.

Monetary policy actions during 1995-96 helped to facilitate output growth along with price stability. The Cash Reserve Ratio (CRR) to be maintained by scheduled commercial banks (excluding regional rural banks) was reduced in the context of the high demand for bank credit and relative slowdown in deposit growth. The CRR reduction was in two stages, in November and December 1995, each by one half of one percentage point bringing it down from 15 per cent to 14 per cent. There was also reduction in CRR prescriptions in respect of non-resident deposit schemes. These measures had the effect of augmenting the lendable resources of banks to the tune of Rs.7,525 crore during the year.

During 1995-96, there was a deceleration in growth rate of aggregate deposits of scheduled commercial banks to 12.1 per cent from 22.8 per cent in 1994-95, mainly emanating from a sharp slowdown in rate of growth of demand deposits to 4.8 per cent from 35.9 per cent in the previous year. The growth in bank credit, though lower at 20.1 per cent as compared with that of 28.7 per cent in the previous year, was quite substantial. The growth in non-food credit at 22.5 per cent was impressive even in comparison with the growth in industrial production. This order of increase in bank credit was made possible despite a much lower growth in deposits because of reduction in CRR. The incremental non-food credit-deposit ratio was as high as 95.7 per cent. Investments in Government securities increased by 12.4 per cent as compared with that of 16.3 per cent in the previous year.

The decline in the inflation rate during the year was sharp, particularly so in the context of the double digit inflation recorded in the previous two years. As measured by the Wholesale Price Index (WPI), the inflation rate, on a point-to-point basis, came down to 5.0 per cent from 10.4 per cent in 1994-95. On an average basis too, the inflation rate came down to 7.8 per cent in 1995-96 from 10.9 per cent in 1994-95.

The external sector developments during 1995-96 were marked by robust export performance for the third year in succession with a growth rate of 20.9 per cent on top of 18.4 per cent growth in 1994-95. The growth in imports, on BOP basis, at 30.1 per cent was also higher than that of 27.0 per cent in the previous year, essentially reflecting the acceleration in industrial growth. With buoyant invisible receipts (especially private transfers), current account deficit was placed at US $ 5,434 million or 1.7 per cent of GDP. As capital inflows fell short of the financing requirements, the foreign exchange reserves declined during the year by US $ 2,919 million. The foreign currency assets of the Reserve Bank as at end-March 1996 stood at a little over US $ 17 billion, equivalent to about five months of imports.

The exchange rate of the rupee *vis-a-vis* the US dollar came under pressure in August 1995 after remaining stable since March 1993, during which period the real effective exchange rate of the rupee appreciated by 11.2 per cent. The normal leads and lags in receipts and payments were exacerbated by speculative forces and the rupee depreciated in September and October 1995. The Reserve Bank's intervention in the spot and forward segments along with other measures to strengthen the foreign exchange market helped to restore the exchange rate stability.The rupee came under renewed pressure in February 1996 touching a low of Rs.37.95 per US dollar in terms of FEDAI indicative rates on February 6, 1996. The rupee strengthened subsequently in the wake of further measures undertaken by the Reserve Bank and ended the year at Rs.34.35 per US dollar. Nevertheless, over the three-year period between March 1993 and March 1996, the real effective exchange rate of the rupee appreciated by 4.7 per cent.

Developments during 1996-97

Agriculture

For the ninth year in succession, the country received normal rainfall during the South-West monsoon season 1996 (June-September). The rainfall was excess to normal in 32 meteorological sub-divisions and it was deficient in the remaining

3 sub-divisions. In the wake of timely arrival of the monsoon coupled with its favourable temporal and spatial distribution across the country, the *kharif* foodgrains output at 103.2 million tonnes is poised not only to recover the lost ground during 1995-96 but also to surpass the previous peak achieved in 1992-93. The outturn of *Kharif* harvest would have been still larger but for the extensive damage caused by severe floods and cyclonic storm in Coastal and Rayalaseema regions of Andhra Pradesh in October-November 1996, and near-drought situation in Orissa, the two important rice growing States which together account for nearly one-fifth of the total rice production in a normal year. As compared to last year, the *rabi* output during 1996-97 is estimated to be only marginally higher at 88.0 million tonnes, reflecting the inhibitory influence of dry spells and frost in Northern States in winter months, lower than the normal crop acreage, and other serious constraints concerning the availability of key farm inputs. The aggregate output of foodgrains, both *kharif* and *rabi,* at 191.2 million tonnes during 1996-97 would thus be roughly 6 million tonnes higher than that in 1995-96. As regards the non-food crops, the output of sugarcane is likely to decline to 273.5 million tonnes during 1996-97 from the record level of 283.0 million tonnes in 1995-96. On the other hand, cotton production is estimated to be 14.3 million bales in 1996-97, higher than 13.1 million bales in 1995-96. Jute and mesta production is also likely to rise, *albeit* modestly, to 9.2 million bales in 1996-97 from 8.9 million bales in the previous year. The production of oilseeds is likely to reach a peak of 24.1 million tonnes during 1996-97 as against 22.4 million tonnes in 1995-96.

The procurement of wheat during the 1996-97 marketing season, upto January 20, 1997, at 8.18 million tonnes was significantly lower than 12.33 million tonnes in the corresponding period of the previous year. The procurement of rice during the kharif marketing season 1996-97 upto January 20, 1997, was, however, higher at 7.79 million tonnes, compared with 6.12 million tonnes in the comparable period of the previous year. During the period April-November 1996, the combined off-take of wheat and rice at 16.19 million tonnes was considerably higher than 13.89 million tonnes in the corresponding period of the preceding year. The sluggish procurement coupled with increased off-take has resulted in considerable depletion of food stocks; these stood at 20.36 million tonnes at the end of November 1996 - about 9.5 million tonnes lower than the stocks of 29.89 million tonnes at the corresponding point of time last year.

Industry

The excellent performance of the industrial sector during 1995-96 could not be sustained in the current financial year so far and according to the latest estimates of index of industrial production (IIP) available for the period April-September 1996, industrial production registered a lower growth of 9.8 per cent as compared with that of 12.1 per cent in the corresponding period of the previous year. The deceleration in the overall industrial growth was brought about by the 'mining and quarrying' and 'electricity generation' sectors which registered abysmally low growth rates of 0.5 per cent and 2.8 per cent, respectively, as compared with the double digit growth rates of 11.2 per cent and 10.9 per cent, respectively, during the corresponding period of the previous year. The 'manufacturing' sector, which has a weightage of 77.1 per cent in IIP, however, registered a growth rate of 12.4 per cent, only fractionally lower than that of 12.5 per cent recorded in the corresponding period of the previous year. In terms of use-based classification, while capital goods and intermediate goods registered accelerated growth rates, basic goods and consumer goods segments witnessed deceleration. The growth rate in respect of major infrastructure industries comprising electricity, coal, saleable steel, cement, petroleum crude and petroleum refinery products registered a substantially lower growth rate of 3.3 per cent during April-December 1996 than that of 8.8 per cent in the corresponding period of the previous year.

Capital Market

During the first nine months of the current financial year (April-December 1996), the primary segment of the capital market witnessed subdued conditions and new capital issues by the Government companies (including PSU bonds), banks and financial institutions (in the public sector) and non-Government public limited companies aggregated Rs.11,516 crore (provisional), which was lower by 22.8 per cent than those during the corresponding period of 1995-96. The new issues by banks and financial institutions were higher at Rs.2,230 crore in April-December 1996 as compared with Rs.2,184 crore during April-December 1995. The new capital issues by the non-Government public limited companies (private corporate sector) at Rs.8,810 crore were lower by 23.5 per cent than those during the corresponding period of 1995-96. Private placements, however, seem to have increased sharply, and from all indications, would be around Rs.9,000 crore in the first nine months of 1996-97.

The secondary segment of the capital market displayed a mixed trend during April-December 1996 as the buoyancy in the first quarter gave way to subdued conditions in the subsequent period. While the upbeat mood in the first quarter was aided by the proposals in the Union Budget for 1996-97 and encouraging corporate results for the year 1995-96, the subsequent weak market sentiments were caused by the lack of adequate buying support from both the domestic and foreign institutional investors. The monthly average of RBI Index of Ordinary Share Prices (Base:1980-81=100) which stood at 1146.5 in March 1996 moved up to 1330.2 in June 1996, but declined thereafter to 957.4 in December 1996, (provisional) recording a sharp decline of 16.5 per cent during the period April-December 1996.

The sanctions and disbursements by the all-India financial institutions during the period April-December 1996, according to available provisional data, showed a divergent trend: sanctions at Rs.34,458 crore declined by 26.3 per cent, while disbursements at Rs.26,813 crore registered an increase of 15.6 per cent.

Fiscal Developments

During the current financial year, the budget deficit and monetised deficit remained high up to the middle of August 1996, but the rise in these deficit indicators was contained thereafter. At end-December 1996, the budget deficit amounted to Rs.6,839 crore while the monetised deficit was placed at Rs.3,735 crore as compared with the levels of Rs.7,064 crore and Rs.11,099 crore, respectively at the same time of the previous year. As on January 24, 1997, budget deficit stood at Rs.13,755 crore and net RBI credit was placed at Rs.6,020 crore. Net issue of *ad hocs* stood at Rs.1,685 crore as on January 24, 1997.

During the current fiscal year up to January 17, 1997, the Central Government borrowed a gross amount of Rs.33,812 crore (Rs.24,177 crore net) through normal market borrowing and other medium and long term instruments including 364-day Treasury bills. At this level, the Central Government has mobilised in the current fiscal year so far, about 96 per cent of the gross market borrowings envisaged for 1996-97 (Rs.35,294 crore). This order of mobilisation was rendered possible by relatively comfortable liquidity conditions prevailing in the economy. During the current fiscal year up to January 17,1997, the net amount mobilised under normal market borrowing programme was Rs.3,025 crore (after taking into account the repayment of Rs.975 crore from the gross borrowings of Rs.4,000 crore). The net amount mobilised through medium and long term instruments including 364-day Treasury bills stood at Rs.21,152 crore representing 97 per cent of the relevant budget estimates (Rs.21,798 crore). The devolvement on the Reserve Bank amounted to Rs.3,697.8 crore (13.7 per cent) while the amount absorbed by the Primary Dealers (PDs) was Rs.357.02 crore (1.3 per cent).

The State Governments entered the market thrice during the current financial year, in May and August 1996 for a notified amount of Rs.1,500 crore each and again in January 1997 for a notified amount of about Rs.1,609 crore. All the tranches were oversubscribed with the total amount mobilised placed at Rs.6,535 crore.

In the current financial year, the yields on Government securities have come down in relation to all maturities. The decline has been particularly sharp for shorter maturities. The yield rate on 91-day auction Treasury bills as on February 1, 1997 stood at 7.50 per cent as against 12.97 per cent a year earlier. Similarly the yield rate on 364-day Treasury bills stood at 10.10 per cent as on January 31, 1997 as compared with 13.12 per cent a year earlier. The decline in 3 year, 5 year and 10 year maturities has been in the range of 25 to 30 basis points.

Monetary Trends

The monetary expansion has been higher during the current financial year so far (up to January 17, 1997), with broad money (M_3) increasing by 10.6 per cent as compared with an expansion of 8.2 per cent in the corresponding period of the previous year, largely on account of strong growth in time deposits.

The average CRR was first reduced by one percentage point to 13 per cent in two phases of 0.5 percentage point each, effective April 27 and May 11, 1996 apart from reduction in CRR on NRE deposits to zero and rationalisation of export credit refinance limit. The release of resources on account of these policy measures amounted to Rs.5,200 crore. Again,the average CRR was reduced from 13.0 per cent to 12.0 per cent effective July 6, 1996 which helped release Rs.4,100 crore to the banking system. This was followed by a further reduction in CRR by 2.0 percentage points in four phases of 0.5 percentage point each effective fortnights beginning October 26, 1996, November 9, 1996, January 4, 1997 and January 18,1997 which had the effect of release of resources to the tune of about Rs.8,550 crore.

An analysis of the sources of change in M_3 showed that net bank credit to Government continued to record a strong rise — increasing by Rs.29,464 crore during the current financial year so far (up to January 17, 1997), as compared with that of Rs. 28,229 crore in the corresponding period of the previous year. During the same period, the banking sector's net foreign exchange assets also increased substantially by Rs.11,482 crore as against a decline of Rs.458 crore in the previous year. During the current financial year so far, bank credit to the commercial sector has increased by a lower magnitude of Rs.17,974 crore as compared with the rise of Rs.33,963 crore during the corresponding period of 1995-96. It is noteworthy, however, that bank credit to the commercial sector which had declined by Rs.3,722 crore between March 31 and September 13, 1996, has picked up since then, recording a rise of Rs.21,696 crore during the subsequent period upto January 17, 1997. Reserve money declined by 2.5 per cent during the current year so far (upto January 24, 1997) as against a rise of 8.4 per cent in the comparable period of 1995-96, the decline being largely reflective of relatively easy liquidity conditions resulting from substantial reductions in the Cash Reserve Ratio (CRR). The lowering of reserve requirements coupled with the sharp accretion to time deposits pushed up the average broad money multiplier from 3.10 as on March 31, 1996 to 3.53 as on January 17, 1997.

Banking Trends

During the current financial year so far (up to January 17, 1997) aggregate deposits of scheduled commercial banks increased substantially by Rs.41,726 crore or 9.6 per cent as compared with a rise of Rs.20,803 crore or 5.4 per cent in the corresponding period of the previous year. While there has been a strong growth in time deposits (Rs.44,378 crore or 12.6 per cent) as compared to the previous year (Rs.31,035 crore or 10.0 per cent), demand deposits declined by Rs.2,653 crore which was sharply lower than the decline of Rs.10,232 crore in the previous year. Notwithstanding the sharp increase in aggregate deposits, bank credit expanded by Rs.11,511 crore in contrast to the substantial increase of Rs. 29,489 crore in the comparable period of the previous year. Non-food credit registered a modest increase of Rs.12,600 crore or 5.2 per cent as compared with a sharp rise of Rs.30,341 crore or 15.2 per cent in the comparable period of 1995-96. Banks' investments in Government securities increased significantly by Rs.23,758 crore or 18.0 per cent as compared with the increase of Rs. 12,526 crore or 10.6 per cent during the corresponding period of the previous year.

With the substantial augmentation of lendable resources of banks through successive reductions in CRR, commercial banks have responded with cuts in their prime lending rates (PLR) by 150 to 200 basis points; some banks have even started charging a lower PLR for loans as compared with cash credit limits. The maximum spread over PLR of most banks is currently in the range of 3.5 to 4.0 percentage points. With increased liquidity on account of CRR cuts, there is considerable pressure on banks to reduce interest rates further.

Price Situation

The inflation rate as measured by the variations in the Wholesale Price Index (WPI) was placed at 7.0 per cent, on a point-to-point basis, since the beginning of the current financial year (up to January 18, 1997), as compared with that of 4.5 per cent in the corresponding period of 1995-96. The indices of all the three major groups, *viz.*, 'Primary Articles', 'Fuel, Power, Light and Lubricants' and 'Manufactured Products' increased but the sharper increases, given the weights, were in primary articles. As a result, the Consumer Price Index for Industrial Workers (CPI-IW) continued to drift upward. The CPI-IW increased by 9.4 per cent between March 1996 and November 1996, as compared with the increase of 9.6 per cent during the corresponding period of the previous year.

External Sector

According to provisional data, exports in dollar terms at US $ 24,205 million rose by only 6.4 per cent during the first nine months of the current financial year (April-December 1996) as compared with a substantial rise of 24.2 per cent during the corresponding period of the previous year. However, in SDR terms, exports increased by 12.1 per cent against the rise of 17.5 per cent in the corresponding period of 1995-96. The slowdown in exports is partly attributed to general sluggishness in world trade and partly reflective of the fall in prices of tradeables. The import growth during the first nine months of 1996-97 slackened to 4.4 per cent in dollar terms (10.0 per cent in SDR terms) from 29.3 per cent (22.4 per cent in SDR terms) recorded in the corresponding period of the previous year. The slowdown in imports emanated mainly from non-oil imports which declined by 4.2 per cent, while POL imports accelerated sharply by 41.4 per cent in dollar terms. In SDR terms, however, non-oil imports rose modestly by 0.7 per cent compared with 24.9 per cent in the first nine months of 1995-96. As a combined result, the trade deficit during April-December 1996 was perceptibly lower at US $ 3,248 million (SDR 2,244 million) than that of US $ 3,535 million (SDR 2,318 million) during the first nine months of 1995-96. In dollar terms, exports financed 88.2 per cent of imports during the period under review; this ratio was 86.6 per cent and 90.1 per cent during the comparable periods of 1995-96 and 1994-95, respectively.

Balance of payments developments during 1996-97 continue to reflect signs of sustainability in the external sector. During 1996-97 (up to November 1996), foreign direct investment and portfolio investment flows have been placed higher at US $ 1,456 million and US $ 2,190 million, respectively as compared with US $ 1,352 million and US $ 995 million, respectively, in the corresponding period of 1995-96. Furthermore, accretions to non-resident deposits during April-November 1996 amounted to US $ 2,885 million as compared with US $ 653 million during April-November 1995.

India's foreign exchange reserves (comprising foreign currency assets of the Reserve Bank, gold held by the Reserve Bank, and SDR balances of the Government) increased during the current financial year so far (up to January 31,1997) by US $ 2,286 million to US $ 23,973 million. Foreign currency assets increased by US $ 2,804 million during this period after meeting the obligations to the IMF and withdrawal of deposits under the FCNRA scheme.

The exchange rate of the rupee remained broadly stable during the first nine months of the current financial year (April-December 1996) moving within the range of Rs.34.14 per US dollar and Rs.35.94 per US dollar in terms of FEDAI indicative rates. The forward premia registered a sharp decline during this period; the three-month and six-month forward premia came down from 27.06 per cent and 23.43 per cent, respectively in March 1996 to 7.56 per cent and 7.73 per cent, respectively, in December 1996.

Outlook for the Full year 1996-97

The prospects for the financial year 1996-97 as a whole appear to be favourable for sustaining the growth momentum witnessed in the recent years. Fairly good rainfall in most regions of the country has brightened the prospects of a much higher level of agricultural production this year. Further, improvement in the reservoir levels augurs well for a step-up in hydel power generation. With regard to industrial production, manufacturing sector and capital goods segment in particular, has recorded an impressive performance. These factors point to the feasibility of the real GDP growth during 1996-97 to be around 6.8 per cent as forecast by the CSO. The external payments situation remains under control. The current account deficit is expected to be lower than 2 per cent of GDP as was originally envisaged. The foreign currency assets of the RBI remain comfortable at around US$ 19.8 billion now.

Economic developments during 1996-97 have however, raised certain concerns. These relate to slowdown in industrial growth, high interest rates both nominal and real and decline in export growth rate. For economic growth to be sustained at a rate of 7.0 per cent, there is an imperative need to raise further the saving rate even though the latest national income data do show a pick up in the saving rate. A better alignment between desired investment rate and domestic saving rate as well as maintenance of inflation rate at a reasonably low level will help to bring down the interest rate in a sustained way.

CHAPTER II

NATIONAL INCOME, SAVING AND INVESTMENT*

The Indian economic performance recorded a further improvement during 1995-96. Real GDP, at factor cost, is estimated to have gone up by 6.6 per cent over and above the growth of 6.3 per cent registered in 1994-95. 'Agriculture and allied activities' recorded a decelerated growth of 0.9 per cent in 1995-96 as against 4.9 per cent in 1994-95 while the 'industrial sector' registered an accelerated growth of 12.3 per cent as against 8.5 per cent in 1994-95. Services (including construction) also experienced a higher growth rate of 7.0 per cent in 1995-96 from 6.1 per cent in 1994-95.

While the saving estimates for the year 1995-96 are not yet available, the available information about household financial savings indicates that the household financial saving rate declined to 9.1 per cent of GDP in 1995-96 from 11.4 per cent during the previous year. Such a sharp decline largely reflected the lower expansion in households' savings in the form of bank deposits, shares and debentures and small savings. However, private corporate saving is estimated to increase from 4.0 per cent in 1994-95 to 4.2 per cent in 1995-96.

The Central Statistical Organisation (CSO) released the *Quick Estimates* for 1994-95 in February 1996. There have since been some revisions in the estimates of household financial savings. The household financial saving rate is estimated to have gone down from 11.9 per cent in 1993-94 to 11.4 per cent in 1994-95. The saving rate of the public sector more than trebled from 0.5 per cent in 1993-94 to 1.7 per cent in 1994-95, while that of private corporate sector improved from 3.7 per cent to 4.0 per cent and that of the household sector rose from 18.5 per cent to 19.2 per cent. Consequently, the overall rate of Gross Domestic Savings (GDS) rose from 22.7 per cent in 1993-94 to 24.9 per cent in 1994-95, the highest annual saving rate recorded so far.[1]

a. Trends in National Product

Performance during 1995-96

According to the revised (second quarterly update) estimates, the Gross Domestic Product (GDP) at factor cost for 1995-96, at 1980-81 prices, was estimated at Rs.2,67,461 crore showing a growth of 6.6 per cent. The industrial sector with a growth of 12.3 per cent in 1995-96 contributed significantly to this outcome. A remarkable feature of the high growth of 1995-96 is that it was achieved inspite of only a moderate agricultural performance. 'Agriculture and allied activities' generated an aggregate income of Rs.74,357 crore showing a marginal growth of 0.9 per cent as against a rise of 4.9 per cent in 1994-95. The manufacturing sector contributed an income of Rs.58,053 crore which showed a rise of 13.5 per cent over 1994-95. The income from the services sector at Rs.1,22,871 crore was estimated to grow by 7.0 per cent as against 6.1 per cent in 1994-95. Within the services sector, the performance of trade, hotels, transport and communication and financing, insurance, real estate and business services improved while the construction segment recorded

* This Chapter is based on material available upto first week of January, 1997, including the Revised (October, 1996 Update) estimates of Real Gross Domestic Product, 1995-96, released by the CSO on November 1, 1996.

1. As per the CSO's *Quick Estimates* the GDS rate was estimated to rise from 21.4 per cent of GDP in 1993-94 to 24.4 per cent in 1994-95. Analysis of saving data for 1994-95 *vis-a-vis* the other years is to be done with caution as monetary and banking data pertaining to commercial banks for 1994-95 cover 27 fortnights instead of 26. Besides, the last reporting Friday of 1994-95 coincided with March 31, the annual closing day of banks' accounts. Hence, the generally-observed year-end bulge in major banking variables are included in the saving estimates. See Report on Currency and Finance, 1994-95, Chapter V, for details.

a somewhat lower growth. As per the *Advance Estimates,* Gross National Product (GNP) at factor cost, at 1980-81 prices, was estimated at Rs.2,61,130 crore, which was higher by 6.3 per cent over 1994-95. Net National Product (NNP) at factor cost, was estimated at Rs.2,30,568 crore, showing a growth of 6.2 per cent. The per capita NNP worked out at Rs.2,506 for 1995-96 as compared with that of Rs.2,401 in 1994-95.

The time-series profile of real GDP since the year 1980-81 indicates that the average real GDP growth was 4.5 per cent during the last 5 years (1990-91 to 1994-95) compared to an average of 5.7 per cent during early half of 'eighties and 6.0 per cent during the later half of 'eighties. However, during the first four years of the Eighth Five Year Plan, the average growth in real GDP at 5.8 per cent would be higher than the target of 5.5 per cent envisaged in the plan document. While there has been a decline in the share of value added from 'agriculture and allied activities' from 37.2 per cent in the period 1980-81 to 1984-85 to 30.0 per cent in 1990-91 to 1994-95, the industrial and services sectors have both improved their shares in the two periods. (Table II-1)

Sectoral Performance in recent years

The real GDP, at factor cost, registered continuously high growth right from 1992-93. The average for the four years from 1992-93 through 1995-96 worked out to 5.8 per cent per year. Notwithstanding this performance, the annual average rate of growth in the 'nineties upto 1995-96 (6-year period) was lower at 4.9 per cent than that of the 'eighties.

Sectorally, the agricultural performance continued to be relatively low. The annual growth rate of 'agriculture and allied activities' in the 'nineties so far turned out to be only 2.8 per cent – a deterioration from the rate registered in the 'eighties. Even in the last four years, the rate was lower at 3.8 per cent than that of 4.6 per cent achieved in the 'eighties.

In the case of the industry, the last four years witnessed a turnaround in that its growth rate averaged 7.4 per cent per year, marginally higher than that of 7.3 per cent recorded in the 'eighties. This was essentially a reflection of an extremely robust performance turned in by the manufacturing segment in 1995-96.

The services sector performance was more or less stable, the rate of growth in the 'eighties however being marginally higher than what was recorded in the last four years. It is in the segments of 'trade, hotels, transport and communication' and 'financing, insurance, real estate and business services' there had been some gains, almost making up the losses sustained in the remaining two segments, viz., 'community, social and personal services' and 'construction'.

b. Trends in Domestic Saving and Investment

Aggregate Saving and Investment, 1994-95

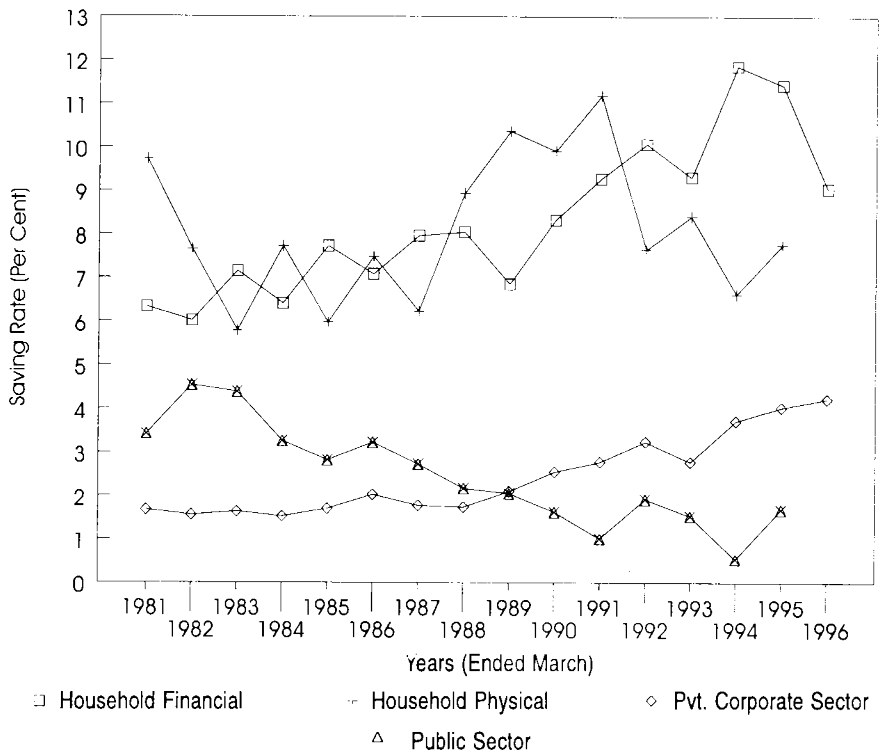
The CSO's *Quick Estimates* (February 1996) had placed the rate of Gross Domestic Saving (GDS) at 24.4 per cent of GDP at current market prices in 1994-95 against 21.4 per cent in 1993-94 and 21.2 per cent in 1992-93. Since the release of the *Quick Estimates,* there have been no revisions in the data as yet. However, since then the data on household financial savings as well as private business saving have undergone some revisions. If only these revisions are considered, the GDS rate would be 24.9 per cent in 1994-95. The aggregate investment rate would, accordingly, be 25.9 per cent in 1994-95 (Statement 12 of Vol. II).

Public sector saving rate recovered to 1.7 per cent in 1994-95 after the downward drift to 0.5 per cent in 1993-94 from 1.5 per cent in 1992-93. Notwithstanding this improvement, public sector saving rate has been showing a declining trend since 1981-82, with occasional spurts in 1985-86 and 1991-92 (Graph II-1). Private corporate savings rose from 2.8 per cent of GDP in 1992-93 to 3.7 per cent in 1993-94 and further

Graph II-1

Sectoral Saving Rates

(Per Cent)



to 4.0 per cent in 1994-95. This has been estimated to increase further at 4.2 per cent in 1995-96. An analysis of data since 1980-81 points to a generally rising trend in the private corporate saving rate (Graph II-1).

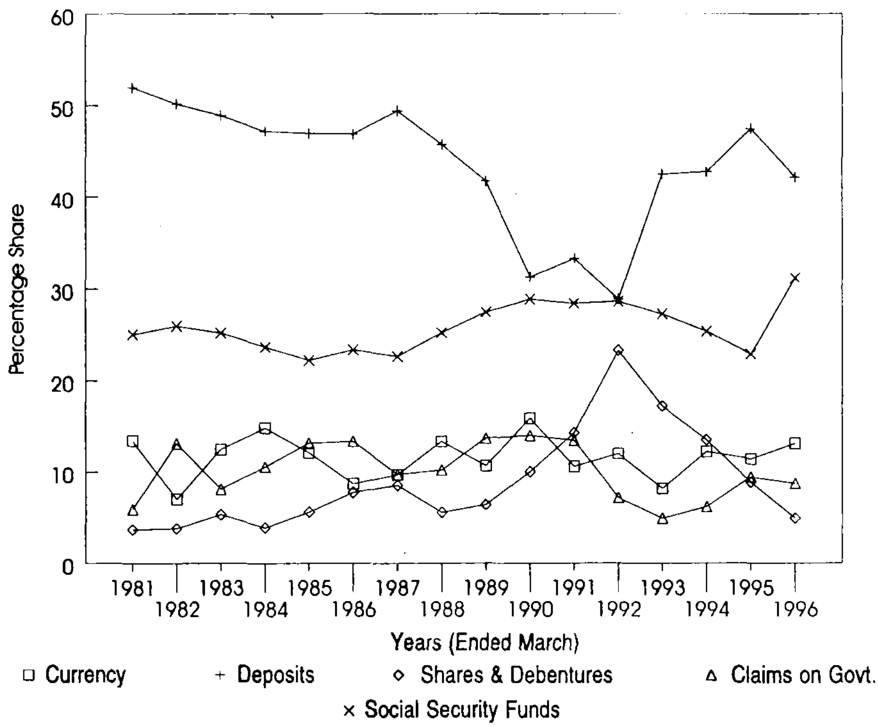
Household sector saves in the form of physical assets and financial assets. Household physical saving rate, which has been exhibiting a fluctuating trend, moved up to 7.8 per cent in 1994-95 from 6.6 per cent in the preceding year (Graph II-1). As per the latest available data, household financial saving rate had increased from 9.3 per cent of GDP in 1992-93 to 11.9 per cent in 1993-94; however, it reduced to 11.4 per cent in 1994-95. The upswing in the household savings in 1993-94 has been owing to drop in financial liabilities of the household and higher saving in all the instruments, except units of Unit Trust of India. The following year, however, experienced a lower savings rate mainly due to rise in household financial liabilities and a reduction in the savings in shares and debentures and non-bank deposits.

Household Savings in Financial Instruments – 1995-96

Household financial saving estimates reflect an increase in financial assets (through investments in financial instruments) over and above the increase in financial liabilities. Aggregate saving estimates for 1995-96 are not yet available. Available provisional estimates of financial savings of the household sector for 1995-96 indicate a dip to 9.1 per cent of GDP at current market prices from the rate of 11.4 per cent registered in 1994-95 largely on account of lower increase in household sector's bank deposits, investment in shares and debentures and small savings. In absolute terms, household financial savings which had risen sharply from Rs.95,020 crore in 1993-94 to Rs.1,08,088 crore in 1994-95 has fallen back to Rs.98,232 crore in 1995-96. The lower increase in household sector holdings of bank deposits is a statistical phenomenon in that the data on deposits included for purposes of estimation for 1994-95 had 27 reporting

Graph II-2

Percentage Distribution of Household Financial Savings (Gross)



Fridays, and March 31, 1995 being the last Friday and the closing day of the accounts of the year, showed a large bulge in deposits. Given such a high base, the increase in deposits in 1995-96 was comparatively low.

An analysis of the household sector's financial asset portfolio since 1980-81 (Graph II-2) indicates that the preference for the major financial assets in 1995-96 remains the same as in 1980-81 with deposits (including trade debt) occupying the first place and shares and debentures the last. However, this hides the portfolio switches which have taken place in the interim period. Although deposits (including trade debt) formed the major proportion of the household financial savings (gross) throughout the period 1980-81 to 1995-96, its share in financial assets had declined from around 52 per cent in 1980-81 to 31.2 per cent in 1989-90. The decline was gradual in the first half of 'eighties but became pronounced in the late 'eighties with the share of deposits plunging to a low in 1989-90. Meanwhile the share of household investment in shares and debentures (including units of Unit Trust of India) increased from 3.7 per cent in 1980-81 to 23.3 per cent in 1991-92. Within deposits, the share of bank deposits in household financial savings (gross) dropped from 45.8 per cent in 1980-81 to 29.0 per cent in 1989-90. However, since 1991-92, due to lower mobilisation by mutual funds and depressed capital market conditions, the household investment in shares and debentures (including units of Unit Trust of India) dropped to 4.9 per cent in 1995-96. On the other hand, the share of deposits has increased from 31.2 per cent in 1989-90 to 47.5 per cent in 1994-95 and dipped to 42.1 per cent in 1995-96 mainly due to the statistical problem to which a reference was made in the previous paragraph.

Financial Assets

Currency : Household holdings of currency increased to Rs.15,916 crore in 1994-95 and further to Rs.16,375 crore in 1995-96. The share of currency in financial assets (gross) however, declined from 12.2 per cent in 1993-94 to 11.4 per cent in 1994-95, but increased again to 13.1 per cent in 1995-96.

Bank Deposits : Deposits of the household sector in commercial banks, co-operative banks, credit and non-credit societies, constitute the most important instrument of financial savings of the household sector. It amounted to Rs.56,164 crore or 5.9 per cent of GDP during 1994-95, as compared with that of Rs.36,378 crore or 4.5 per cent of GDP in 1993-94. It is estimated at Rs.35,284 crore or 3.3 per cent of GDP in 1995-96. The share of bank deposits had increased from 33.2 per cent of household financial savings (gross) in 1993-94 to 40.2 per cent in 1994-95. This trend was reversed in 1995-96 and it is estimated at 28.2 per cent.

Non-banking Deposits : Non-banking deposits of the household sector in financial and non-financial companies, which had spurted to Rs.11,654 crore (1.5 per cent of GDP) in 1993-94 were Rs.11,743 crore (1.2 per cent of GDP) in 1994-95, and moved up to Rs.17,079 crore (1.6 per cent of GDP) in 1995-96. The share of non-banking deposits increased from 10.6 per cent in 1993-94 to 13.7 per cent in 1995-96. The overall buoyancy in non-banking deposits is attributed to high returns offered by these companies.

Social Security Funds : Contractual savings of the households in social security funds constitute saving under provident fund (PF) schemes (contributory as well as non-contributory), pension and life insurance funds. With these types of savings being linked to the salary of the organised sector work force, the absolute inflows into these funds have always been increasing over time. The amount under these contractual savings increased from Rs.27,796 crore in 1993-94 to Rs.31,963 crore in 1994-95 and further to Rs.38,919 crore in 1995-96. As a percentage to GDP at current market prices, social security funds have been stable at around 3.4 per cent for the period 1993-94 to 1995-96. However, their share in gross financial savings declined from 25.4 per cent in 1993-94 to 22.9 per cent in 1994-95, and improved to 31.2 per cent in 1995-96 (Statement 11 of Vol. II).

Claims on Government : Household savings in the form of claims on government, after suffering reversals in 1991-92 and 1992-93, increased to Rs.6,784 crore in 1993-94 and further to Rs.13,222 crore in 1994-95. These are estimated to show a decline to Rs.10,873 crore in 1995-96, mainly on account of declining small savings. While household deposit scheme for retiring government employees, household investment in government securities and its saving in relief bonds have registered marginal increases, there have been continuous drawdown in four schemes, viz., National Rural Development Bonds, Capital Investment Bonds, Special Bearer Bonds and National Deposit Scheme. The share of claims on government in household's total financial assets (gross) increased from 6.2 per cent in 1993-94 to 9.5 per cent in 1994-95 but declined to 8.7 per cent in 1995-96. Small savings, which increased substantially from Rs.6,451 crore in 1993-94 to Rs.13,104 crore in 1994-95, is estimated to have declined to Rs.10,403 crore in 1995-96.

Investment in shares and debentures including units of UTI : Household investment in shares and debentures, including units of UTI, which had declined from Rs.14,772 crore during 1993-94 to Rs.12,369 crore in 1994-95 is expected to have decelerated further to Rs.6,142 crore in 1995-96, mainly due to subdued conditions in the capital market and dismal performance of mutual funds, including the UTI. As a result, the share of household investment in shares, debentures etc. in the financial savings declined sharply from 13.5 per cent of household financial savings (gross) in 1993-94 to 8.9 per cent in 1994-95 and further to 4.9 per cent in 1995-96. As a percentage of GDP, it has decelerated from 1.9 per cent in 1993-94 to 1.3 per cent in 1994-95 and further to 0.5 per cent in 1995-96.

Household investment in units of UTI fell from Rs.4,705 crore in 1993-94 to Rs.3,908 crore in 1994-95 and further plunged to Rs.262 crore in 1995-96. Mobilisation by other mutual funds, which had decreased from Rs.1,272 crore in 1993-94 to Rs.838 crore in 1994-95 also recorded a sharp decline in to Rs.–351 crore in 1995-96. The household sector's direct investment in equities and debentures of private corporate business, after declining from Rs.7,443 crore in 1993-94 to Rs.7,377 crore in 1994-95, further declined to Rs.5,957 crore in 1995-96. Public sector bonds had garnered Rs.163 crore of household financial savings in 1995-96 as against Rs.105 crore in 1994-95 and Rs.504 crore in 1993-94.

Household sector's financial liabilities, which had dipped to Rs.14,542 crore or 1.8 per cent of GDP in 1993-94, increased to Rs.31,689 crore or 3.4 per cent of GDP in 1994-95. The estimates for 1995-96 place these liabilities at Rs.26,740 crore or 2.5 per cent of GDP. The bulk component in the liabilities, *viz.*, 'loans and advances from banks' are estimated at Rs.24,296 crore in 1995-96 as against Rs.28,508 crore in 1994-95 and Rs.11,972 crore in 1993-94 (Statement 11 of Vol. II).

Table II -1 : Trends in Sectoral Growth Rate and Composition of Real GDP

(Per cent)

Item	Period I (1980-81 to 1984-85)	Period II (1985-86 to 1989-90)	Period III (1990-91 to 1994-95)	Period IV (1990-91 to 1995-96)	1992-93	1993-94P	1994-95*	1995-96**	1992-93 to 1995-96
1	2	3	4	5	6	7	8	9	10
1. Agriculture and Allied Activities	**5.7**	**3.4**	**3.1**	**2.8**	**6.1**	**3.3**	**4.9**	**0.9**	**3.8**
	(37.2)	**(32.6)**	**(30.0)**	**(29.7)**	**(30.2)**	**(29.8)**	**(29.4)**	**(27.8)**	**(29.3)**
1.1 Agriculture	6.2	3.6	3.3	2.8	6.6	3.4	5.1	—	3.8
	(34.0)	(30.1)	(28.0)	(23.3)	(28.2)	(27.7)	(27.4)	—	(20.8)
2. Industry	**6.5**	**8.0**	**4.4**	**5.7**	**4.3**	**4.6**	**8.5**	**12.3**	**7.4**
	(21.9)	**(24.1)**	**(24.8)**	**(25.0)**	**(24.5)**	**(24.4)**	**(24.9)**	**(26.3)**	**(25.0)**
2.1. Mining & quarrying	8.2	9.0	4.8	4.8	1.1	4.1	4.3	5.0	3.6
	(1.7)	(1.8)	(2.0)	(2.0)	(2.0)	(1.9)	(1.9)	(1.9)	(1.9)
2.2. Manufacturing	6.2	7.7	4.0	5.6	4.1	4.3	9.0	13.5	7.7
	(18.5)	(20.2)	(20.3)	(20.6)	(20.0)	(19.9)	(20.4)	(21.7)	(20.5)
2.3. Electricity, Gas & Water Supply	7.9	9.5	7.9	8.0	8.3	7.3	8.0	8.3	8.0
	(1.8)	(2.1)	(2.5)	(2.5)	(2.5)	(2.6)	(2.6)	(2.7)	(2.6)
3. Services	**5.4**	**7.2**	**5.6**	**5.8**	**4.9**	**6.3**	**6.1**	**7.0**	**6.1**
	(40.9)	**(43.3)**	**(45.2)**	**(45.3)**	**(45.3)**	**(45.8)**	**(45.7)**	**(45.9)**	**(45.7)**
3.1. Trade, Hotels , Transport and Communication	5.7	7.1	5.9	6.6	6.4	7.5	8.0	10.1	8.0
	(16.8)	(17.8)	(18.4)	(18.6)	(18.3)	(18.7)	(19.0)	(19.6)	(18.9)
3.2. Financing, Insurance, Real Estate and Business Services	5.3	8.3	6.5	6.4	3.0	8.5	4.3	5.6	5.4
	(8.9)	(9.8)	(11.0)	(11.0)	(11.0)	(11.3)	(11.1)	(11.0)	(11.1)
3.3. Community, Social and Personal Services	5.2	7.3	4.3	4.3	5.0	3.9	4.3	4.1	4.3
	(10.4)	(11.1)	(11.2)	(11.2)	(11.4)	(11.3)	(11.1)	(10.8)	(11.2)
3.4. Construction	5.0	5.2	5.3	5.2	3.3	2.3	7.1	4.7	4.4
	(4.7)	(4.5)	(4.6)	(4.6)	(4.6)	(4.5)	(4.5)	(4.5)	(4.5)
Total Gross Domestic Product (1+2+3)	**5.7**	**6.0**	**4.5**	**4.9**	**5.1**	**5.0**	**6.3**	**6.6**	**5.8**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

P : Provisional *Quick Estimates, February, 1996 **Revised (second quarterly update) Estimates, October, 1996.

Note : Figures in brackets indicate the sectoral shares of gross domestic product.

Source : Central Statistical Organisation.

CHAPTER III

AGRICULTURAL PRODUCTION*

An overview

Agriculture suffered a setback during the year 1995-96, notwithstanding the eighth successive favourable monsoon in the country. The foodgrains production declined to 185.0 million tonnes in 1995-96 from the historic peak level of 191.1 million tonnes in 1994-95. Late arrival of monsoon, occurrence of floods in North-Western and Eastern parts of the country in the *kharif* season, and decline in the cultivated area under foodgrains, especially wheat and coarse cereals, were the main factors behind the decline in the production of foodgrains during the year. However, the performance of non-foodgrains with the exception of raw jute & mesta, was satisfactory. The lower procurement of foodgrains particularly of wheat, coupled with a higher off-take led to a sharp decline in the food stocks. The level of food stocks declined from 36.5 million tonnes by the end of June 1995, which was higher than the quantity prescribed under the minimum buffer stock norms for maintaining food security system, to 27.8 million tonnes by the end of June 1996 and further to 19.7 million tonnes by the end of September 1996. However, with a view to containing the sharp rise in wheat prices through increased supply of wheat in the market the Central Government has decided to import 2.0 million tonnes of wheat. In view of the favourable monsoon, agricultural harvest during 1996-97 is expected to show a sharp rise in foodgrains production surpassing the earlier peak level of foodgrains production.

Trends in Production

The agricultural production in 1995-96 suffered a setback mainly due to the decline in the production of foodgrains. The index number of overall agricultural production for 1995-96 (with triennium ending 1981-82 as the base) declined to 163.3 from the level of 164.6 in 1994-95. As a result, agricultural production showed a negative growth of 0.8 per cent as against a rise of 5.0 per cent during 1994-95. The index of foodgrains dropped to 150.2 in 1995-96 from the level of 155.3 in 1994-95, showing a decline of 3.3 per cent. The index of non-foodgrains, however, moved up to 185.6 in 1995-96 from the level of 180.3 in 1994-95, exhibiting a rise of 2.9 per cent (Table III-1).

The total production of foodgrains amounted to 185.0 million tonnes in 1995-96, exhibiting a decline of 3.2 per cent over the previous year. The sharp decline in foodgrains production in 1995-96 was partly due to decline in yield and shrinkage of area under foodgrains. The yield of foodgrains declined by 2.5 per cent from 1547 kgs.per hectare in 1994-95 to 1508 kgs. in 1995-96. The area under foodgrains shrank by 0.7 per cent during the year (Table III-2). Season-wise, *kharif* foodgrains output at 97.7 million tonnes was lower by 3.0 per cent than the previous year's *kharif* output of 100.6 million tonnes. *Rabi* output of foodgrains at 87.3 million tonnes was 3.5 per cent lower than the previous year's output level of 90.5 million tonnes (Table III-3). The season and crop-wise break-up shows that output of *kharif* rice, *kharif* coarse cereals, *rabi* pulses and wheat showed a decline in 1995-96 over those of the previous year. On the other hand, production of *kharif* pulses and *rabi* coarse cereals showed an improvement in 1995-96 over the previous year (Tables III-4 and III-5).

Non-foodgrains output performed satisfactorily in 1995-96. The output of nine major oilseeds reached a record level of 22.6 million tonnes, 5.6 per cent higher than that of 1994-95. The production of sugarcane reached a historic peak level of 280.5 million tonnes, showing a growth rate of 3.4 per cent over the previous year. Cotton production increased by 8.1 per cent to 13.1 million bales in 1995-96 from 12.1 million bales in 1994-95. Raw jute & mesta output declined to 8.9 million bales in 1995-96 from 9.5 million bales in 1994-95.

Availability

The net availability of foodgrains in the country increased from 154.2 million tonnes during the calendar year 1994 to 167.8 million tonnes during 1995. As a result, the per capita availability of foodgrains improved from the level of 469.5 grams per day in 1994 to 501.9 grams per day in 1995 but it was lower than the level of *510.1 grams* in 1991 (Table III-6).

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* This Chapter is based on information / data available up to September 1996.

Minimum Support Prices

The Central Government fixes Minimum Support Prices (MSP) on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP), as well as of the views of the State Governments, and the concerned Central Ministries. The main objective of MSP is to induce producers to improve production by ensuring remunerative prices, taking into consideration the cost of various farm inputs and profit margin. During 1994-95, MSP for various agricultural commodities were revised upwards (Table III-7).

Procurement

The procurement of foodgrains, both rice and wheat, during 1995-96 totalled 22.2 million tonnes, which showed a drop of 12.4 per cent over 1994-95. Procurement of rice during 1995-96 aggregated 9.8 million tonnes, as against 13.4 million tonnes in the previous year. Lower level of production coupled with withdrawal of levy requirement for private millers in Punjab, and exemption of non-basmati rice used for exports from levy requirement in Haryana are attributed to be the main factors behind the steep decline in the procurement of rice. Procurement of wheat during 1995-96 aggregated 12.3 million tonnes, compared with 11.9 million tonnes during the previous season, showing a rise of 3.9 per cent. Total procurement of both rice and wheat during the quarter April-June 1996 aggregated 9.8 million tonnes, falling short of the procurement of 13.7 million tonnes in the corresponding quarter of 1995 by as much as 28.9 per cent. Procurement of wheat during the quarter April-June 1996 aggregated 8.1 million tonnes which was considerably lower by 4.1 million tonnes (33.4 per cent) as compared to 12.2 million tonnes during the corresponding period of the previous season. Almost the entire quantity of wheat is procured during the quarter of April-June. Firmness in the open market prices, absence of inter-zonal restrictions on the movement of the commodity and lower production in Punjab and in other major wheat producing States constitute the important factors responsible for the steep decline in the procurement of wheat during the quarter (Table III-8).

Public Distribution System (PDS)

The Public Distribution System (PDS) is an important instrument of Government policy to moderate open market prices of essential commodities and to ensure food security. Under the PDS, the Central Government supplies six essential commodities viz., wheat, rice, sugar, edible oils, kerosene, and soft coke to the States and Union territories. These commodities are made available to the public through distribution at a uniform price known as Central Issue Price through a network of fair price shops across the country. There were 4.4 lakh fair price shops as at end-March 1996. The Government had revised the Central Issue Price (CIP) of foodgrains in February 1994: the CIP of the common, fine, and super fine varieties of rice was Rs.537, Rs.617 and Rs.648 per quintal, respectively, and that of wheat was Rs.402 per quintal (Table III-9).

Off-take

The total off-take of foodgrains stood at 25.8 million tonnes during 1995-96 (including 0.96 million tonnes under Jawahar Rozgar Yojana and other Welfare Schemes and 10.06 million tonnes under open market sale by the Food Corporation of India [FCI]): it was 38.0 per cent higher than 18.7 million tonnes during 1994-95. Commodity-wise, the off-take comprised 13.5 million tonnes of rice and 12.2 million tonnes of wheat. As compared with 1994-95, the off-take of rice was substantially higher by 57.6 per cent or nearly 5.0 million tonnes, and that of wheat by 20.4 per cent or 2.2 million tonnes. During the first quarter (April-June) of 1996-97, the total off-take of foodgrains at 5.2 million tonnes was higher by 18.5 per cent as compared with 4.4 million tonnes during the corresponding quarter of the preceding year. The spurt in off-take of rice and wheat during 1995-96 over 1994-95 was facilitated by the revival of demand from the public distribution system, higher off-take for other welfare schemes like the mid-day meal scheme, open market sales and the increased quantity, particularly of rice, used for exports. The higher off-take could be attributed to the widening differential between the open market price and the Central Issue Prices of wheat and rice, open market sale policy of the Government to stabilise prices through larger releases from FCI and the new policy environment facilitating larger quantity of exports of rice and wheat from FCI in the wake of the burgeoning stocks at the disposal of FCI (Table III-10).

Stocks

Total stocks of foodgrains stood at 23.3 million tonnes at the end of March 1996 which were substantially lower (16.0 per cent) over the corresponding day of the previous year (27.7 million tonnes); these, however, were considerably higher than the prescribed norms. The stocks of rice at 14.6 million tonnes at the end of March 1996 were 22.6 per cent higher, whereas the stocks of wheat at 8.7 million tonnes were lower by 1.8 per cent over the preceding year. Increased off-take of foodgrains through PDS as well as open market sale inclusive of exports by the FCI and lower procurement of foodgrains during 1995-96 have resulted in lower foodgrains stocks as at the end of March 1996 as compared with the position at the end of March 1995.

Foodgrains stocks as at end-June 1996 stood at 27.8 million tonnes comprising 13.3 million tonnes of rice and 14.4 million tonnes of wheat as compared with a historic peak of 36.5 million tonnes comprising 17.1 million tonnes of rice and 19.4 million tonnes of wheat as at end-June 1995 (Table III-11 and Graph III-1).

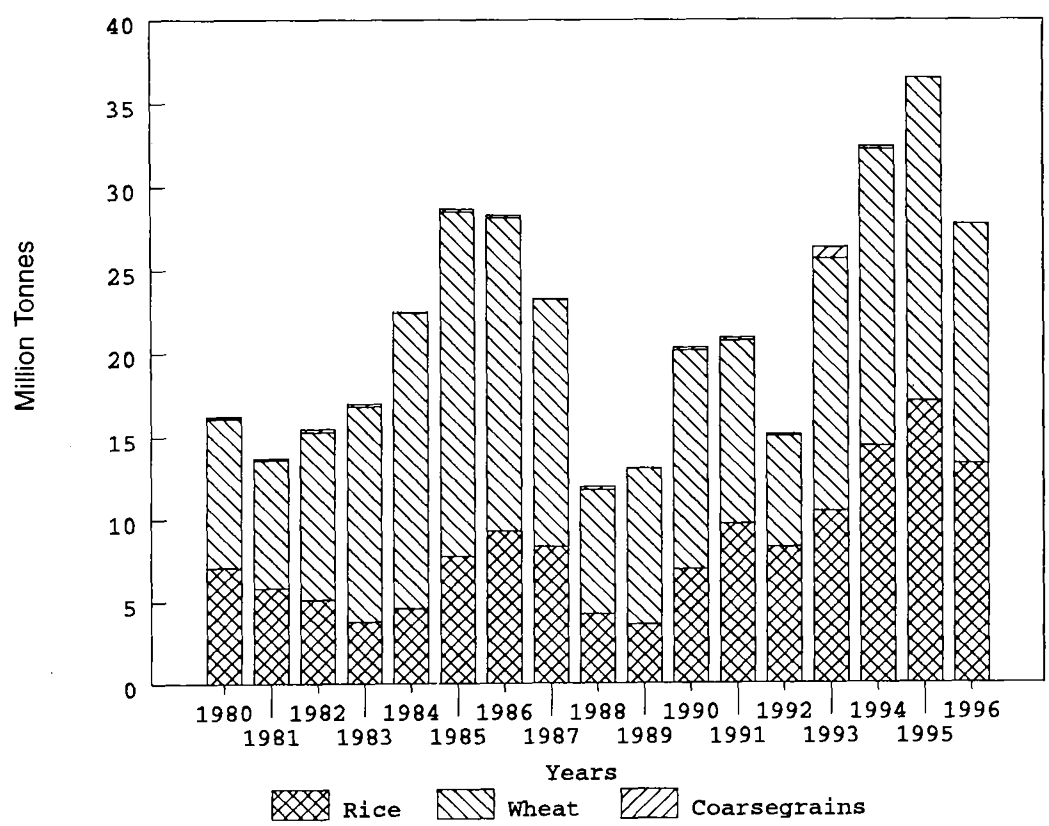
Production of Major Crops

Foodgrains

Rice

Production of rice during 1995-96 was 79.5 million tonnes as against 81.2 million tonnes attained in 1994-95, exhibiting a decline of 2.1 per cent. The output of 1995 *kharif* rice was placed at 69.7 million tonnes, compared with 71.4 million tonnes during *kharif* 1994, thus showing a fall of 2.4 per cent. The decrease reflected a decline in the yield-thresholds in the wake of delayed advent of monsoon on the one hand and floods in Punjab and Haryana in August 1995 and parts of Eastern India in September 1995 on the other. However, the output of *rabi* rice at 9.8 million tonnes remained at the previous years level (Table III-12). The modified Integrated Cereals Development Programme in rice-based cropping system areas (ICDP-Rice) is being implemented in 1200 identified blocks having low productivity of rice/cereals, below State/National average in 16 States.

Graph III-1
Stocks of Foodgrains (End-June)



Wheat

Production of wheat during 1995-96 is estimated at 62.6 million tonnes, compared with 65.5 million tonnes achieved in 1994-95. The decline in output during 1995-96 is attributed to a number of factors – the reduction of area under wheat cultivation, the fall in yield due to delayed rains, the switch-over to cotton and oilseeds cultivation, and the fluctuations in temperature at the stage of formation of grain. The contraction in area under wheat in major wheat producing States, particularly in Punjab, was noticeable : this partly reflects a switch-over to cultivation of alternative commercial crops (Table III-13).

Coarse Cereals

The coarse cereals are grown largely by small and marginal farmers in areas characterised by low and erratic rainfall behaviour essentially in rainfed and dryland regions. Coarse cereals comprise jowar, bajra, maize, ragi, small millets, and barley. The production of *kharif* bajra and jowar was adversely affected due to delayed and deficient rains in early part of the monsoon season. The total *kharif* cereals production in 1995-96 is estimated at 23.0 million tonnes, compared with 24.4 million tonnes in 1994-95 registering a fall of 5.5 per cent. In contrast, the output during 1995-96 *rabi* season totalled 6.9 million tonnes which was 15.9 per cent higher than 1994-95 *rabi* season (6.0 million tonnes). The total output of coarse cereals during 1995-96 at 30.0 million tonnes, therefore, was lower by 1.3 per cent over 30.4 million tonnes of 1994-95. The decline in the production of coarse cereals was partly due to decline in the area under coarse cereals from 32.5 million hectares in 1994-95 to 31.6 million hectares in 1995-96 (Table III-14).

Pulses

Production of pulses fluctuates from year-to-year depending upon the overall monsoon behaviour and other weather conditions. These crops are relatively more susceptible to a wide array of pests/insects. Further, pulses crops are grown largely on marginal lands, mostly in rainfed areas, and there has been virtually little break-through in developing improved and high yielding seed varieties which could raise the yield threshold. The gap between demand and supply of pulses in the country is estimated at around 5 million tonnes. Production of pulses in 1995-96 is estimated at 13.0 million tonnes, compared with 14.1 million tonnes attained in 1994-95, showing a sharp decline of 8.1 per cent (Table III-5).

With a view to enhancing the yield and minimising the fluctuations in its output, pulses were brought under the purview of the Technology Mission in 1990. Besides, the National Pulses Development Project (NPDP), which envisages added emphasis on expanding the area under pulses cultivation through multiple cropping and intercropping as also on improving the yield rate through application of modern methods of cultivation continued to be implemented during 1995-96. An amount of Rs.34.00 crore was spent on the National Pulses Development Project during 1995-96.

Non-Foodgrains

Oilseeds

Production

Around 90.0 per cent of oilseeds output is contributed for by four major oilseeds: groundnut (34 per cent), rapeseed/mustard (28 per cent), soyabean (22 per cent) and sunflower (6.0 per cent). The other oilseeds are sesame, castorseed, safflower, nigerseed, and linseed. Production of oilseeds in the year 1985-86 was merely 10.83 million tonnes. Technology Mission on Oilseeds was introduced in May 1986 with a view to making the country self-reliant in oilseeds and vegetable oils. The output has increased since then to 22.6 million tonnes during 1995-96. There was an improvement in the production in 1995-96, reflecting an improvement in area under oilseeds cultivation from 25.3 million hectares in 1994-95 to 26.4 million hectares in 1995-96. The healthy impact of oilseeds production programme covered in 337 districts of 22 States on the overall production accompanied by price support of the Government played an important role in the expansion in area under oilseeds, and consequently resulted in higher production.

Production performance during both *kharif* and *rabi* seasons of 1995-96 was better than in the previous years. During 1995 *kharif* season, the output at 12.8 million tonnes recorded an increase of 7.8 per cent while in the *rabi* season, the output at 9.8 million tonnes was higher by 2.9 per cent (Table III-15).

Among the major oilseeds, the production of groundnut slid to 7.7 million tonnes during 1995-

96 demonstrating a decline of 7.3 per cent over the previous year on account of the decline in area as well as the yield rate. In the wake of scanty rains in the post-*rabi* season, safflower production also suffered a setback mainly in the States of Karnataka and Maharashtra. However, the overall increase of 5.6 per cent in the oilseeds production resulted from a substantial spurt of 36.1 per cent in soyabean output, which was supplemented by small increases in rapeseed/mustard and sunflower seeds (Table III-16).

Minimum Support Price (MSP)

The Government raised the MSP for groundnut (in shell), sunflower seed, soyabean yellow, soyabean black, sesame and nigerseed from Rs.900, Rs.950, Rs.680, Rs.600, Rs.850 and Rs.700 to Rs.920, Rs.960, Rs.700, Rs.620, Rs.870 and Rs.720 per quintal, respectively (Table III-7). The MSP for *rabi*, oilseeds, namely rapeseed/mustard, and safflower were raised to Rs.860 per quintal and Rs.800 per quintal from Rs.810 and Rs.760 per quintal, respectively.

NAFED Operations

In order to attain self-reliance in oilseeds production, the Technology Mission on Oilseeds has designed a four-pronged strategy. The strategy is being implemented through different organisations/ institutions. Of the various institutions, the National Agricultural Co-operative Marketing Federation of India Ltd.(NAFED), continued to be the nodal marketing agency and to undertake price support operations.

The National Dairy Development Board (NDDB), which acts as a Market Intervention Agency for the procurement of oilseeds and oils for building up of buffer stock, procured 62,305 tonnes of oilseeds during 1995-96 after paying the remunerative prices to the oilseeds growers. In addition to Market Intervention Operations (MIO), NDDB provided revolving short-term loans to the projects for carrying out procurement of oilseeds.

Foreign Trade in Edible Oils

Inspite of consistent efforts to increase the production of edible oilseeds in the past years and the consequential decline in the country's dependence on import of edible oils, there still remained a gap of nearly 10.0 lakh tonnes between the total requirement and the net availability of edible oils from all domestic sources. This resulted in import of around 10.0 lakh tonnes of edible oil by all agencies in 1995-96.

Cotton

Production

According to the Ministry of Agriculture, cotton production is estimated higher at 13.09 million bales during 1995-96 season, showing a moderate increase of 8.1 per cent over 12.11 million bales in the 1994-95 season. The area under cotton cultivation rose by 4.8 per cent to 8.31 million hectares from 7.93 million hectares in 1994-95. The increase in area both during 1994-95 and 1995-96 largely reflects the farmers' positive response to better prices. The yield rate has also improved to 268 kgs. per hectare, although it still remains at an abysmally low level, compared with other major cotton producing countries in the world (Table III-17).

The Cotton Advisory Board (CAB) has placed the cotton output for 1995-96 season at a record level of 15.65 million bales, higher by 13.0 per cent as compared with 13.85 million bales for the 1994-95 season. On the supply side, the total availability of cotton during 1995-96 at 19.25 million bales (consisting of an opening stock of 3.50 million bales, estimated production of 15.65 million bales and imports of 0.10 million bales) was higher by 12.44 per cent than that of 17.12 million bales in 1994-95. On the demand side, mills' consumption in 1995-96 was placed at 13.25 million bales which was higher by 10.97 per cent than the previous season's consumption of 11.9 million bales. Small spinners' consumption was placed higher at 0.65 million bales whereas non-mills' consumption remained unchanged at the last year's level of 0.95 million bales. Exports during 1995-96 season increased significantly to 0.80 million bales from 0.11 million bales in the previous year. Thus, the total off-take of cotton during 1995-96 was placed at 15.65 million bales showing a rise of 14.9 per cent over that in the previous year (13.62 million bales). The closing stocks at the end of 1995-96 season were higher at 3.60 million bales, compared with 3.50 million bales last season (Table III-18).

Price Policy

During 1995-96 season, the Government raised the MSP for the two basic varieties of cotton viz., F-414/H-777/Agatti (short and medium staple group) and H-4 variety (long staple group) from Rs.1,000 per quintal and Rs.1,200 per quintal, applicable for the 1994-95 season to Rs.1,150 per quintal and Rs.1,350 per quintal, respectively (Table III-7).

Procurement operations

During 1995-96 season, the Cotton Corporation of India (CCI) purchased 1.02 million bales of cotton, compared with 0.84 million bales during 1994-95. The purchases were made mainly in Punjab, Haryana, Rajasthan, Madhya Pradesh, Gujarat and Andhra Pradesh on commercial basis.

In Maharashtra, the state owned Maharashtra State Co-operative Cotton Growers' Marketing Federation (MSCCGMF) undertakes procurement operations under the Monopoly Procurement Scheme at the guaranteed prices fixed by the Maharashtra Government, which are generally higher than the minimum support prices announced by the Central Government. The CCI does not make any purchases in Maharashtra. The Scheme which had expired on June 30, 1995 was extended by the Central Government for a period of one year up to June 30, 1996. Under the Scheme, the MSCCGMF procured 130.95 lakh quintals of cotton equivalent to 2.73 million bales, compared with 1.10 million bales during 1994-95 season.

Intensive Cotton Development Programme (ICDP)

During 1995-96, ICDP, which aims at increasing production and productivity of cotton, was continued in 43 districts of 11 major cotton growing states. The total outlay under the scheme during 1995-96 was Rs.14.29 crore, compared with Rs.12.29 crore during the previous year.

Raw Jute and Mesta

The production of raw jute and mesta during 1995-96 season (July-June) was 8.9 million bales, 5.8 per cent lower than the previous season's output of 9.5 million bales, as per the estimates of the Ministry of Agriculture. The decline in production owed largely to the substantial reduction in the area under cultivation and the erratic behaviour of weather during both pre and post-sowing period and the consequent drop in the yield levels (Table III-19).

According to the Office of the Jute Commissioner, Government of India, 8.6 million bales of jute and mesta (comprising an opening stock of 0.9 million bales, production of 7.5 million bales and imports of 0.2 million bales) were available for distribution during 1995-96 as against 11.2 million bales during 1994-95 season. The decline in the total availability during 1995-96 was due to the lower production as well as the lower carry forward stock at the beginning of the season. Off-take for domestic consumption during 1995-96 is estimated at 8.4 million bales. There were no exports during 1995-96. The closing stocks at the end of June 1996 are placed at 0.2 million bales (Table III-20).

Price Policy

The Minimum Support Price (MSP) for the basic variety of raw jute, TD-5 grade in Assam was raised from Rs.470 per quintal for the 1994-95 season to Rs.490 per quintal for the 1995-96 season. The corresponding MSPs of all other grades of jute/mesta in different jute/mesta growing states were notified by the Jute Commissioner (Table III-7).

JCI Operations

The Jute Corporation of India (JCI) has been set up with the primary objective of marketing of raw jute so as to ensure a reasonable return to the growers. The Corporation has been appointed as the sole agency for maintaining the minimum support price, and also for undertaking import and export of raw jute as required and permitted by the Government from time to time. The co-operatives in jute/mesta growing States function as agents of the JCI and the latter extends support for procurement of raw jute. The JCI did not procure the commodity during 1995-96 due to the prevalence of higher prices in the market resulting from speculation by the traders and the financial crunch. Owing to the financial crunch suffered by it, the JCI sold out the entire old stocks of the fibre at its disposal of about 1.1 million bales of 1993-94. Consequently, there was no buffer stock with the JCI during 1995-96.

Special Jute Development Programme (SJDP)

The programme focussing on increasing the productivity, and improving the fibre quality continued to be implemented in eight jute/mesta growing States during 1995-96. During 1995-96, under the programme, 5,489.1 quintals of certified jute seeds, 150 quintals of quality mesta seeds and 473 quintals of sunhemp seeds were distributed in the programme area. Technology demonstrations were laid out on 6,965 hectares in programme areas to convince the farmers about the production technology to achieve higher yield. Besides, 220,000 packets of fungal culture were distributed for qualitative improvement of barky jute.

Sugarcane

Production

The production of sugarcane in 1995-96 reached a historic peak of 280.5 million tonnes, surpassing the target of 255.0 million tonnes and was higher by 3.4 per cent than the previous record output of 271.2 million tonnes attained in 1994-95. The spurt in output during 1995-96 was facilitated mainly by the increase in the area under sugarcane cultivation by 7.6 per cent from 3.8 million hectares in 1994-95 to 4.1 million hectares in 1995-96. The Planning Commission has fixed a production target of 275 million tonnes of sugarcane for 1996-97 (Table III-21).

Statutory Minimum Price (SMP)

The SMP of sugarcane for the 1995-96 crop year was raised to Rs.42.50 per quintal, 8.7 per cent higher than Rs.39.10 per quintal fixed for the 1994-95 season. For the year 1996-97, it has been further raised to Rs.45.90. The price is linked to a basic recovery rate of 8.5 per cent, subject to a premium of Rs.0.57 for every 0.1 percentage point increase in the recovery above that level (Table III-7).

Sustainable Development of Sugarcane Based Cropping Systems (SUBACS)

In order to increase the production and productivity of sugarcane, a Centrally Sponsored Scheme on Sustainable Development of Sugarcane Based Cropping System (SUBACS) was initiated in 1995-96. The Scheme is being implemented in 21 States/UTs on a funding pattern of 75:25 sharing basis between the Central and State Governments. The main thrust of the programme is on transfer of technology to the farmers through field demonstrations, training of farmers, promotion of resource base of farmers through supply of farm implements, enhancing seed production and pest control measures. The total approved outlay is Rs.56.45 crore. During 1995-96, an amount of 38.25 crore was allocated for implementation of the scheme.

Tea

Production

Production of tea during the calender year 1995 had increased to 753.9 million kgs. from the previous year output of 752.9 million kgs. In view of the increase in the area under tea cultivation, the production in North India increased marginally to 568.0 million kgs. in 1995. The production in South India also increased marginally from 184.9 million kgs. in 1994 to 185.9 million kgs. in 1995. However, domestic consumption has risen at a faster rate over the years; it rose from 580.0 million kgs. in 1994 to 595.5 million kgs. in 1995 (Table III-22). The all-India output of tea between January and June 1996 was estimated higher at 265.1 million kgs., compared with 245.0 million kgs. in the comparable period of the last year. The spurt in production during January-June was attributed to higher production in North India at 180.3 million kgs. as compared with 155.2 million kgs. in the same period last year. However, the production in South India was lower at 84.8 million kgs. as against 89.8 million kgs. during the corresponding period of the previous year. The production in South India suffered a setback because of the prevailing drought condition and the failure of the North-east monsoon during October-November 1995.

Policy Measures

The Government had taken a number of steps to increase tea production so as to meet the growing domestic and international demand for it. In this context, a perspective plan for achieving production target of 1000 million kgs. by 2000 AD has been drawn up by the Tea Board. Various schemes were implemented by the Tea Board for development and financing of tea plantation. These include the enhancement of the scale of assistance under all the ongoing developmental schemes and extension of the benefit of the Tea Area Rejuvenation, Pruning and Infilling Subsidy Scheme to the gardens in the plains of Assam Valley and North Bengal. The Budgetary support sanctioned by the Government under replantation subsidy scheme for the financial year 1995-96 was Rs.22 crores.

Coffee

Production

Coffee is cultivated mainly in three southern States namely, Karnataka, Kerala and Tamil Nadu. Production of coffee after having declined by nearly 15.1 per cent in 1994-95 increased to 223.0 million kgs. during 1995-96. Variety-wise, the production of Arabica was placed higher at 103.3 million kgs. and Robusta at 119.8 million kgs. (Table III-23). The spurt in production was attributed to the increase in area coupled with the vigorous development programmes adopted by the Coffee Board in both traditional and non-traditional areas. Recently, the Board has started developing the acreage of coffee cultivation in coconut farms. Karnataka continues to be a major producer of coffee in the country. The coffee output in the country during 1995-96 was 4.4 per cent of world output, and the country's share in world coffee exports hovers around 4 per cent. To enhance productivity, consolidation of the existing coffee growing area is sought to be achieved through replanting, developing water resources and provision of timely credit.

Coffee Board

The Coffee Board is the apex institution which coordinates various production and marketing programmes/activities relating to coffee. In order to achieve a production target of three lakh tonnes by 2000 AD, the Board has drawn up various programmes as follows :

a) Production improvement through intensive cultivation, replantation, water augmentation and extensive cultivation.

b) Expansion of coffee as inter crop in 10,000 hectare of coconut gardens in the non-conventional coffee areas.

c) Operation of a comprehensive coffee development scheme by providing financial support with special emphasis on improving production and productivity.

A major development by way of liberalisation of domestic and export marketing and freeing of coffee from the regulation of Coffee Act, the Government introduced the Internal Sale Quota (ISQ), during 1993-94 and Free Sale Quota (FSQ) during 1994-95. Under the ISQ all coffee growers were entitled to sell 50 per cent of their production while the FSQ has been raised to 70 per cent for large growers and 100 per cent for small growers.

Tobacco

Production

The production of tobacco during 1994-95 was 587.1 million kgs. showing an increase of 4.3 per cent over 1993-94 level of 562.90 million kgs. The accretion in output reflected the rise in area under cultivation (Table III-24). The production of virginia tobacco during 1994-95 was estimated at 122.6 million kgs. 1.0 per cent higher than that in the previous year. The major part of the increase in the area and production under virginia tobacco was recorded mainly in Gujarat. However, during 1995-96, while the area under tobacco has been placed higher at 4.06 lakh hectares, the output has been provisionally estimated at 576.2 million kgs., reflecting a decline in the yield rate. The production of virginia tobacco in Andhra Pradesh and Karnataka during 1995-96 was estimated at 83 million kgs. and 24 million kgs., respectively.

Promotional and Policy Measures

The Minimum Support Price (MSP) for the two basic grades, i.e., F2 and L2 of VFC tobacco were fixed at Rs.19.00 and Rs.21.50 per kg. during 1995-96, which were higher by 2.7 per cent and 2.3 per cent, respectively, over the prices of the previous year (Table III-7). The MSPs for other grades of tobacco were fixed by the Tobacco Board on the basis of the MSPs of F2 and L2 varieties of tobacco.

The Tobacco Board had introduced a concept of the Minimum Guarantee Prices (MGP) in 1989 under which the traders would indicate before plantation to the growers the price at which they would buy tobacco during the ensuing auction. The MGPs are applicable for a normal crop without any statutory backup. The traders and manufacturers had agreed to pay MGPs for 1995-96 season amounting to Rs.24.00, Rs.27.00, and Rs.30.00 per kg for black cotton soil, southern light soil and northern light soil tobacco, respectively, in Andhra Pradesh and Rs.26.00 per kg. in Karnataka. The prices realised were comparatively higher than those of last year. The measures initiated by the Government for the development of tobacco cultivation mainly include :

(i) Provision of technical guidance to State Governments and farmers, and

(ii) Necessary arrangements for adequate and timely supply of pure seeds and seedlings. In addition, the Tobacco Board has taken up special measures to increase tobacco production particularly in Andhra Pradesh and Karnataka. The Tobacco Board arranged financial assistance to the growers through banks for raising VFC tobacco crop, purchasing fertiliser, coal and for repairing barns, etc., to the tune of Rs.88.68 crore during 1995-96 which helped the farmers to procure inputs etc., in time.

Prices

The virginia tobacco is being sold through auctions at various centers. In Karnataka, during the 1995-96 season, 24.3 million kgs. of VFC tobacco were sold at an average price of Rs.45.06 per kg. as against a quantity of 22.2 million kgs. marketed in the previous season at an average price of Rs.25.30 per kg. The average price realised was the highest during 1995-96 season. In Andhra Pradesh, 89.98 million kgs. of VFC tobacco were sold at an average price of Rs.33.06 per kg. as against the previous season's average price of Rs.25.62 per kg.

Measures to Promote Production

The Government has been formulating various policies and programmes and implementing them in order to augment the production of agricultural commodities. Measures in respect of specific crops were briefly explained earlier while discussing the production trends of the respective commodities. Other measures for supporting and enhancing the strength and capabilities of the crop production system in the country are outlined in the following paragraphs.

High Yielding Varieties Programme (HYVP)

The expansion of area under High Yielding Varieties (HYV) continues to be the main focus to raise yield levels and production of foodgrain crops. The anticipated achievement in HYVP during 1994-95 was higher in respect of paddy, wheat, jowar, bajra and maize. The area under HYV for paddy was higher by 7.3 per cent, wheat by 5.9 per cent, jowar by 4.4 per cent, bajra by 5.9 per cent and maize by 25.9 per cent, respectively. The targets set for 1995-96 for paddy, wheat, jowar, bajra, and maize are placed at 31.2 million hectares, 23.3 million hectares, 9.0 million hectares, 6.9 million hectares and 3.5 million hectares, respectively (Table III-25).

Fertilisers

With the increasing propagation of HYV seeds, rapid spread of irrigation facilities net-work and growing use of fertiliser in low consumption, rainfed areas, fertiliser consumption, in nutrient terms, which stagnated at around 12.5 million tonnes during the four-year period (1991-1994) rose to 13.5 million tonnes in 1994-95 and further to 15.7 million tonnes in 1995-96 (Table III-26).

The low analysis nitrogenous fertilisers were decontrolled with effect from June, 1994, and only urea continues to be under statutory price control. The fertiliser consumption mix (ratio) of the three plant nutrients, Nitrogen (N), Phosphate (P) and Potash (K) however, continued to be a cause for concern, following the deviation from the ideal NPK ratio of 4:2:1, to 9.7:2.9:1.0 in 1993-94. However, this trend seems to have been reversed as the mix has improved to 8.5:2.6:1.0 during 1994-95.

The scheme of the concessional sale of decontrolled phosphatic and potassic fertilisers including complexes, introduced in the Rabi 1992-93 season continued during 1995-96. The Government earmarked Rs.500 crore for 1995-96 for the above scheme.

With the objective of promoting a balanced use of NPK fertilisers in conjunction with organic manures, compost, green manure, and bio-fertilisers with added emphasis on the use of micro-nutrients in high fertiliser consuming, intensely cultivated regions, the scheme of "Balanced and Integrated use of Fertillisers", which was launched during 1991-92 was continued during 1994-95. The National Project on Development and Use of Bio-fertilisers also continued to be implemented in 1994-95. The bio-fertiliser units are expected to produce about 2000-2500 tonnes of bio-fertilisers. The Centrally Sponsored Scheme, titled the 'National Project on Development of Fertiliser Use in Low Consumption Rainfed Area' has commenced during 1994-95 with an initial allocation of Rs.1.46 crore. An expenditure of Rs.2.6 crores is earmarked for the year 1995-96. Assistance under the scheme is to be provided by the Central Government to State Governments for supply of small fertiliser bags to the farmers, and the seed producing agencies for production and sale of green manure seeds.

Seeds

Production of breeder seeds during 1995-96 is targeted at 42.65 thousand quintals as against 39.42 thousand quintals during the previous year, whereas the target for production of foundation seed went up to 4.76 lakh quintals during 1995-96 from 4.73 lakh quintals during 1994-95. The target for distribution of certified/quality seeds was fixed at 68.8 lakh quintals in 1995-96 as against 65.0 lakh quintals distributed during 1994-95 (Table III-27).

Plant Protection and Pesticides

With the increasing use of inorganic fertilisers and the fast growing propagation and cultivation of high yielding, short duration varieties of seeds amidst the declining balance in the sphere of plant life, the incidence of pests and plant enemies has been posing acute danger to agricultural crops, necessitating the use of pesticides on a much larger scale. The overall availability position of pesticides was satisfactory during the year 1995-96. A total quantity of 73,652 MT Technical Grade pesticides are likely to be utilised during the year. During the year, pest surveillance for monitoring the incidence of pests and diseases of major *rabi* and *kharif* crops was maintained in order to forewarn the likelihood of pest incidence. A total area of 6.7 lakh hectares was scanned during 1995-96 against a target of 5.0 lakh hectares earmarked for the year. With biological control, the natural enemies of pest species were conserved and augmented in order to minimise the application of hazardous chemical pesticides and further to reduce environmental pollution. Accordingly, Integrated Pest Management (IPM) centres had mass-reared, and released 1632.2 million bio-control agents in 4.2 lakh hectares of cropped area during the year. To keep constant watch on locusts in their resort, locust surveys have been conducted on a gross area of 65.00 lakh hectares against the annual target of 60.00 lakh hectares during 1995-96. Furthermore, in order to arrest and eliminate the intrusion of exotic pests and diseases through the ever-expanding international trade, plant quarantine regulations were implemented at 26 Plant Quarantine and Fumigation Stations in the country located at major international airports, sea ports and land frontiers.

Irrigation Schemes

By 2010 A.D., the gross irrigation potential in the country is targeted to reach 113.5 million hectares, divided almost equally between major and medium irrigation projects (58.5 million hectares) and minor irrigation works (55 million hectares). Towards achieving this objective, the Eighth Five Year Plan envisaged an outlay of Rs.22,415 crore for major and medium irrigation projects which are expected to create a potential of 5.09 million hectares of irrigated land. While the cumulative achievement up to the end of 1994-95 of major and medium irrigation, and minor irrigation stood at 32.3 million hectares, and 54.8 million hectares, respectively, the anticipated additional achievement during 1995-96 was 0.8 million hectares for major and medium irrigation and 1.6 million hectares for minor irrigation in surface and ground water (Table III-28). This entailed an outlay of Rs.7,766.13 crore during 1995-96 (Table III-29).

Command Area Development Programme

A centrally sponsored Command Area Development Scheme has been under implementation since 1974-75 with the basic objective of reducing the gap between creation and utilisation of irrigation potential. The programme envisages extension of on-farm development works like construction of field channels, land levellng and shaping, implementation of *warabandi* for rotational supply of water and construction of field drains. The cumulative achievement upto 1994-95 and the target set for 1995-96 are set out in Table III-30 under CAD programme. From the inception of the programme in 1974 upto March, 1995 an amount of Rs.1,425.6 crores has been released as central assistance under the CAD programme. The outlay for the programme under the central sector for the Eighth Five Year Plan was Rs.665 crore. An outlay of Rs.140 crore has been provided to the States for 1995-96.

Area Development Measures

Drought Prone Areas Programme(DPAP) and Desert Development Programme (DDP)

Activities under DPAP have been taken up on a micro-watershed approach in each of the 946 blocks of 149 districts in 13 States covered under the programme. The total area covered under the programme is 746 lakh hectares.

During 1994-95, 29.99 lakh hectares of land were treated for soil and moisture conservation, 9.46 lakh hectares were covered under water resources development, and 17.83 lakh hectares were covered under afforestation and pasture development. During 1994-95, total expenditure under DPAP amounted to Rs.161.33 crores.

During 1995-96, Rs.249.60 crore was allocated for DPAP. Activities under DDP have been taken up in 227 blocks of 36 districts in 7 States. Upto 1994-95, 1,85,205 hectares of land were treated for soil and moisture conservation, 82,572 hectares were covered under water resource development and 2,84,892 hectares were covered under afforestation and pasture. The entire amount of Rs.84.00 crore allocated for DDP during 1994-95, was spent during the year.

Table III-1 : Production of Major Agricultural Commodities

	Detail	Unit	1991-92	1992-93	1993-94	1994-95 P	1995-96 P
	1	2	3	4	5	6	7
I.	**All Crops (1+2)**	**Index (Triennium ending 1981-82=100)**	**145.5**	**151.5**	**156.8 P**	**164.6P**	**163.3 E**
	1. Foodgrains	-do-	137.6	144.3	150.2 P	155.3 P	150.2 E
	2. Non-foodgrains	-do-	158.8	164.0	169.4 P	180.3 P	185.6 E
II.	**Foodgrains**	**Million tonnes**	**168.38**	**179.48**	**184.26**	**191.10**	**185.00**
	Season-wise						
	Kharif	-do-	91.59	101.47	100.40	100.64	97.66
	Rabi	-do-	76.79	78.01	83.86	90.46	87.34
	Commodity Groupwise						
	Cereals	-do-	156.36	166.67	170.96	176.98	172.03
	Rice	-do-	74.68	72.87	80.30	81.16	79.46
	Wheat	-do-	55.69	57.21	59.84	65.47	62.62
	Coarse cereals	-do-	25.99	36.59	30.82	30.35	29.95
	Pulses	-do-	12.02	12.81	13.30	14.12	12.97
III.	**Non-foodgrains**						
	Oilseeds	-do-	18.60	20.11	21.50	21.42	22.62
	Kharif	-do-	9.31	12.03	12.35	11.87	12.80
	Rabi	-do-	9.29	8.08	9.15	9.54	9.82
	Sugarcane	-do-	254.00	228.03	229.66	271.23	280.49
	Cotton	Million Bales of 170 kg.each	9.71	11.40	10.74	12.11	13.09
	Raw jute and Mesta	Million Bales of 180 kg.each	10.29	9.00	8.42	9.45	8.90
	Tobacco	Million Kg.	584.40	596.50	562.90	587.10	576.20
	Coffee	-do-	180.00	169.40	212.00	180.00	223.00
	Tea	-do-	754.19	703.93	760.83	752.90	753.92

P : Provisional.

E : Estimated.

Sources : i) Ministry of Agriculture
ii) Coffee Board
iii) Tea Board
iv) Tobacco Board

Table III-2 : Foodgrains : Area, Production and Yield

Year	Area under cultivation (Million hectares)	Production (Million tonnes) Target	Production (Million tonnes) Achievement	Yield per hectare (kg.)
1	2	3	4	5
Cereals				
1991-92	99.33	167.00	156.36	1574
	(-3.72)	(3.41)	(-3.56)	(0.17)
1992-93	100.79	168.50	166.67	1654
	(1.47)	(0.90)	(6.59)	(5.05)
1993-94	100.50	172.50	170.96	1701
	(-0.29)	(2.37)	(2.57)	(2.87)
1994-95 P	100.38	173.50	176.98	1763
	(-0.12)	(0.58)	(3.52)	(3.65)
1995-96 P	99.61	176.50	172.03	1727
	(-0.77)	(1.73)	(-2.80)	(-2.05)
Pulses				
1991-92	22.54	15.50	12.02	533
	(-8.60)	(3.33)	(-15.71)	(-7.78)
1992-93	22.36	14.50	12.81	573
	(-0.80)	(-6.45)	(6.57)	(7.43)
1993-94	22.25	15.50	13.30	598
	(-0.49)	(6.90)	(3.83)	(4.34)
1994-95 P	23.17	15.50	14.12	609
	(4.13)	(0.00)	(6.17)	(1.95)
1995-96 P	23.07	15.50	12.97	562
	(-0.44)	(0.00)	(-8.14)	(-7.73)
Total (Cereals + Pulses)				
1991-92	121.87	182.50	168.38	1382
	(-4.66)	(3.40)	(-4.54)	(0.13)
1992-93	123.15	183.00	179.48	1457
	(1.05)	(0.27)	(6.59)	(5.48)
1993-94	122.75	188.00	184.26	1501
	(-0.32)	(2.73)	(2.66)	(3.00)
1994-95 P	123.55	189.00	191.10	1547
	(0.65)	(0.53)	(3.71)	(3.04)
1995-96 P	122.68	192.00	185.00	1508
	(-0.70)	(1.59)	(-3.19)	(-2.50)

P : Provisional.

Note : Figures in brackets are percentage variations over the previous year.
Totals may not tally due to rounding off.

Source : Ministry of Agriculture.

Table III-3 : Foodgrains : Area, Production and Yield (Season-wise)

Year	Area under cultivation (Million hectares)	Production (Million tonnes)		Yield per hectare (kg.)
		Target	Achievement	
1	2	3	4	5
Kharif				
1991-92	78.02 (-3.42)	103.20 (4.14)	91.59 (-7.89)	1174 (-4.64)
1992-93	77.92 (-0.13)	103.30 (0.10)	101.47 (10.79)	1302 (10.93)
1993-94	75.82 (-2.70)	105.50 (2.13)	100.40 (-1.05)	1324 (1.69)
1994-95 P	75.03 (-1.04)	106.33 (0.79)	100.64 (0.24)	1341 (1.29)
1995-96 P	74.23 (-1.07)	107.50 (1.10)	97.66 (-2.96)	1316 (-1.91)
Rabi				
1991-92	43.85 (-6.80)	79.30 (2.45)	76.79 (-0.21)	1751 (7.07)
1992-93	45.23 (3.15)	79.70 (0.50)	78.01 (1.59)	1725 (-1.51)
1993-94	46.94 (3.78)	82.50 (3.51)	83.86 (7.50)	1787 (3.58)
1994-95 P	48.52 (3.37)	82.67 (0.21)	90.46 (7.87)	1864 (4.36)
1995-96 P	48.45 (-0.14)	84.50 (2.21)	87.34 (-3.45)	1803 (-3.31)
Total (Kharif + Rabi)				
1991-92	121.87 (-4.66)	182.50 (3.40)	168.38 (-4.54)	1382 (0.13)
1992-93	123.15 (1.05)	183.00 (0.27)	179.48 (6.59)	1457 (5.48)
1993-94	122.75 (-0.32)	188.00 (2.73)	184.26 (2.66)	1501 (3.00)
1994-95 P	123.55 (0.65)	189.00 (0.53)	191.10 (3.71)	1547 (3.04)
1995-96 P	122.68 (-0.70)	192.00 (1.59)	185.00 (-3.19)	1508 (-2.50)

P : Provisional.

Note : Figures in brackets are percentage variations over the previous year.
Totals may not tally due to rounding off.

Source : Ministry of Agriculture.

Table III-4 : Cereals : Area, Production and Yield (Season-wise)

Year	Area under cultivation (Million hectares)	Production (Million tonnes)		Yield per hectare (kg.)
		Target	Achievement	
1	2	3	4	5
Kharif				
1991-92	66.78	97.10	87.17	1305
	(-3.62)	(3.74)	(-7.30)	(-3.81)
1992-93	66.54	97.25	95.85	1440
	(-0.36)	(0.15)	(9.96)	(10.35)
1993-94	64.88	99.50	95.02	1465
	(-2.49)	(2.31)	(-0.87)	(1.67)
1994-95 P	64.46	100.33	95.79	1486
	(-0.65)	(0.83)	(0.81)	(1.47)
1995-96 P	63.76	101.50	92.73	1454
	(-1.09)	(1.17)	(-3.19)	(-2.13)
Rabi				
1991-92	32.55	69.90	69.19	2126
	(-3.95)	(2.95)	(1.60)	(5.78)
1992-93	34.25	71.25	70.82	2068
	(5.22)	(1.93)	(2.36)	(-2.72)
1993-94	35.62	73.00	75.93	2132
	(4.00)	(2.46)	(7.22)	(3.09)
1994-95 P	35.92	73.17	81.19	2260
	(0.84)	(0.23)	(6.93)	(6.03)
1995-96 P	35.85	75.00	79.30	2212
	(-0.19)	(2.50)	(-2.33)	(-2.15)
Total (Kharif + Rabi)				
1991-92	99.33	167.00	156.36	1574
	(-3.72)	(3.41)	(-3.56)	(0.17)
1992-93	100.79	168.50	166.67	1654
	(1.47)	(0.90)	(6.59)	(5.05)
1993-94	100.50	172.50	170.96	1701
	(-0.29)	(2.37)	(2.57)	(2.87)
1994-95 P	100.38	173.50	176.98	1763
	(-0.12)	(0.58)	(3.52)	(3.65)
1995-96 P	99.61	176.50	172.03	1727
	(-0.77)	(1.73)	(-2.80)	(-2.05)

P : Provisional.

Note : Figures in brackets are percentage variations over the previous year. Totals may not tally due to rounding off.

Source : Ministry of Agriculture.

Table III-5 : Pulses : Area, Production and Yield (Season-wise)

Year	Area under cultivation (Million hectares)	Production (Million tonnes) Target	Production (Million tonnes) Achievement	Yield per hectare (kg.)
1	2	3	4	5
Kharif				
1991-92	11.24 (-2.18)	6.10 (10.91)	4.42 (-18.30)	393 (-16.48)
1992-93	11.38 (1.25)	6.00 (-1.64)	5.63 (27.38)	495 (25.81)
1993-94	10.93 (-3.95)	6.00 (0.00)	5.38 (-4.44)	492 (-0.51)
1994-95 P	10.57 (-3.29)	6.00 (0.00)	4.85 (-9.85)	459 (-6.78)
1995-96 P	10.47 (-0.94)	6.00 (0.00)	4.93 (1.65)	471 (2.61)
Rabi				
1991-92	11.30 (-14.20)	9.40 (-1.05)	7.60 (-14.12)	673 (0.09)
1992-93	10.98 (-2.83)	8.50 (-9.57)	7.19 (-5.39)	655 (-2.64)
1993-94	11.32 (3.10)	9.50 (11.76)	7.93 (10.29)	701 (6.98)
1994-95 P	12.59 (11.22)	9.50 (0.00)	9.27 (16.90)	736 (5.11)
1995-96 P	12.60 (0.05)	9.50 (0.00)	8.04 (-13.27)	638 (-13.31)
Total (Kharif + Rabi)				
1991-92	22.54 (-8.60)	15.50 (3.33)	12.02 (-15.71)	533 (-7.78)
1992-93	22.36 (-0.80)	14.50 (-6.45)	12.81 (6.57)	573 (7.43)
1993-94	22.25 (-0.49)	15.50 (6.90)	13.30 (3.83)	598 (4.34)
1994-95 P	23.17 (4.13)	15.50 (0.00)	14.12 (6.17)	609 (1.95)
1995-96 P	23.07 (-0.44)	15.50 (0.00)	12.97 (-8.14)	562 (-7.73)

P : Provisional.

Note : Figures in brackets are percentage variations over the previous year.
Totals may not tally due to rounding off.

Source : Ministry of Agriculture.

Table III-6 : Availability of Foodgrains

(Million tonnes)

Year (Jan to Dec.)	Gross Output	Net Output	Net Imports	Change in Govt. Stocks	Net Availability	Per Capita Net Availability Per Day (in gms)		
						Cereals	Pulses	All Foodgrains
1	2	3	4	5	6	7	8	9
1985	145.5	127.3	0.4	2.7	124.3	415.6	38.4	454.0
1990	171.0	149.6	1.3	6.2	144.8	435.3	41.1	476.4
1991	176.4	154.4	-0.1	-4.4	158.6	468.5	41.6	510.1
1992	168.4	147.4	-0.4	-1.6	148.5	434.5	34.3	468.8
1993	179.5	157.1	2.6	10.4	149.3	427.9	34.8	462.7
1994	184.3	161.3	0.5	7.5	154.2	434.0	35.5	469.5
1995	191.1	167.2	-	-0.6	167.8	464.9	37.0	501.9

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

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

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

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

Source : Economic Survey.

Table III-7 : Procurement And Minimum Support Prices
(Marketing Year)

(Rs.per quintal)

Sr. No.	Commodity	Season	Type	Variety	1993-94	1994-95	1995-96	1996-97
1	2	3	4	5	6	7	8	9
Foodgrains								
1	Paddy	Oct.-Sept.	P	Common	310	340	360	380
2	Paddy	Oct.-Sept.	P	Fine	330	360	375	395
3	Paddy	Oct.-Sept.	P	Super Fine	350	380	395	415
4	Wheat	April-March	P	FAQ	330 $	350	360	380
5	Jowar	Oct.-Sept.	P	FAQ	260	280	300	310
6	Bajra	Oct.-Sept.	P	FAQ	260	280	300	310
7	Maize	Oct.-Sept.	P	FAQ	265	290	310	320
8	Ragi	Oct.-Sept.	P	FAQ	260	280	300	310
9	Barley	April-March	M	FAQ	260	275	285	295
10	Gram	April-March	M	FAQ	600	640	670	700
11	Moong	April-March	M	FAQ	700	760	800	840
12	Urad	April-March	M	FAQ	700	760	800	840
13	Tur	April-March	M	FAQ	700	760	800	840
Non-Foodgrains								
14	Groundnut (in shell)	Nov.-Oct.	M	FAQ	800	860	900	920
15	Soyabean	Nov.-Oct.	M	BLACK	525	570	600	620
16	Soyabean	Nov.-Oct.	M	YELLOW	580	650	680	700
17	Sunflowerseed	Nov.-Oct.	M	FAQ	850	900	950	960
18	Rapeseed/Mustard	April-March	M	FAQ	760	810	810	860
19	Toria	April-March	M	FAQ	725	780	800	825
20	Safflowerseed	April-March	M	FAQ	720	760	760	800
21	Copra	Jan.-Dec.	M	FAQ	2150	2350	2500	-
22	Cotton	Sept.-Aug.	M	F-414\H-777	900	1000	1150	1180
23	Cotton	Sept.-Aug.	M	H-4	1050	1200	1350	1380
24	Jute	July-June	S	TD-5	450	470	490	510
25	Sugarcane @	Oct-Sept.	S	FAQ	34.50	39.10	42.50 *	45.90 *
26	Tobacco	March-Feb.	M	VFC-F2	1800	1850	1900	-
27	Tobacco	March-Feb.	M	L-2	2000	2100	2150	-

M : Minimum Support Price. P : Procurement Price.

S : Statutory Minimum Price. FAQ : Fair Average Quality.

$: Including a Central bonus of Rs.25 per quintal.

@ : These prices are linked to a basic recovery of 8.5 per cent with a proportionate premium for every 0.1 per cent increase above that level.

* : The rates are linked to a basic recovery rate of 8.5 per cent, subject to a primium of Rs. 0.54 during 1995-96 and Rs. 0.57 during 1996-97, for every 0.1 percentage point increase in the recovery above that level.

Source : Ministry of Agriculture.

Table III-8 : Procurement of Foodgrains

(Million tonnes)

Year (April-March)	Procurement			Procurement as Percentage of Production	
	Rice	Wheat	Total	Rice	Wheat
1	2	3	4	5	6
1991-92	10.46 (-18.60)	7.75 (-29.93)	18.21 (-23.84)	14.01	13.92
1992-93	12.56 (20.08)	6.38 (-17.68)	18.94 (4.01)	17.24	11.15
1993-94	14.35 (14.25)	12.84 (101.25)	27.19 (43.56)	17.87	21.46
1994-95	13.41 (-6.55)	11.87 (-7.55)	25.28 (-7.02)	16.52	18.13
1995-96 (P)	9.82 (-26.77)	12.33 (3.88)	22.15 (-12.38)	12.36	19.69
April-June 1995	1.52	12.20	13.72	—	—
April-June 1996	1.63 (7.24)	8.13 (-33.36)	9.76 (-28.86)	—	—

P : Provisional.

Note : Figures in brackets are percentage variations over the previous year/quarter. Totals may not tally due to rounding off.

Source : Ministry of Food.

Table III-9 : Central Issue Prices of Foodgrains

(Rs.per quintal)

Effective Date	Rice			Wheat
	Common	Fine	Super Fine	
1	2	3	4	5
June 1,1990	289 (18.44)	349 (14.80)	370 (13.85)	234 * (-)
December 28,1991	377 (30.45)	437 (25.21)	458 (23.78)	280 (19.66)
January 11,1993	437 (15.92)	497 (13.73)	518 (13.10)	330 (17.86)
February 1,1994	537 (22.88)	617 (24.14)	648 (25.10)	402 (21.82)

* : Effective May 1,1990

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

Source : Ministry of Agriculture.

Table III-10 : Off-Take of Foodgrains

(Million tonnes)

Year (April-March)	Rice *	Wheat*	Total
1	2	3	4
1991-92	10.26	10.48	20.74
	(30.70)	(27.49)	(29.06)
1992-93	9.69	7.70	17.39
	(23.44)	(-6.33)	(8.21)
1993-94	9.02	8.86	17.88
	(-4.45)	(14.77)	(4.20)
1994-95	8.59	10.16	18.74
	(-4.77)	(14.67)	(4.81)
1995-96	13.54	12.23	25.77
	(57.63)	(20.37)	(37.51)
1995 (April-June)	2.71	1.67	4.38
1996 (April-June)	2.78	2.41	5.19
	(2.58)	(44.31)	(18.49)

* Including quantity sold under Jawahar Rozgar Yojana, welfare schemes and Open Market Sale. Open Market Sale scheme was started in October 1993 for wheat and in January 1994 for Rice.

Note : Totals may not tally due to rounding off.
Figures in brackets are percentage variations over the previous year/quarter.

Source : Ministry of Food.

Table III-11 : Stocks of Foodgrains

(Million tonnes)

As at End-March	Rice	Wheat	Total*	As percentage of Norms		
				Rice	Wheat	Total
1	2	3	4	5	6	7
1992	9.89	2.41	12.30	91.57	65.14	84.83
	(-13.08)	(-58.62)	(-29.53)			
1993	11.04	2.98	14.69	102.22	80.54	101.31
	(11.63)	(23.65)	(19.43)			
1994	14.65	7.28	22.18	135.65	196.76	152.97
	(32.70)	(144.30)	(50.99)			
1995	18.89	8.83	27.73	174.91	238.65	191.24
	(28.94)	(21.29)	(25.02)			
1996 P	14.62	8.67	23.29	135.37	234.32	160.62
	(-22.60)	(-1.81)	(-16.01)			
June 1995	17.11	19.38	36.49	185.98	147.94	163.63
June 1996 P	13.33	14.44	27.77	144.89	110.23	124.53
	(-22.09)	(-25.49)	(-23.90)			

Norms of Stocks

As on	Rice	Wheat	Total
1	2	3	4
April 1	10.80	3.70	14.50
July 1	9.20	13.10	22.30
October 1	6.00	10.60	16.60
January 1	7.70	7.70	15.40

P : Provisional

* : Including coarsegains.

Note : Figures in paranthesis are percentage variation over the previous year.

Source : Ministry of Food.

Table III-12 : Rice : Area,Production and Yield (Season wise)

Year	Area under cultivation (Million hectares)	Production (Million tonnes) Target	Achievement	Yield per hectare (kg.)
1	2	3	4	5
Kharif				
1991-92	39.59	68.50	66.37	1676
	(-0.28)	(4.26)	(0.08)	(0.35)
1992-93	38.90	68.75	65.24	1677
	(-1.74)	(0.36)	(-1.70)	(0.04)
1993-94	39.14	69.50	70.72	1807
	(0.62)	(1.09)	(8.40)	(7.74)
1994-95 P	38.80	70.00	71.40	1840
	(-0.87)	(0.72)	(0.96)	(1.85)
1995-96 P	39.50	71.00	69.69	1764
	(1.80)	(1.43)	(-2.39)	(-4.12)
Rabi				
1991-92	3.06	8.00	8.31	2716
	(2.34)	(0.00)	(4.27)	(1.88)
1992-93	2.87	8.50	7.62	2655
	(-6.21)	(6.25)	(-8.30)	(-2.23)
1993-94	3.40	8.50	9.57	2815
	(18.47)	(0.00)	(25.59)	(6.01)
1994-95 P	3.44	8.50	9.76	2837
	(1.18)	(0.00)	(1.99)	(0.80)
1995-96 P	3.44	9.00	9.77	2839
	(0.03)	(5.88)	(0.10)	(0.07)
Total (Kharif + Rabi)				
1991-92	42.65	76.50	74.68	1751
	(-0.09)	(3.80)	(0.52)	(0.62)
1992-93	41.78	77.25	72.87	1744
	(-2.04)	(0.98)	(-2.42)	(-0.39)
1993-94	42.54	78.00	80.30	1888
	(1.82)	(0.97)	(10.20)	(8.23)
1994-95 P	42.24	78.50	81.16	1921
	(-0.71)	(0.64)	(1.07)	(1.79)
1995-96 P	42.94	80.00	79.46	1850
	(1.66)	(1.91)	(-2.09)	(-3.69)

P : Provisional.
Note : Figures in brackets are percentage variations over the previous year. Totals may not tally due to rounding off.
Source : Ministry of Agriculture.

Table III-13 : Wheat : Area,Production and Yield

Year	Area under cultivation (Million hectares)	Production (Million tonnes) Target	Achievement	Yield per hectare (kg.)
1	2	3	4	5
1991-92	23.26	55.00	55.69	2394
	(-3.76)	(0.92)	(1.00)	(4.95)
1992-93	24.59	57.00	57.21	2327
	(5.72)	(3.64)	(2.73)	(-2.83)
1993-94	25.15	58.50	59.84	2379
	(2.28)	(2.63)	(4.60)	(2.27)
1994-95 P	25.64	58.50	65.47	2553
	(1.95)	(0.00)	(9.41)	(7.32)
1995-96 P	25.12	60.00	62.62	2493
	(-2.02)	(2.56)	(-4.35)	(-2.38)

P : Provisional.
Note : Figures in brackets are percentage variations over the previous year. Totals may not tally due to rounding off.
Source : Ministry of Agriculture.

Table III-14 : Coarse Cereals : Area,Production and Yield (Season wise)

Year	Area under cultivation (Million hectares)	Production (Million tonnes)		Yield per hectare (kgs.)
		Target	Achievement	
1	2	3	4	5
Kharif				
1991-92	27.19	28.55	20.80	765
	(-8.11)	(2.33)	(-24.94)	(-18.31)
1992-93	27.64	28.50	30.60	1107
	(1.66)	(-0.18)	(47.12)	(44.72)
1993-94	25.74	30.00	24.30	944
	(-6.87)	(5.26)	(-20.59)	(-14.73)
1994-95 P	25.65	30.33	24.39	951
	(-0.35)	(1.10)	(0.37)	(0.72)
1995-96 P	24.26	30.50	23.04	950
	(-5.43)	(0.56)	(-5.54)	(-0.11)
Rabi				
1991-92	6.23	5.45	5.19	833
	(-7.43)	(0.93)	(4.01)	(12.36)
1992-93	6.78	5.75	5.99	883
	(8.83)	(5.50)	(15.41)	(6.05)
1993-94	7.07	6.00	6.52	922
	(4.28)	(4.35)	(8.85)	(4.38)
1994-95 P	6.84	6.17	5.96	871
	(-3.25)	(2.83)	(-8.59)	(-5.52)
1995-96 P	7.29	6.00	6.91	948
	(6.61)	(-2.76)	(15.94)	(8.75)
Total (Kharif + Rabi)				
1991-92	33.42	34.00	25.99	778
	(-7.98)	(2.10)	(-20.52)	(-13.62)
1992-93	34.43	34.25	36.59	1063
	(3.02)	(0.74)	(40.78)	(36.66)
1993-94	32.82	36.00	30.82	939
	(-4.68)	(5.11)	(-15.77)	(-11.64)
1994-95 P	32.50	36.50	30.35	934
	(-0.98)	(1.39)	(-1.52)	(-0.56)
1995-96 P	31.55	36.50	29.95	949
	(-2.92)	(0.00)	(-1.32)	(1.65)

P : Provisional.

Note : Figures in brackets are percentage variations over the previous year. Totals may not tally due to rounding off.

Source : Ministry of Agriculture.

Table III-15 : Total Oilseeds: Area,Production & Yield (Season- wise)

Year (November-October)	Area under cultivation (lakh hectares)	Production Target (lakh tonnes)	Production (lakh tonnes)	Yield per hectare (Kgs.)
1	2	3	4	5
Kharif				
1991-92	154.06	101.00	93.12	604
	(9.73)	(1.00)	(-4.94)	(-13.37)
1992-93	149.54	100.00	120.25	804
	(-2.93)	(-0.99)	(29.13)	(33.04)
1993-94	162.65	115.00	123.49	759
	(8.77)	(15.00)	(2.69)	(-5.58)
1994-95 P	146.60	125.00	118.73	810
	(-9.87)	(8.70)	(-3.85)	(6.67)
1995-96 P	N.A.	129.00	128.00	-
	(-)	(3.20)	(7.81)	(-)
Rabi				
1991-92	104.80	84.00	92.88	886
	(3.68)	(5.00)	(5.39)	(1.65)
1992-93	102.82	90.00	80.81	786
	(-1.89)	(7.14)	(-13.00)	(-11.32)
1993-94	106.32	95.00	91.47	860
	(3.40)	(5.56)	(13.19)	(9.47)
1994-95 P	106.00	95.00	95.43	900
	(-0.30)	(0.00)	(4.33)	(4.64)
1995-96 P	N.A.	96.00	98.20	—
	(—)	(1.05)	(2.90)	(—)
Total Kharif+Rabi				
1991-92	258.86	185.00	186.00	719
	(7.20)	(2.78)	(-0.05)	(-6.76)
1992-93	252.36	190.00	201.07	797
	(-2.51)	(2.70)	(8.10)	(10.89)
1993-94	268.97	210.00	214.96	799
	(6.58)	(10.53)	(6.91)	(0.31)
1994-95 P	252.60	220.00	214.17	848
	(-6.09)	(4.76)	(-0.37)	(6.09)
1995-96 P	263.55	225.00	226.20	858
	(4.33)	(2.27)	(5.62)	(1.23)

P : Provisional.

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

Source : Ministry of Agriculture.

Table III-16 : Nine Major Oilseeds : Area, Production & Yield

Oilseeds Year (Nov-Oct)	Area (lakh hectare) tonnes)	Production Target (lakh	Production (lakh tonnes)	Yield per hectare (kgs.)
1	2	3	4	5
Groundnut (in shell)				
1991-92	86.68	82.00	70.95	819
	(4.32)	(-7.34)	(-5.59)	(-9.50)
1992-93	81.66	80.00	85.65	1049
	(-5.79)	(-2.44)	(20.72)	(28.14)
1993-94	83.22	82.00	78.29	941
	(1.91)	(2.50)	(-8.59)	(-10.31)
1994-95 P	79.22	83.00	82.55	1042
	(-4.81)	(1.22)	(5.44)	(10.77)
1995-96 P	76.89	84.00	76.50	995
	(-2.94)	(1.20)	(-7.33)	(-4.52)
Rapeseed/ Mustard				
1991-92	65.53	50.00	58.63	895
	(13.33)	(13.64)	(12.12)	(-1.07)
1992-93	61.93	56.00	48.03	776
	(-5.49)	(12.00)	(-18.08)	(-13.32)
1993-94	62.89	57.00	53.29	847
	(1.55)	(1.79)	(10.95)	(9.26)
1994-95 P	62.30	57.00	58.84	944
	(-0.94)	(0.00)	(10.41)	(11.46)
1995-96 P	66.07	57.00	63.40	960
	(6.05)	(0.00)	(7.75)	(1.60)
Soyabean				
1991-92	31.85	23.00	24.92	782
	(24.22)	(27.78)	(-4.23)	(-22.90)
1992-93	37.89	24.00	33.87	894
	(18.96)	(4.35)	(35.91)	(14.25)
1993-94	43.71	31.00	47.45	1086
	(15.36)	(29.17)	(40.09)	(21.44)
1994-95 P	39.93	40.00	36.66	918
	(-8.65)	(29.03)	(-22.74)	(-15.43)
1995-96 P	48.98	43.00	49.90	1019
	(22.66)	(7.50)	(36.12)	(10.97)
Sunflower seed				
1991-92	21.14	7.50	11.94	565
	(29.45)	(19.05)	(36.77)	(5.65)
1992-93	20.85	8.00	11.82	567
	(-1.37)	(6.67)	(-1.01)	(0.37)
1993-94	26.68	14.00	13.48	505
	(27.96)	(75.00)	(14.04)	(-10.88)
1994-95 P	19.70	14.00	12.04	611
	(-26.16)	(0.00)	(-10.68)	(20.96)
1995-96 P	21.53	15.00	13.50	627
	(9.29)	(7.14)	(12.13)	(2.60)

Contd.

Table III-16 : Nine Major Oilseeds : Area, Production & Yield ***(Concld.)***

Oilseeds Year (Nov-Oct)	Area (lakh hectare)	Production Target (lakh tonnes)	Production (lakh tonnes)	Yield per hectare (kgs.)
1	2	3	4	5
Sesamum				
1991-92	26.27	7.00	7.06	269
	(4.41)	(22.81)	(-15.45)	(-19.02)
1992-93	21.29	7.00	7.58	356
	(-18.96)	(0.00)	(7.37)	(32.48)
1993-94	22.17	9.00	5.64	254
	(4.13)	(28.57)	(-25.59)	(-28.55)
1994-95 P	20.34	9.00	6.18	304
	(-8.25)	(0.00)	(9.57)	(19.43)
1995-96 P	18.71	9.00	6.00	321
	(-8.01)	(0.00)	(-2.91)	(5.55)
Castorseed				
1991-92	7.11	5.50	5.78	813
	(-12.22)	(0.00)	(-19.27)	(-8.03)
1992-93	6.60	6.00	6.23	944
	(-7.17)	(9.09)	(7.79)	(16.11)
1993-94	6.85	7.00	6.34	926
	(3.79)	(16.67)	(1.77)	(-1.95)
1994-95 P	7.87	7.00	8.50	1080
	(14.89)	(0.00)	(34.07)	(16.69)
1995-96 P	8.36	7.00	7.90	945
	(6.23)	(0.00)	(-7.06)	(-12.51)
Safflowerseed				
1991-92	5.01	4.00	2.03	405
	(-39.13)	(-27.27)	(-36.56)	(4.21)
1992-93	7.34	4.00	3.48	474
	(46.51)	(0.00)	(71.43)	(17.01)
1993-94	7.93	4.00	5.22	658
	(8.04)	(0.00)	(50.00)	(38.84)
1994-95 P	7.72	4.00	4.19	543
	(-2.65)	(0.00)	(-19.73)	(-17.55)
1995-96 P	6.86	4.00	4.00	583
	(-11.14)	(0.00)	(-4.53)	(7.43)
Linseed				
1991-92	8.86	4.00	2.92	330
	(-19.38)	(-11.11)	(-12.05)	(9.10)
1992-93	8.95	3.00	2.78	311
	(1.02)	(-25.00)	(-4.79)	(-5.75)
1993-94	9.53	4.00	3.30	346
	(6.48)	(33.33)	(18.71)	(11.48)
1994-95 P	9.64	4.00	3.25	337
	(1.15)	(0.00)	(-1.52)	(-2.64)
1995-96 P	9.98	3.50	3.10	311
	(3.53)	(-12.50)	(-4.62)	(-7.86)
Nigerseed				
1991-92	6.40	2.00	1.80	281
	(4.75)	(0.00)	(-3.23)	(-7.61)
1992-93	5.85	2.00	1.62	277
	(-8.59)	(0.00)	(-10.00)	(-1.54)
1993-94	5.99	2.00	1.96	327
	(2.39)	(0.00)	(20.99)	(18.16)
1994-95 P	5.89	2.00	1.96	333
	(-1.67)	(0.00)	(0.00)	(1.70)
1995-96 P	6.09	2.00	1.90	312
	(3.40)	(0.00)	(-3.06)	(-6.24)

P : Provisional.

Figures in brackets are percentage variation over the previous year.

Source : Ministry of Agriculture.

Table III-17 : Cotton (Lint) : Area, Production and Yield

Year (September-August)	Area under Cultivation (million hect.)	Target (million bales of 170 kg. each)	Production (million bales of 170 kg. each)	Yield Kgs./hectare
1	2	3	4	5
1991-92	7.66	12.00	9.71	215
	(2.96)	(4.35)	(-1.32)	(-4.22)
1992-93	7.54	12.00	11.40	257
	(-1.57)	(0.00)	(17.40)	(19.27)
1993-94	7.32	12.50	10.74	249
	(-2.92)	(4.17)	(-5.79)	(-2.96)
1994-95 P	7.93	12.50	12.11	260
	(8.33)	(0.00)	(12.76)	(4.08)
1995-96 P	8.31	13.00	13.09	268
	(4.79)	(4.00)	(8.09)	(3.15)

P : Provisional.

Note : Figures in brackets are percentage variation over the year. Annual data are not strictly comparable due to changes in coverage and method of estimation.

Source : Ministry of Agriculture.

Table III-18 : Supply-Demand Position of Cotton (CAB's Estimates)

(Million bales of 170 kgs. each)

	(September-August)		
	1993-94	1994-95	1995-96
1	2	3	4
I. Supply (1+2+3)	**15.77**	**17.12**	**19.25**
	(-8.31)	(8.56)	(12.44)
1. Opening Stock	3.32	2.68	3.50
	(1.22)	(-19.28)	(30.60)
2. Crop	12.15	13.85	15.65
	(-11.96)	(13.99)	(13.00)
3. Imports	0.30	0.59	0.10
	(150.00)	(96.67)	(-83.05)
II. Demand (7+8)	**13.09**	**13.62**	**15.65**
	(-5.69)	(4.05)	(14.90)
4. Mill Consumption	11.40	11.94	13.25
	(1.06)	(4.74)	(10.97)
5. Small Spinners' Consumption	0.50	0.62	0.65
	(19.05)	(24.00)	(4.84)
6. Ex-factory Consumption@	0.80	0.95	0.95
	(-)	(18.75)	(-)
7. Total Domestic Consumption (4+5+6)	12.70	13.51	14.85
	(1.60)	(6.38)	(9.92)
8. Exports	0.39	0.11	0.80
	(-71.74)	(-71.79)	(627.27)
III. Closing Stock (I-II)	**2.68**	**3.50**	**3.60**
	(-19.28)	(30.60)	(2.86)

Note : Figures in brackets are percentage variations.

@ : Including Ambar Charkha, Dressing Factories & Waste Spinning Units.

Source : Cotton Advisory Board.

Table III- 19 : Raw Jute and Mesta : Area, Production and Yield

Year (July-June)	Area under Cultivation (million hect.)	Production Target (million bales of 180 kg.each)	Production (million bales of 180 kg.each)	Yield per hectare (000 Kg.)
1	2	3	4	5
1991-92	1.11	9.10	10.29	1669
	(8.82)		(11.48)	(2.47)
1992-93	0.98	9.20	9.00	1653
	(-11.71)		(-12.54)	(-0.95)
1993-94	0.89	9.30	8.43	1705
	(-9.18)		(-6.33)	(3.14)
1994-95 P	0.94	9.30	9.45	1810
	(5.62)		(12.10)	(6.14)
1995-96 P	0.84	9.30	8.90	1907
	(-10.64)		(-5.82)	(5.39)

P : Provisional.

Note : Figures in brackets are percentage variations over the year.

Source : Ministry of Agriculture.

TABLE III- 20 : Supply-Demand Position of Raw Jute and Mesta

(Million bales of 180 kg. each)

Items	1992-93	1993-94	1994-95	1995-96(E)
1	2	3	4	5
I. Supply (1+2+3)	**11.97**	**10.88**	**11.21**	**8.55**
	(-0.58)	(-9.11)	(3.03)	(-23.73)
1. Opening Stock*	2.83	2.20	1.43	0.90
	(66.47)	(-22.26)	(-35.00)	(-37.06)
2. Crop	8.99	8.48	9.45	7.50
	(-12.63)	(-5.67)	(11.44)	(-20.63)
3. Imports	0.15	0.20	0.33	0.15
	(200.00)	(33.33)	(65.00)	(-54.55)
II. Demand (6+7)	**8.54**	**8.75**	**8.58**	**8.40**
	(7.29)	(2.46)	(-1.94)	(-2.10)
4. Mill consumption	7.94	8.15	7.98	7.80
	(6.72)	(2.64)	(-2.09)	(-2.26)
5. Other Domestic	0.50	0.60	0.60	0.60
Consumption	(0.00)	(20.00)	(0.00)	(0.00)
6. Total Domestic	8.44	8.75	8.58	8.40
consumption (4+5)	(6.30)	(3.67)	(-1.94)	(-2.10)
7. Exports	0.10	Neg.	Neg.	Neg.
	(400.00)	(—)	(—)	(—)
III. Closing Stock (I-II)	**3.43**	**2.10**	**2.10**	**0.15**
	(-15.93)	(-38.78)	(0.00)	(-92.86)

E : Estimated.

* : Opening stock figures for all the years are taken according to the latest balance sheet issued by the Office of the Jute Commissioner.

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

Sourse : Office Of the Jute Commissioner.

Table III- 21 : Sugarcane - Area, Production and Yield

Year (October-September)	Area under Cultivation (million hect.)	Target (million tonnes)	Production (million tonnes)	Yield per hectare (000 Kg.)
1	2	3	4	5
1991-92	3.84	230.00	254.00	66.15
	(4.18)	(4.55)	(5.37)	(1.15)
1992-93	3.57	243.00	228.03	63.87
	(-7.03)	(5.65)	(-10.22)	(-3.43)
1993-94	3.42	250.00	229.66	67.15
	(-4.20)	(2.88)	(0.71)	(5.13)
1994-95 P	3.82	250.00	271.23	71.00
	(11.70)	(0.00)	(18.10)	(5.73)
1995-96 P	4.11	255.00	280.49	68.25
	(7.59)	(2.00)	(3.41)	(-3.88)

P : Provisional.

Note : Figures in brackets are percentage variations over the year.

Source : Ministry of Agriculture.

Table III-22 : Tea : Area, Production and Yield

Year (January-December)	Area under Cultivation (lakh hect.)	Production Target (million kgs.)	Production (million kgs.)	Yield (kg./hectare)
1	2	3	4	5
1991	4.19	735.00	754.19	1800
	(0.48)	(2.08)	(4.70)	(4.20)
1992	4.23	750.00	703.93	1664
	(0.95)	(2.04)	(-6.66)	(-7.55)
1993	4.18	750.00	760.83	1820
	(-1.18)	(0.00)	(8.08)	(9.38)
1994 P	4.26	770.00	752.90	1767
	(1.91)	(2.67)	(-1.04)	(-2.90)
1995 P	4.28	780.00	753.92	1761
	(0.47)	(1.30)	(0.14)	(-0.33)

P : Provisional.

Note : Figures in brackets are percentage variations over the year.

Source : Tea Board.

Table III- 23 : Coffee : Area, Production and Yield

Year (October-September)	Area under Cultivation (lakh hect.)	Target (million kgs.)	Production (million kgs.)	Yield @ (kg./hectare)
1	2	3	4	5
1991-92	2.24 (-0.22)	210.00 (21.39)	180.00 (6.05)	805 (6.29)
1992-93	2.24 (0.00)	150.00 (-28.57)	169.40 (-5.89)	758 (-5.89)
1993-94	2.27 (1.34)	212.00 (41.33)	212.00 (25.15)	936 (23.49)
1994-95 P	2.29 (0.88)	190.00 (-10.38)	180.00 (-15.09)	788 (-15.84)
1995-96 P	2.42 (5.91)	N.A.	223.00 (23.89)	921 (16.98)

P : Provisional.

@ : Based on bearing area only.

Note : Figures in brackets are percentage variations over the previous year. Annual rate are not strictly comparable due to changes in coverage and methods of estimation.

Source : Coffee Board

Table III- 24 : Tobacco : Area, Production and Yield

Year	Area (lakh hectares)	Production (million kgs.)	Yield (kgs./ hectare)
1	2	3	4
1991-92	4.27 (3.89)	584.40 (5.13)	1369 (1.19)
1992-93	4.19 (-1.87)	596.50 (2.07)	1424 (4.02)
1993-94	3.85 (-8.11)	562.90 (-5.63)	1462 (2.70)
1994-95 P	3.91 (1.56)	587.10 (4.30)	1502 (2.70)
1995-96 P	4.06 (3.84)	576.20 (-1.86)	1419 (-5.48)

P : Provisional

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

Source : Tobacco Board.

Table III-25 : Area Under High Yielding Varieties (HYV)

(Million hectares)

Crop	1991-92		1992-93		1993-94		1994-95		1995-96 (Target)
	Area Under HYV area	percentage of HYV area to total cropped area	Area Under HYV area	Percentage of HYV area to total cropped area	Area Under HYV	Percentage of HYV area to total cropped	Area Under HYV	Percentage of HYV area to total cropped	
1	2	3	4	5	6	7	8	9	10
Paddy	28.0 (2.2)	65.7	27.5 (-1.8)	65.9	28.9 (5.1)	68.8	31.0 (7.3)	74.6	31.2
Wheat	20.5 (-2.4)	88.1	21.7 (5.9)	88.2	22.0 (1.4)	88.4	23.3 (5.9)	90.7	23.3
Jowar	6.8 (-4.2)	55.0	6.9 (1.5)	53.1	6.8 (-1.4)	52.7	7.1 (4.4)	60.2	9.0
Bajra	5.4 (-5.3)	53.8	5.6 (3.7)	52.8	5.1 (-8.9)	53.7	5.4 (5.9)	53.4	6.9
Maize	2.8 (7.7)	47.8	2.6 (-7.1)	43.6	2.7 (3.8)	45.1	3.4 (25.9)	54.9	3.5
Ragi	1.2 (0.0)	56.3	1.1 (-8.3)	57.6	1.2 (9.1)	62.8	1.1 (-8.3)	58.4	1.1
Total	**64.7 (-0.5)**		**65.4 (1.1)**		**66.7 (2.0)**		**71.3 (6.9)**		**75.0**

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

Source : Economic Survey.

Table III-26 : Fertiliser Consumption

(Million tonnes)

Year (April- March)	Nitrogenous (N)	Phosphatic (P)	Potassic (K)	Total (N+P+K)
1	2	3	4	5
1991-92	8.0 (-)	3.3 (3.13)	1.4 (-)	12.7 (0.79)
1992-93	8.4 (5.00)	2.9 (-12.12)	0.9 (-35.71)	12.2 (-3.94)
1993-94	8.8 (4.76)	2.7 (-6.90)	0.9 (0.00)	12.4 (1.64)
1994-95 P	9.5 (7.95)	2.9 (7.41)	1.1 (22.22)	13.5 (8.87)
1995-96 P	10.8 (13.68)	3.6 (24.14)	1.3 (18.18)	15.7 (16.30)

P : Provisional.

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

Source : Economic Survey.

Table III-27: Trends in Consumption of Selected Agricultural Inputs

Items	Unit	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96 Target
1	2	3	4	5	6	7	8
A. Production/distribution of seeds							
i) Production of breeder seeds	Thousand quintal	33.89	33.90	35.98	36.82	39.42	42.65
ii) Foundation seed production	Lakh quintal	3.35	3.74	3.93	4.06	4.73	4.76
iii) Production of certified seeds	Lakh quintal	–	–	–	–	–	-
iv) Distribution of certified/ quality seeds	Lakh quintal	57.10	57.50	60.33	61.00	65.00	68.80
B. Consumption of Pesticides (Technical Grade Material)	Thousand tonnes	82.00	72.10	75.00 @	–	–	73.65

@ : Estimated.

- : Not available.

Source : Ministry of Agriculture.

Table III-28: Development of Irrigation Potential

(Million hectares)

Item	Ultimate	Created upto VII Plan 1985-90	Cumulative Achievement upto end of 1990-92	Achievement during Annual Plan 1992-93	Achievement during Annual Plan 1993-94	Anticipated Achievement during 1994-95	Cumulative Achievement upto end of 1994-95 (Anticipated)	Targets (Additional) 1995-96
1	2	3	4	5	6	7	8	9
A. Major and medium irrigation	58.50	29.92	30.74	0.39	0.47	0.67	32.27	0.77
B. Minor irrigation	55.00	46.60	50.35	1.53	1.40	1.51	54.79	1.59
a) Surface water	15.00	10.98	11.46	0.16	0.16	0.15	11.93	0.16
b) Ground water	40.00	35.62	38.89	1.37	1.24	1.36	42.86	1.43
Total (A+B)	**113.50**	**76.52**	**81.09**	**1.92**	**1.87**	**2.18**	**87.06**	**2.36**

Source : Ministry of Water Resources.

Table III-29 : Financial Outlays on Major, Medium and Minor Irrigation

(Rs. Crore)

Item	VII Plan (1985-90)	1990-92	1992-93	1993-94	1994-95 (A)	1995-96 (Outlay)
1	2	3	4	5	6	7
A. Major and Medium Irrigation	11107.29	5459.15	3047.32	3715.40	3597.58	5045.98
B. Minor Irrigation	6179.30	3030.07	1806.09	1923.93	2082.40	2720.15
i) Government Sector	3118.35	1680.48	994.59	1048.31	1078.83	1520.15
ii) Institutional Sector	3060.95	1349.59	811.50	875.62	1003.57	1200.00
Total (A+B)	**17286.59**	**8489.22**	**4853.41**	**5639.33**	**5679.98**	**7766.13**

(A) : Anticipated

Source : Ministry of Water Resources.

Table III-30 : Achievements under Command Area Developement Programme

(Million hectares)

Item	VII Plan (1985-86 - 1989-90) Target	VII Plan (1985-86 - 1989-90) Achivement	Cumulative Achivement till 1994-95	1995-96 (Targets) Five Year Plan	Targets for VIII
1	2	3	4	5	6
1. Construction of Field Channels	4.99	3.17	13.21	0.39	1.53
2. Land Levelling	0.81	0.38	0.71	0.04	3.30
3. Warabandi	6.19	3.74	7.77	0.58	0.40
4. Field Drains	0.15	0.42	2.07	0.05	0.30

Source : Ministry of Water Resources.

CHAPTER IV

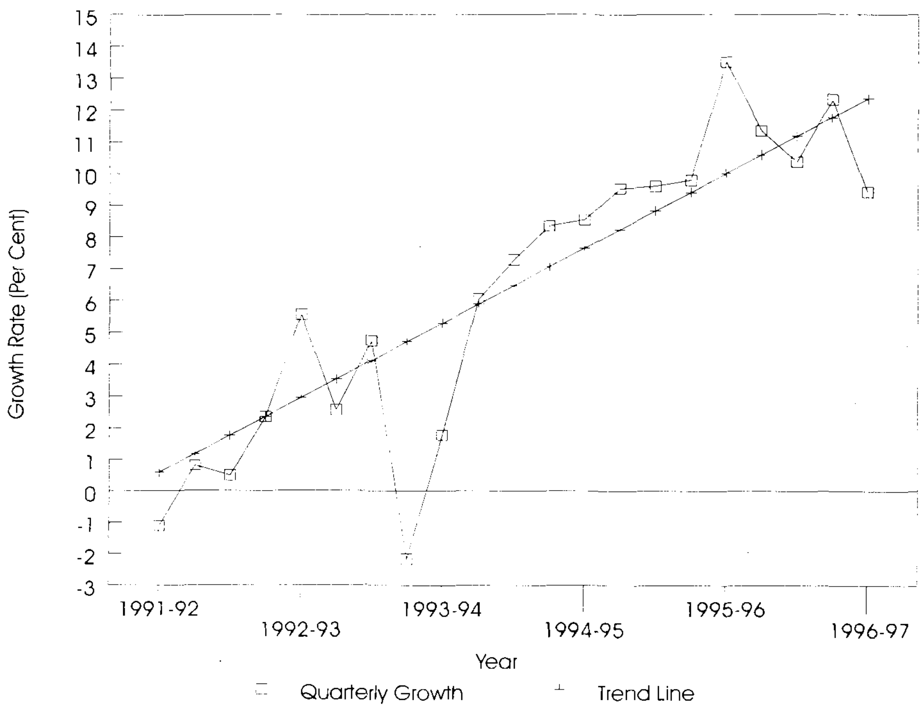
INDUSTRIAL PRODUCTION*

Industrial sector performed exceedingly well during 1995-96. Consolidating upon the earlier gains of liberalised policy measures, the robust performance of the industrial sector during 1995-96 at 11.8 per cent in comparison with 9.4 per cent during 1994-95 was largely engineered by strong growth of 13.3 per cent recorded by the manufacturing sector. The two other major sectors, i.e., 'mining and quarrying' and 'electricity generation', however, recorded decelerated performance, the growth rates being 6.9 per cent and 8.2 per cent, respectively, during 1995-96 as against 7.5 per cent and 8.5 per cent, respectively, during the preceding year (Table IV-1). Accelerated growth of the overall industrial sector was rendered possible by a number of measures which included, *inter alia,* a significant deregulation and delicensing, an extension of MODVAT to several industries, a reduction of corporate taxes, further rationalisation and reduction of customs and excise duties to impart cost advantages and a liberalisation of imports. The upsurge was also facilitated by the initiatives taken by the State Governments in the reform process and implementation of new industrial policies.

Manufacturing Sector

Disaggregated analysis of the manufacturing sector at the two-digit level indicates the following groups of industries as the main contributors to acceleration of growth in the manufacturing sector: transport equipment (23.7 per cent), machinery, machine tools and parts (21.3 per cent), electrical machinery (20.5 per cent), beverages, tobacco and tobacco products (19.5 per cent), metal products (17.9 per cent) and wood and wood products (16.6 per cent) (Table IV-2). A number of capital goods

Graph IV-1
Quarterly Growth based on Deseasonalised General Index (Base 1980-81 = 100)



* This Chapter covers information available upto November 1996.

industries, such as electrical machinery and transport equipment registered good performance on account of policy initiatives undertaken during 1994-95 such as MODVAT extension and imposition of countervailing duties on par with domestic excise duties. The growth rate of electrical machinery, inspite of being high at 20.5 per cent in 1995-96, had decelerated from 32.6 per cent in 1994-95. The other industry which registered decelerated growth was paper and paper products at 10.9 per cent as against 14.8 per cent in 1994-95. A notable feature of the overall industrial performance during 1995-96 was that no group registered a decline in production whereas in 1994-95 four groups, viz., beverages, tobacco and tobacco products, basic metal and allied products, cotton textiles, and jute, hemp and mesta textiles recorded declines. Thus, the buoyancy witnessed by the manufacturing sector during 1995-96 was broad-based and well spread out over the industry groups.

Use-Based Classification

Although the classification of data in terms of IIP general and its 3 sectors as well as main industry groups/sub-groups is useful for gauging the overall and sectoral trends, it is the use-based classification of industries which provides deeper insights into demand and production structure and the linkages among different use-based segments within the industrial sector.

Analysis of use-based classification of industries indicates that all the groups experienced accelerated growth rates during 1995-96 excepting the capital goods segment. The capital goods group also recorded a high growth of 18.2 per cent in 1995-96 on top of the sharp rise of 24.8 per cent witnessed in 1994-95 (Table IV-3).

Inspite of having reduced contributions from mining and quarrying, and electricity, the basic goods sector as a whole recorded accelerated growth of 8.8 per cent in 1995-96 in comparison with that of 5.6 per cent in 1994-95 mainly due to robust performance by nitrogeneous fertilisers, saleable steel and aluminium and aluminium products. The growth of intermediate goods which was dismal at 3.7 per cent in 1994-95 was considerably stepped up to 10.8 per cent in 1995-96. Among the intermediate goods, high growth was witnessed by auto-ancillary and parts and cotton textiles and yarn. The consumer goods sector registered accelerated growth of 12.6 per cent during 1995-96 mainly due to the spectacular performance of the consumer durables sector which showed a growth rate of 37.1 per cent as against 10.2 per cent in 1994-95. Automobile industry contributed the most to such a high growth of the consumer durables segment. On the contrary, the consumer non-durables sector experienced a subdued performance at 6.5 per cent which was lower than that of 8.3 per cent in 1994-95. This was mainly due to the poor performance of tea, cigarettes and tobacco products, and basic pharmaceuticals industries.

In terms of relative contribution, the capital goods group contributed much higher share of 31.7 per cent during 1995-96 (48.0 per cent in 1994-95) to the overall industrial growth vis-a-vis its weight of 16.43 per cent in IIP. Similarly, consumer durables segment contributed as much as 12.8 per cent (4.4 per cent in 1994-95) as against a weight of only 2.55 per cent in IIP. Basic goods, intermediate goods and consumer non-durables sectors contributed much less to the accelerated industrial growth during 1995-96 vis-a-vis their weights in the IIP . Emergence of capital goods group as a leading contributor to the industrial buoyancy since 1994-95 is reflective of growing importance of this segment in the changing industrial structure. Thus, industrial growth is no more largely dependent upon consumer goods sector, rather it is driven by investment demand. This development would help improve capital formation as capital goods constitute a major component of the physical stock of capital in the economy. Production of new vintage of capital goods that compete with imports of capital goods, is likely to enhance productivity. Given that the linkages are much higher for the capital goods industries, this pattern of growth can set in motion mutually reinforcing growth impulses for a broad-based and sustainable industrial growth. However, this will be incumbent upon the overall rate of investment in the economy.

Infrastructure Industries

The performance of selected infrastructure industries, viz., coal, saleable steel, cement, electricity, petroleum crude and petroleum refinery products indicated a mixed-trend during 1995-96. However, their composite index (28.77 per cent weight in IIP) showed marginally decelerated growth of 7.9 per cent *vis-a-vis* 8.1 per cent achieved in 1994-95 (Table IV-4). While coal, saleable steel and cement registered higher growth rates over the year, the performance of electricity, crude petroleum and petroleum refinery products showed deceleration. Coal production increased by 6.4 per cent as against 3.1 per cent in 1994-95. Saleable steel recorded marginally accelerated growth rate at 8.9 per cent as against 8.3 per cent in 1994-95. Cement industry recorded substantial acceleration by posting a growth rate of 11.2 per cent as against 7.6 per cent in 1994-95. Electricity sector, which had been performing consistently well in the previous three years, experienced marginally decelerated growth rate at 8.2 per cent in 1995-96 as against 8.5 per cent in 1994-95. Production of crude oil registered a lower growth rate of 7.2 per cent in 1995-96 as compared to the very high growth rate of 19.3 per cent in the previous year. The output of petroleum refinery products increased at a decelerated rate of 3.6 per cent in 1995-96 as compared to 4.1 per cent in the previous year.

Infrastructure Services

Realising the need for according special attention to improving India's infrastructure – power, roads, ports, airports and telecommunications for achieving higher and sustained rates of growth, the Government has taken several policy initiatives, especially to encourage entry of private sector in the field of infrastructure services (See Box IV-1).

Box IV-1

Private Sector Participation in Power Sector

Historically, power generation in India was predominantly the responsibility of the Government with a relatively small contribution coming from the private sector. However, with a view to augmenting the availability of power and bridging the existing large shortfall, greater participation from private operators including the foreign companies in generation, supply and distribution of electricity has been encouraged by issue of guidelines in October 1991. The norms laid down in the guidelines are to operate as mere ceilings. The States have to negotiate within the framework of those guidelines, as electricity is a concurrent subject. The guidelines ensure a 16 per cent post-tax return, and permit a liberal debt-equity ratio of 4:1. In addition, import duties on power equipments have been reduced and new power projects have been allowed a five-year tax holiday. The Government of India also pushed through the necessary legislative changes in the Indian Electricity Act, 1910 dealing with the supply and use of electrical energy and the rights and obligations of the licensees and the Electricity (Supply) Act 1948 dealing with the statutory powers and functions of the Central Electricity Authority (CEA), State Electricity Boards (SEBs) and the generating companies. Private participation in power generation as visualised in the guidelines could broadly be placed under four categories : captive power generation plants, generation and distribution of power in specific areas, generation for bulk supply to SEBs and addition to existing licences.

In the context of private sector participation in power projects, the issue of counter- guarantee offered by the Government of India to bolster confidence of the private entrepreneurs has assumed significance. For the first eight "fast track" private power projects being set up in India, the Central Government has agreed to provide "backstop" performance guarantee to assure investors that in a power sales transaction, the amount due from the power purchasing State Electricity Boards (SEBs) would be paid. The logic behind offering counter-guarantees, which are meant to be transitional measures, is to instill confidence in the private power producers about the payments, as many of the SEBs have been in huge deficits.

The response to the policy changes has been encouraging. As on March 31, 1996, 194 offers for setting up power plants have been received and are under different stages of clearance. Of these, 52 offers are from foreign private firms including NRIs and Joint-Venture proposals. Sixteen of these proposals have been approved by the Central Government from foreign investment angle. As on March 31, 1996, 972.3 MW has been added by the existing licensees and new generating companies.

Many new steps have been taken up recently to encourage private participation in power sector which include the preparation of a model power purchase agreement, the finalisation of the first bulk power transmission company in Karnataka, the raising of the limit of power projects requiring techno-economic

Box IV-1

clearance from the Central Electricity Authority from Rs.400 crore to Rs.1000 crore, the proposal to introduce automatic FDI approval in power sector, the provision of "fast track" status to all the private power projects, the setting up of an Infrastructure Development Finance Company (IDFC) with contributions from the Government, the RBI and financial institutions to finance infrastructure projects including those in power sector, the grant of eligibility of private power projects for multilateral loans, and the involvement of private sector in renovation and modernisation of existing plants.

Telecommunications

The liberalisation of the economy since July 1991 has opened new vistas for the telecom sector. The entire telecom equipment manufacturing industry has been placed under the delicensed and dereserved category with automatic approval of equity holding upto 51 per cent by foreign investors in the manufacture of all telecom equipments.

With a network of 119.78 lakh lines at end-March 1996, the Indian telecommunication is poised for giant leaps to meet the challenges of the growing economy. During 1995-96, the additional switching capacity of 10.9 lakh lines was added which was higher by 28.0 per cent than that achieved in the preceding year. Correspondingly, the new telephone connections recorded an increase of 20.8 per cent, though this indicated a shortfall from the target by 4.6 per cent. Rural areas in particular benefited from this development. The target for new connections during 1996-97 has been fixed at 24.5 lakh lines. During April-June 1996-97, 2.8 lakh new connections have been provided, representing a growth of 18.3 per cent over the corresponding period of the previous year.

The National Telecom Policy (NTP) of May 1994 has been considerably liberalised to allow participation of companies registered in India in basic telecom services with a view to supplementing the efforts of Department of Telecommunications (DOT). Companies registered in India have already been granted licences for providing basic telephone services for 15 years in five service areas. Cellular phone service has already started on a commercial basis in Delhi, Mumbai (Bombay), Calcutta and Chennai (Madras). Seventeen new service areas would be covered shortly.

The Radio Paging Service has now become operational in 23 major cities and is expected to be available in most cities throughout the country by the end of 1996-97. Value added services such as electronic mail (E-mail), voice mail, audiotext, 64 kbps data service using VSAT videotext, video conferencing and credit card authorisation have been opened to the private sector and have become operational on commercial basis in many parts of the country.

Roads

India has a massive road network of two million kms. which is among the largest in the world. The share of national highway has come down to less than two per cent of the total road network but carries nearly 40 per cent of total road traffic. Road traffic which accounts for about 80 per cent of the passengers and 60 per cent of goods traffic needs massive overhaul as its share in both passenger traffic and goods traffic is expected to grow in the coming years. This can be rendered possible only by massive investment beyond the capacity of the Government. Accordingly, the National Highway Act was amended in 1995 to allow private sector participation in road projects. Thane-Bhiwandi by pass is one such project which has already been awarded on Build, Operate and Transfer (BOT) basis.

Railways

The Indian Railways have a vast network spread over 62,660 kms. out of which 11,793 kms. are electrified accounting for 18.8 per cent of the total route kilometrage. The major revenue earning freight traffic consists of commodities such as coal, raw materials for steel plants, pig iron and finished steel from steel plants, iron ore for exports, cement, foodgrains, fertilisers, POL, etc. During 1995-96, freight traffic at 390.57 MT fell short of target by 1.9 per cent. However, the growth rate of freight traffic at 7.0 per cent in 1995-96 was much higher as compared to a low growth of 1.9 per cent in 1994-95.

The thrust areas identified for the Eighth Five Year Plan include modernisation and replacement of overaged assets, gauge conversion, electrification and augmentation of terminal and rolling stock capacities. In addition, the Railways have devised new marketing strategies to attract freight traffic from roadways. These include setting up of Container Corporation of India (CONCOR) for providing door-to-door services for domestic users, bulk transportation, etc. Other developments consist of introduction of trains for timely movement of export containers, leasing out of brake-van to customers for assured transportation between fixed points, introduction of long distance special parcel service between Mumbai and Delhi, Delhi-Mughalsarai, and introduction of Own-Your-Wagon scheme to invite private sector investment for the ownership of railway wagons.

Ports

With 11 major ports and 139 minor ports along a coastline of 5560 kms., Indian ports handle considerable amount of cargo. Cumulative cargo handled at major ports was 2149 lakh tonnes during 1995-96. This was higher by 9.0 per cent than that in the previous year and exceeded the target of 2020 lakh tonnes by 6.4 per cent. However, a shortfall was experienced in the case of ports at Haldia (1.2 per cent) and Mormugao (5.7 per cent). The coastal shipment of coal *via* Haldia fell short of target by 22.1 per cent.

During 1996-97, the target of cargo handling at ports is fixed at 2020 lakh tonnes. Productivity of the ports has improved in recent years and there has been significant improvement in average ship turnaround time and output per ship berth day. However, labour and equipment productivity levels are low on account of surplus work force at ports, outdated equipments and operational constraints. It is imperative to improve productivity of labour and equipments in order to get better results and improve cargo handling capacity. In order to attract private investments along with modern technology, privatisation of port facilities has begun. Many activities have been offered for private participation. Two dry docks at the Calcutta dock have been privatised and a proposal for leasing out two berths is under consideration. At the Haldia dock complex, two berths have been leased out to SAIL and TISCO and offers have been invited for 15 more berths on BOT basis. Proposals for privatisation at other ports are also under consideration.

Civil Aviation

Domestic and passenger air traffic have made rapid strides over the years. The Indian Airlines and Air India carried almost 101.1 lakh passengers in 1994-95. The total fleet strength of Air India and Indian Airlines was 28 and 62 respectively during 1994-95. Phenomenal changes have taken place in the civil aviation sector in the last few years. The liberalisation process in the civil aviation took off in April 1990 with the cargo open skies policies which allowed international airlines to operate cargo flights without restrictions. The Air Taxi operators scheme, launched in 1990, was meant to play a feeder role to Indian Airlines as non-scheduled operators. The repealing of the Air Corporation Act 1953 on March 1, 1994 ended the monopoly of Indian Airlines, Air India and Vayudoot over scheduled air transport services. Private operators were granted scheduled airlines status and 19 air taxi operators have been given permit for chartered/non-scheduled air transport services. The growing competitiveness in this sector has resulted in improved services, and by end-March 1995, 35.6 per cent of the market was being catered to by private air taxis. The number of passengers carried by air taxi operators was 36 lakhs during 1994. In order to cater to the increase in air traffic, airport infrastructure would need to be enhanced. Keeping in view the resource constraints for such infrastructure development, private participation from both domestic as well as foreign investors is being solicited. The Airport Authority of India (AAI) has decided to privatise ground handling at Delhi and Mumbai airports to enhance efficiency. A number of projects like modernisation of air traffic services at Mumbai and Delhi airports by the National Airport Authority (NAA), procurement and installation of airport surveillance Radars at Thiruvananthapuram, Guwahati, Hyderabad and Ahmedabad airports by NAA, development of 12 model airports, etc. have been taken up.

Industrial performance during 1996-97

After recording a robust performance in 1995-96, the industrial sector slowed down during the first quarter of the fiscal 1996-97 (Table IV-1). All the three major sectors, *viz.*, mining & quarrying, manufacturing and electricity generation recorded decelerated growth rates. Manufacturing sector, however, recorded a higher growth rate than the overall industrial growth rate, aided by contribution from such groups as food and food products, machinery, machine tools and parts, transport equipment, chemicals and chemical products and electrical machinery (Table IV-2).

According to the use-based classification, the groups which performed relatively well were intermediate goods and capital goods segments, while the other two segments recorded decelerated growth rates in 1996-97 (April-June) in relation to the rates registered in the corresponding period of 1995-96 (Table IV-3).

Industrial Restructuring

Reform measures since mid-1991 have induced major industrial restructuring at the micro level. Trade liberalisation and reduction of excise duties led to better inventory management through the access of cheaper and easier inputs. The corporates took strategic decisions as regards product-mix and diversified their product bases and resorted to marketing compaigns for improving their brand images. They strengthened their quality control systems and adopted ISO-9000 for gaining international acceptance apart from improving their human resource management. The corporates also resorted to mergers and acquisitions in order to exploit the economies of scale and of scope and to be internationally competitive. Further, the corporates stepped up their R&D efforts and adopted foreign technologies through tie-ups and strategic alliances with the foreign partners (Box IV-2).

Box IV-2

Role of R & D and Technology Upgradation in Industrial Development

Research and Development (R&D) and technology upgradation is a continuous process, essentially aimed at improving the allocative efficiency of resources and of attaining international competitiveness.

Technology acquisition in the very early stages of development is said to be largely influenced by factor endowments. In the later stage, however, technology accumulation would become a major source of comparative advantage. The cases of Japan and South Korea are clear testimonies of the above phenomena. Carefully articulated policies that induced technological evolution via in-house R&D efforts led to the phenomenal industrial success of these two countries.

In India, technology acquired through foreign collaborations and through joint ventures has enhanced the technological capability of many units, since the 'eighties. However, extensive in-house efforts to master the imported know-how as well as their continuous upgradation has not been as much appreciated as it should be. This is reflected in the abysmally low investment in R&D, notwithstanding the announcement of a number of fiscal incentives over the years.

To a large extent, the inadequate supply of R&D was accentuated by the impediments to articulate the demand for R&D, arising out of industrial and trade policies over a long period till the mid-1991. The numerous controls and restrictions on plants to reach an optimal size and sophistication, to a large extent, destroyed the potential R&D demand at the firm level, while the failure to create competitive environment was perceived to be unnecessary. Further, a statutory cap on the foreign equity participation denied inflows of foreign technology, as the Transnational Corporations, the major providers of technology, were unwilling to collaborate with the latest knowledge without a controlling stake over their Indian partner and adequate patent protection. A majority of the policy level impediments was removed with the implementation of the New Industrial Policy 1991, with the sole exception of framing an appropriate legislation conferring the product patent in the field of pharmaceuticals, chemicals and food processing that is consistent with the Indian acceptance of the Uruguay Round Accord in 1994.

A technology policy statement was issued by the Government in 1993 after a gap of ten years setting a target of R&D expenditure of about 2 per cent of the GNP by 2000 A.D. It calls for a substantial increase in private sector participation in R&D expenditure. However, any successful policy to create a substantial technological capability requires an appropriate marketing strategy to utilise the research findings

Box IV-2

in a proper institutional set-up. As the fruits of R&D can be utilised by individual firms only after incurring considerable costs, a system of in-house R&D that is closely co-ordinated with other functional units is considered an efficient institutional mechanism for obtaining beneficial results, rather than relying on independent research output of the National Laboratories. The tecnology policy statement, thus, emphasized building up technological capabilities in India by stimulating individual firm-specific initiatives at the decentralised level.

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Employment in Organised Sector

Keeping in view the objective of near full employment by 2002 AD, the Eighth Plan strategy focuses not only on creation of new jobs but also on the augmentation of existing employment in terms of increased productivity and income through suitable technological labour market and institutional interventions.

In order to achieve the said target, about 940 lakhs employment opportunities would need to be created during 1992-2000 AD. However, till 1995, only 188 lakhs jobs were created with an annual employment growth rate of 2.08 per cent, leaving a backlog of about 752 lakh jobs during 1995-2002 with a required employment growth rate of 3.1 per cent per annum. A disquieting feature of the employment scenario has been the very high growth rate of labour force at 2.14 per cent, higher than the population growth rate of 2.1 per cent and the employment growth rate of 2.08 per cent. Consequently, the number of unemployed increased from 171 lakhs as at end-March 1993 to 187 lakhs at end-March 1995.

Estimates of employment in the organised sector of the economy showed that the growth of employment during 1994-95 was lower at 0.5 per cent as compared with 0.7 per cent recorded during the previous year. Public sector recorded a meagre growth rate of 0.1 per cent as against that of 0.6 per cent in the previous year (Table IV-5). Within the public sector, employment in Local Bodies declined by 0.2 per cent in 1994-95 as compared with the rise of 1.9 per cent recorded during 1993-94. The other branches of the public sector *viz.*, Central Government, State Governments and quasi-Government bodies recorded marginal increases of 0.1 per cent, 0.2 per cent and 0.1 per cent, respectively, over the previous year.

A relatively high rate of economic growth combined with employment intensive sectoral growth yielding higher aggregate employment will be necessary for achieving the envisaged rate of employment growth. Raising employment in the aggregate will require faster growth of sectors, sub-sectors and areas which have relatively high employment potential. A geographical and crop-wise diversified agriculture, wasteland development for crop cultivation and forestry, rural non-farm sector, rural infrastructure, housing and services, small scale manufacturing, urban informal sector, have been identified as sectors and areas constituting the basic elements of an employment growth strategy.

Small Scale Sector

The small scale industry (SSI) is emerging as a major force in the industrial structure contributing increasingly in terms of production, exports and employment. During the year 1995-96, the production of the sector is estimated to have increased to Rs.3,56,060 crore from Rs.2,93,990 crore in 1994-95, recording a rise of 21.1 per cent during the year (Table IV-6). The growth of employment in the sector, however, remained stagnant at 5.1 per cent during 1995-96 as in the previous year. Exports from the SSI sector during 1995-96 at Rs.37,207 crore grew by 28.0 per cent over the year, which were contributed mainly by segments like garments, processed foods, auto components and consumer electronics.

With appropriate back up support, both at financial and technological levels, the small scale industries have been steadily reorienting themselves to face the challenges posed by an increasingly competitive environment. The Small Industrial Development Bank of India (SIDBI) has set up a Technology Development and Modernisation Fund, through which direct assistance to existing SSI units will be provided to modernise their production facilities so as to strengthen their export capabilities. Similarly, SIDBI has also modified the eligibility and other criteria for availing of the soft loan under the National Equity Fund Scheme. The Government has played an important role in providing various promotional measures to the SSI sector in terms of consultancy, training to entrepreneurs, technological support for modernisation and marketing, supply of raw materials and finance on concessional terms, ancillary development, formation of industrial estate, purchase and price support apart from reserving more than 800 items exclusively for the sector. A series of measures were also announced in the Export-Import policy for the period 1992-97 to promote external trade, simplify procedures and liberalise imports. These have helped to attain a sustained growth in exports by the SSI sector. In the context of ongoing economic reforms, globalisation and technological changes, the Government has undertaken a review of the entire SSI sector for which an Expert Committee on Small Enterprises was set up in December 1995 under the Chairmanship of Dr. Abid Hussain. The Committee, as per terms of reference, would recommend new policies for the development of small and medium enterprises as viable and efficient units in the light of technological changes and international competitiveness.

Industrial Sickness

The incidence of sickness in industrial units has been a matter of concern. According to the latest data on industrial sickness available upto end-March 1995, the outstanding bank credit against sick/weak industrial units increased from Rs.13,696 crore as at end-March 1994 to Rs.13,739 crore as at end-March 1995, which constituted 13.3 per cent of the total outstanding bank credit to 'Industry' registering a decline from 17.0 per cent at end-March 1994. Sick SSI units numbering 2,68,815 constituted about 99 per cent of the total number of sick/weak units at 2,71,206. Non-SSI sick/weak units numbered 2391. The main reasons for industrial sickness in non-SSI sick/weak units, as reported by the banks, were internal factors such as shortcomings in project appraisal and deficiencies in project management in 54 per cent of the cases and external factors such as non-availability of raw materials, power shortage, transport bottlenecks, financial bottlenecks and fall in demand, which were beyond the control of promoters/managers of the units, in respect of the remaining 46 per cent of the cases.

Non-SSI Sick Units

The number of non-SSI sick units increased marginally from 1909 as at end-March 1994 to 1915 as at end-March 1995. The outstanding bank credit to these units rose from Rs.8,152 crore to Rs.8,740 crore over the year (Statement 28 of Vol. II).

Region-wise, the Western Region had the largest number of non-SSI sick units at 631, which accounted for 33 per cent of the total number of non-SSI sick units and 30.5 per cent of the total outstanding bank credit as at end-March 1995. Among the States, Maharashtra continued to have the largest number of non-SSI sick units, followed by Andhra Pradesh, West Bengal, Uttar Pradesh, Gujarat and Tamil Nadu. These six States together accounted for about 70.0 per cent of the total number of non-SSI sick units and 71.3 per cent of the total outstanding bank credit as at end-March 1995. Industry-wise, the maximum outstanding bank credit was accounted for by textiles (Rs.1,614 crore or 18.5 per cent of the total outstanding credit), followed by engineering (Rs.1,408 crore or 16.1 per cent), electricals (Rs.698 crore or 8.0 per cent), chemicals (Rs.671 crore or 7.7 per cent) and iron and steel (Rs.596 crore or 6.8 per cent).

Non-SSI Weak Units

The number of non-SSI weak units declined sharply from 591 as at end-March 1994 to 476 as at end-March 1995. The bank credit outstanding against these units also decreased from Rs.1,864 crore as at end-March 1994 to Rs.1,452 crore as at end-March 1995 (Statement 29, Vol.II). The major reduction in outstandings was in respect of textiles, electricals, iron and steel and metal industries. This was mainly due to some 'weak' non-SSI units of March 1994 becoming 'sick' following a total erosion in their net worth.

Sick SSI Units

The number of sick SSI units increased from 2,56,452 as at end-March 1994 to 2,68,815 as at end-March 1995 (Table IV-7). The outstanding bank credit locked up in these units, however, decreased from Rs.3,680 crore to Rs.3,547 crore over the same period. Region-wise, the majority of sick SSI units (45.2 per cent) were located in the Eastern Region, followed by the Northern Region (24.1 per cent), the Western Region (15.4 per cent) and the Southern Region (15.0 per cent). However, in terms of the outstanding bank credit, the Western Region ranked first (33.1 per cent) followed by the Southern Region (25.9 per cent), Northern Region (23.7 per cent) and the Eastern Region (17.3 per cent).

Of the 2,68,815 sick SSI units, the commercial banks have conducted viability studies in respect of 2,64,914 units and have identified only 15,539 units as viable. Of the viable units, 10,371 units were put under nursing programme by the banks.

The Reserve Bank has been placing emphasis on a systematic approach to the detection of sickness at the incipient stage and on timely formulation of rehabilitation packages in respect of those sick/weak non-SSI units which are found to be potentially and commercially viable. The Reserve Bank continues to not only monitor the performance of individual banks but also guide banks and financial institutions in the implementation of sanctioned rehabilitation packages. The Bank has advised commercial banks to set up Special Cells in their Lead Offices and important Regional Offices for dealing with sick units which could detect early warning signals in industrial units.

National Renewal Fund

The Government of India established National Renewal Fund (NRF), vide its resolution of February 3, 1992, to protect the interests of the workers likely to be affected by technological upgradation and modernisation in the Indian industry. The overall aim of the NRF is to provide a social safety net for labour.

Funds were made available to Central Public Sector units to implement Voluntary Retirement Scheme (VRS) as a mechanism for reducing their surplus labour force. A total of 86,977 workers had availed of the VRS as at end-March 1996. The amount released for this purpose was Rs.567 crore in 1992-93, Rs.481 crore in 1993-94, Rs.260 crore in 1994-95 and Rs.1,555 crore (provisional) in 1995-96.

The fund, to begin with, is of a non-statutory nature and may include contributions from, *inter alia*, the Government of India, State Governments, financial institutions, insurance companies and industrial undertakings.

The National Renewal Fund has two constituents *viz.* the National Renewal Grant Fund (NRGF) and the Employment Generation Fund (EGF).

National Renewal Grant Fund

The NRGF deals with the immediate requirements of labour arising from the revival or closure of sick units.

(i) The funds will be disbursed in the form of grants for funding approved schemes relating to retraining, redeployment, counselling and placement services of employees affected by technology upgradation, modernisation, restructuring and revival of industrial undertakings.

(ii) These funds will also be utilised for compensation payments to employees affected by rationalisation in industrial undertakings and parts thereof. Such payments may be made, *inter-alia*, in the following circumstances :

(a) When industrial undertakings or parts thereof are to be closed as a consequence of sickness as recommended by the Board for Industrial and Financial Reconstruction (BIFR), these payments may include the payment of legal dues and those under Voluntary Retirement Schemes (VRS).

(b) When there is a programme for labour rationalisation resulting from rehabilitation schemes for sick units as ordered by the BIFR, including VRS.

(c) For Voluntary Retirement Schemes in operation in public sector units, not necessarily requiring BIFR orders.

(d) Payment of compensation to workers affected by closure of units already under liquidation as may be sponsored by State Governments in approved schemes.

(iii) To provide resources for interest subsidies to enable financial institutions to provide soft loans for funding labour rationalisation, if required, resulting from the industrial restructuring of weak units.

Employment Generation Fund

Under this scheme the fund will be disbursed in the form of grants for approved employment generation schemes for both the organised and unorganised sectors. This may include schemes such as :

(a) Special programmes designed to regenerate employment opportunities in areas affected by industrial restructuring.

(b) Employment generation schemes for the unorganised sectors in defined areas.

The NRGF and EGF will be in operation for a limited period of time upto a maximum period of ten years from the date of their inception.

Selected Industries

(a) Coal

Total production of coal during 1995-96 at 273.4 million tonnes registered a higher growth rate of 6.0 per cent during 1995-96 (3.7 per cent during 1994-95) on account of encouraging performance by the non-coking coal and lignite segments (Table IV-8). An accelerated growth of internal despatches of non-coking coal by 9.9 per cent during 1995-96 reduced its year-end pit head stocks by 0.8 per cent. The production of coking coal, however, registered a steady decline over the year owing to greater recourse to good quality imported coking coal by the bulk consumers.

The growth rate of coal consumption in the first three years of the Eighth Five Year Plan (1992-93 to 1994-95) was only 4.4 per cent. But due to the sharp and unanticipated increase in the demand for coal from the major consumers in power, steel, cement and fertilizer segments during 1995-96 and 1996-97, the supply-demand gap in the country is likely to be 25.35 million tonnes in 1996-97 as estimated by the Planning Commission. In view of the increasing demand for coal, the Central Mine Planning and Design Institute Limited (CMPDIL) continued its exploration programme during 1995-96 for providing exploratory and production support drilling facilities. During 1995-96, a total of about 2,72,403 metres of drilling was carried out for exploration.

A near achievement of the modest coal production target of 274.5 million tonnes for the year 1995-96 was made possible by the distinct improvement of productivity as measured by the output per man shift. A notable improvement in the industrial relations was also noticed during the year as production loss on account of strikes and lock-outs by CIL declined from 5,24,402 tonnes in 1993-94 to 4,47,054 tonnes in 1994-95 and further to 3,66,337 tonnes in 1995-96.

Following the recommendations of the Bureau of Industrial Costs & Prices (BICP), a major decision was taken by the Government of India to deregulate the price of coking coal and higher grades of non-coking coal by a notification dated March 22, 1996. Earlier, under the regime of administrative prices, the price revisions were carried out in accordance with the escalation formula prescribed by the BICP in order to neutralise the impact of escalation in input costs.

The Government of India has also announced its willingness to consider foreign collaboration proposals based on bringing in new technologies in underground and opencast mining sectors and training related thereto as also financial assistance for new investment and import of equipments not manufactured in the country. A Joint Working Group on coal has been set up with Australia, Canada, China, France, Germany, Russia and the UK to identify projects for bilateral co-operation.

(b) Iron Ore

Total production of iron ore at 66.6 million tonnes registered decelerated growth at 3.3 per cent during 1995-96 as compared with the high growth rate of 10.6 per cent during 1994-95. The despatches for internal consumption registered a lower growth rate of 8.4 per cent during 1995-96 as against 17.6 per cent during 1994-95 (Table IV-9). This was more than compensated by higher despatches for export, which grew by 16.5 per cent during 1995-96 as compared with a decline of 3.0 per cent during 1994-95. As a result, the year-end stocks declined by 4.3 per cent during 1995-96.

Madhya Pradesh continued to have the largest share of iron ore production in the country (26 per cent) followed by Goa (22 per cent), Bihar and Karnataka (19 per cent each) and Orissa (13 per cent).

(c) Cement

Cement industry showed an encouraging performance for the third year in succession. During 1995-96, its production and despatches accelerated by 11.5 per cent and 10.5 per cent, respectively, as compared with 7.6 per cent increase in production as well as in despatches during 1994-95. The higher production had come about only from the private sector units. With the sharp growth in the installed capacity to the extent of 16.1 per cent during 1995-96, entirely due to the contribution of the private sector, the average capacity utilisation declined to 71.5 per cent in 1995-96 from 74.5 per cent in 1994-95 (Table IV-10).

Given the high transport intensity of the industry, cement production in 1996-97 is likely to be affected adversely by the increase in oil prices. The installed capacity is, therefore, targeted to grow by 7.9 per cent *vis-a-vis* the targeted growth rate of production by 9.2 per cent during 1996-97. The projected growth in demand is lower at 2.8 per cent for 1996-97.

The major problems faced by the cement industry during the year 1995-96 were the inadequate availability of coal, the poor quality of indigenous coal, the low availability of railway wagons and heavy power cuts and frequent trippings, particularly in major producing States like Madhya Pradesh, Andhra Pradesh, Rajasthan and Karnataka. The cement industry has been permitted to own and operate captive coal mines.

(d) Iron and Steel

The dismantling of controls over price, capacity addition and external trade contributed to high growth rate of production and export of saleable steel during 1995-96. The total production of saleable steel both by major and mini steel plants during 1995-96 at 18.4 million tonnes witnessed accelerated growth of 12.7 per cent (11.0 per cent in 1994-95) (Table IV-11). While the growth rate of 8.2 per cent by major steel plants was almost as much as in the previous year, the mini plants recorded a substantially high growth rate of 30.0 per cent in 1995-96 on top of the 23.9 per cent growth in the previous year. Much of the growth was contributed by surge in exports at 19.2 per cent in 1995-96 as against a decline of 18.4 per cent in 1994-95. On the other hand, the increase in domestic consumption was lower at 5.4 per cent in comparison with that of 19.5 per cent in 1994-95. Consequent upon increased production, imports of steel which increased steeply by 67.6 per cent in 1994-95 declined by 5.3 per cent in 1995-96. The total production of pig iron improved marginally on account of good export demand and impressive performance by the secondary producers.

(e) Electricity

The overall generation of electricity during 1995-96 at 380.1 billion kilowatt hours recorded decelerated growth of 8.3 per cent as compared with 8.5 per cent during 1994-95 on account of lower capacity addition as well as dismal performance in the hydel segment this year as compared to 1994-95 (Table IV-12 and Table IV-13). The overall power generation as well as its various segments still ended up a little above the target set for the year 1995-96 notwithstanding the meagre 2.6 per cent addition to the planned installed capacity for the year 1995-96.

The thermal segment which accounts for nearly 80 per cent of the total electricity generation accelerated by 14.0 per cent during 1995-96 on account of an improvement in its Plant Load Factor (PLF) to 63.0 per cent from 60.0 per cent during 1994-95. Capacity addition in the thermal segment, on the other hand, grew by only 3.5 per cent during 1995-96 as compared to 6.9 per cent during 1994-95 and 7.1 per cent during 1993-94.

The demand for power increased by 10.6 per cent during 1995-96 as compared to 9.0 per cent during 1994-95 which coupled with the lagging generation growth aggravated the problem of power shortage (Table IV-14). The overall power shortage increased to 9.2 per cent of the electricity demand during 1995-96 as compared to 7.1 per cent during 1994-95. The Southern Region was the worst affected by the shortage, followed by the North-Eastern and Eastern Regions.

Various steps are being envisaged by the Government to meet the power shortage, which, *inter alia,* include: (a) improving plant load factor; (b) higher generation through better production management, better co-ordination of fuel supply, renovation & modernisation of old plants; (c) better load management through establishment of inter-regional grids and optimisation of system operations, demand management through rationalising energy prices, establishment of a network of energy management advisory service centres to undertake energy audit services; (d) reduction in consumption in energy intensive industries through R&D efforts and (e) creation of new capacity through setting up of new projects in the State and Central Sectors as well as by encouraging private sector for setting up power projects.

(f) Crude Oil and Petroleum Refinery Products

Production of crude oil during 1995-96 at 34.55 million tonnes registered a lower growth rate of 7.2 per cent as compared to that of 19.3 per cent during 1994-95 in view of the decline in the on-shore production of ONGC units in Gujarat and Tamil Nadu (Table IV-15). Petroleum refinery products, on the other hand, recorded marginally higher growth of 4.0 per cent during 1995-96 as compared with 3.6 per cent in the previous year, despite a decline in the capacity utilisation of the refinery units to 103.9 per cent from 105.9 per cent over the year.

On the import front, while the gross import of crude oil almost remained stagnant, that of refinery products rose sharply by 45.8 per cent during 1995-96 as compared with 15.5 per cent during 1994-95. Especially, the import of high speed diesel increased by 48.8 per cent notwithstanding the accelerated growth in its production during 1995-96.

In order to meet the rising demand of petroleum products, the Government has initiated a number of measures - both short-term and long-term to augment the production of crude oil in the country. While the short-term measures include early production systems, deepening of existing wells and adoption of improved technology, the long-term measures include development of new fields and additional development of the existing fields.

(g) Engineering Industries

The output of engineering industry (comprising electrical machinery, basic metals, metal products, transport equipment and machinery, machine tools and parts that account for 30.5 per cent weight in IIP) recorded an accelerated growth of 18.2 per cent during 1995-96 as compared to 8.1 per cent during 1994-95. The overall exports of engineering industry (including prime steel but excluding electronics and software) in value terms were also buoyant at 25.7 per cent during 1995-96 accompanied by 16.8 per cent and 37.4 per cent growth in exports of the capital goods and consumer durables, respectively.

Heavy Mechanical Engineering Industries

Among the major heavy mechanical industries, the performance of automobile industry improved further with accelerated growth in production in all the segments (Table IV-16). The production of the three main segments of automobiles industry, *viz.*, passenger cars, commercial vehicles and jeeps recorded phenomenally high growth rates of 31.7 per cent, 39.0 per cent and 22.6 per cent, respectively, during 1995-96. The two wheeler segment registered a high growth of 19.6 per cent in 1995-96 on top of a remarkably high growth of 24.7 per cent in the preceding year. The continuation of high growth of the industry is a manifestation of the growth in domestic demand as well as exports for automobile products. With liberalisation of policy for the automobile industry, several leading international manufacturers of automobiles have evinced interest in the Indian market and a number of joint ventures have already been approved by the Government in the passenger car sector.

Railway wagons and diesel engines registered high growth rates of 29.3 per cent and 20.5 per cent, respectively, during 1995-96 as against declines in their production in the preceding two years. Tractors also recorded a high accelerated growth of 28.5 per cent in 1995-96 as compared with 13.8 per cent in 1994-95. However, lifts and steel castings experienced declines in production during 1995-96.

Light Mechanical Engineering Industries

The light mechanical engineering industries in general registered improved performance during 1995-96 over the previous year. Of the selected items, the production of sewing machines and wrist watches increased substantially by 29.2 per cent and 40.5 per cent, respectively, as against the declines recorded in the preceding year (Table IV-17).

Electrical Engineering Industries

Among the major light electrical engineering industries, electrical lamps of fluorescent varieties, storage batteries, dry cells and domestic refrigerators performed well, while the production of fans and radio receivers declined (Table IV-18).

The heavy electrical engineering segment, however, experienced a divergent pattern of growth with power driven pumps showing a robust growth of 28.5 per cent, electrical motors remaining stagnant and power transformers registering decline.

(h) Metallurgical Industries (Other than Iron & Steel)

The total value of mineral production (excluding atomic minerals) during 1995-96 is estimated at Rs.32,905 crore as compared to Rs.29,563 crore during 1994-95 indicating a rise of 11.3 per cent over the year.

Aluminium

The production of aluminium during 1995-96 at 5.23 lakh tonnes recorded an increase of 9.1 per cent which was more than twice the rise of 4.1 per cent in the previous year (Table IV-19).Both the public sector companies *viz.*, National Aluminium Co. Ltd.(NALCO) and Bharat Aluminium Co. Ltd. (BALCO) showed impressive performance. Exports of alumina and aluminium took a quantum jump from Rs.593 crore during 1994-95 to Rs.808 crore during 1995-96.

Copper

The production of refined copper by Hindustan Copper Ltd. (HCL) decreased further to 45.3 lakh tonnes in 1995-96 from 45.6 lakh tonnes during the previous year. Copper production by HCL meets about a quarter of the copper demand in the country and the remaining requirement is met through imports and from secondary sources. With the delicensing of the industry and opening up of the activity of copper mining to the private sector, new units for production of copper metal plants are being set up in the country.

Zinc and Lead

Production of zinc and lead at Hindustan Zinc Ltd. (HZL) stood lower at 141.6 thousand tonnes and 35.1 thousand tonnes, respectively, during 1995-96, registering a decline of 5.0 per cent and 19.9 per cent. This was mainly due to the severe power shortage faced by the company's Vizag Smelter and the problem arising out of the high impurity content (graphitic carbon) in the lead concentrate received at the Chanderia Smelter.

(i) Jute Textiles

The overall production of jute textiles at 14.33 lakh tonnes increased by 4.3 per cent during 1995-96 as against the decline in production by 5.1 per cent during 1994-95 (Table IV-20). A decline in the supply of raw jute (defined as the sum of production, carry over stocks and imports) to the extent of 7.2 per cent resulted in a decline in the production of sacking, carpet backing and other segments of the jute textiles excepting hessian. Production of hessian increased considerably by 24.1 per cent during 1995-96 notwithstanding the lower growth in its consumption and export. The decline in the internal consumption of jute goods by bulk users for packing of urea and cement led to reduced production of jute goods. On the export front, all the segments performed poorly during 1995-96 with the notable exception of sacking.

Despite a huge accumulation of stocks to the extent of 21.8 per cent during 1995-96, the ready price of the representative varieties of hessian, sacking and carpet backing had increased by 38.7 per cent, 41.1 per cent and 8.2 per cent during 1995-96 as against 11.7 per cent, 7.7 per cent and 2.0 per cent, respectively, during 1994-95 due to sharp rise in the prices of raw jute during 1995-96.

(j) Rubber and Rubber Products

The total production of rubber (natural, synthetic and reclaimed) at 641 thousand tonnes during 1995-96 recorded a decelerated growth rate of 6.8 per cent during 1995-96 as compared to 9.5 per cent during 1994-95 (Table IV-21). The increase in consumption to the extent of 7.7 per cent during 1995-96 was accompanied by a 47.0 per cent rise in the growth of import. The share of imports as a percentage of consumption had increased to 16.8 per cent during 1995-96 from 12.3 per cent during 1994-95. However, in the synthetic rubber segment, where the import dependence is relatively high in the country, imports declined by 6.8 per cent during 1995-96. As a result, 51.2 per cent of the total synthetic rubber consumption was imported during 1995-96 as against 60.2 per cent during 1994-95.

The natural rubber segment was faced with the problem of rising imports that resulted in a 47.1 per cent growth in the stocks during 1995-96. Still there remained acute shortage of RSS IV grade rubber during the year. As a result, its market price went up to Rs.5,204 per quintal during 1995-96 as compared to Rs.3,658 per quintal during 1994-95. The estimated shortfall of domestic supply from demand for natural rubber is likely to touch around 6000 tonnes by the end of the Ninth Plan.

The consumption of rubber has increased by 7.7 per cent during 1995-96 (7.3 per cent during 1994-95). The share of imports in total rubber consumption has increased by 16.8 per cent during 1995-96 (12.3 per cent during 1994-95).

The overall production of automobile tyres showed marginal increase of 2.8 per cent, whereas the production of giant tyres increased considerably by 20.5 per cent. While the production of bicycle tyres grew by 7.2 per cent, that of rubber footwear declined by 15.2 per cent during 1995-96 (Table IV-22).

(k) Chemicals and Chemical Products

Fertilizers

During the year 1995-96, the estimated production of nitrogenous and phosphatic fertilizer nutrients was 87.6 lakh tonnes and 25.5 lakh tonnes registered a rise of 10.2 per cent and 3.8 per cent, respectively, over the year (Table IV-23). While the production of nitrogenous fertilizers exceeded the target of 86.3 lakh tonnes, the production of phosphatic fertilizers fell short of the target of 26.7 lakh tonnes fixed for the year. The demand for phosphatic and potassic fertilizers during 1995-96 remained sluggish. However, in view of the increase in the sale of DAP and MOP during 1994-95, there were imports during 1995-96.

The total installed capacity at end-March 1996 was 93.06 lakh tonnes for nitrogen and 28.22 lakh tonnes for phosphatic fertilisers. Presently there are 59 large size fertilizer units in the country, manufacturing a wide range of nitrogenous and phosphatic/complex fertilizers. A number of fertilizer projects involving an estimated capital cost of Rs.6,579 crore are under implementation in the country. When commissioned, they are expected to produce an additional 41.63 lakh MTPA of urea and 1.84 lakh MTPA of NPK fertilizers.

The total amount of various subsidies received by the fertilizer industry on indigenously produced and imported fertilizers during 1995-96 is estimated to be of the order of Rs.6,235 crore (Rs.1,924 crore in 1985-86, Rs.4,800 crore in 1991-92 and Rs.5,241 crore in 1994-95). The sharp increase in the fertilizer subsidy over the years has mainly been on account of the need to make available this critical agricultural input at affordable prices even at the increased volumes of production/consumption and rising cost of inputs of indigenous fertilizers and the procurement of imported fertilizers.

Inorganic Chemicals and Allied Products

Among the major inorganic chemicals, the production of causfic soda recorded an impressive growth of 19.9 per cent during 1995-96 over the preceding year. Production of soda ash recorded a rise of 0.6 per cent, as compared to a decline of 5.8 per cent during 1994-95.

Production of major chemical products such as paints and varnishes, soaps and synthetic detergents recorded substantial increases of 29.1 per cent, 21.7 per cent and 26.3 per cent, respectively, over and above those of 31.3 per cent, 1.3 per cent and 15.6 per cent during 1994-95.

Pharmaceuticals

The Drugs and Pharmaceuticals sector continued to maintain a steady growth in terms of production as well as range of products in 1994-95. As per the available data, the estimated production of bulk drugs and formulations was valued at Rs.1,518 crore and Rs.7,935 crore, respectively, in 1994-95 which together showed a growth rate of 15 per cent over the previous year. The exports of pharmaceuticals went up to Rs.2,185 crore in 1994-95 from Rs.1,801 crore in 1993-94.

A new programme for promoting R&D in the pharmaceutical industry was initiated by the Department of Science and Technology (Government of India). The Planning Commission had made a special allocation of Rs.120 crore in 1994-95 for the remaining years of the Eighth Five Year Plan for the programme.

Petrochemicals

Among the major petrochemicals, output of PVC resins recorded a growth of 20.2 per cent, while DMT/PTA and caprolactum registered a phenomenal increase of around 45.0 per cent during 1995-96 over the preceding year. However, the output of LDPE (Low Density Polyethylen) at 223.7 thousand tonnes receded by 12.7 per cent as against the increase of 51.8 per cent recorded last year.

The Government has sanctioned several Naphtha/Gas-based mega petro-chemical projects, involving a total investment of Rs.35,000 crore in order to meet the growing demand for petrochemicals.

(I) Sugar Production

Given the bumper production of sugarcane, the output of sugar during 1994-95 reached a record level of 14.64 million tonnes, thereby surpassing the previous record of 13.40 million tonnes achieved in 1991-92 (Table IV-24). With an opening stock of 3.09 million tonnes, and imports of 0.2 million tonnes, the total availability of sugar during the season increased substantially to 17.93 million tonnes. The total offtake of sugar in 1994-95 season was 12.33 million tonnes comprising of 12.27 million tonnes for internal consumption and 0.06 million tonnes for exports. Thus, the closing stocks for the season was 5.60 million tonnes. The sugar industry is expected to record a substantial rise in sugar output during the current season (October 1995-September 1996). Production during the season up to June 1996 reached a record level of 16.07 million tonnes which is 13.3 per cent higher than the production during the corresponding period of the previous year (14.19 million tonnes). The increase in production could be attributed to higher output of sugarcane resulting from remunerative sugarcane prices, better weather conditions, and also due to lesser diversion of sugarcane for gur and khandsari manufacturing. Taking into account a carry-over stock of 5.60 million tonnes from the previous season, the total availability of sugar during 1995-96 (upto end-June 1996) aggregated 21.67 million tonnes which marks a rise of 4.39 million tonnes or 25.4 per cent over that of the corresponding period of the previous season (17.27 million tonnes). The total off-take during the season 1995-96 up till June 1996 stood at 10.57 million tonnes (comprising of 9.77 million tonnes for internal consumption and 0.80 million tonnes for exports) which was higher by 1.41 million tonnes or by 15.4 per cent than that during the corresponding period of the previous season (9.16 million tonnes). The closing stocks at end-June 1996 were at 11.10 million tonnes, which were 3.8 per cent above the closing stock level of end-June 1995 (8.12 million tonnes). The total releases of sugar during 1995-96 (October-September) has been higher at 12.90 million tonnes (comprising of 4.44 million tonnes of levy sugar and 8.46 million tonnes of free sale sugar) as compared to 12.07 million tonnes (comprising of 4.26 million tonnes of levy sugar and 7.81 million tonnes of free sale sugar) during the 1994-95 season (Table IV-25).

Policy Measures

During the year 1995-96, the Government had revised the Statutory Minimum Price (SMP) for sugarcane in consultation with the Commission for Agricultural Costs and Prices (CACP). The SMP was raised from Rs.39.10 per quintal in 1994-95 to Rs.42.50 per quintal, linked to a basic recovery of 8.5 per cent subject to a premium of Rs.0.54 for every 0.1 percentage point increase in the recovery above that level for 1995-96 season. An advance announcement of the SMP at Rs.45.90 per quintal linked to a basic recovery of 8.5 per cent subject to a premium of Rs.0.57 for every 0.1 per cent increase in the recovery above that level has also been made for 1996-97 season. However, the actual prices paid by the sugar factories to the cane growers are substantially higher than the SMP after taking into consideration the State Advised Prices

(SAP), for increasing production, productivity and quality of cane. With a view to increasing the output of sugar, various incentive schemes have been formulated from time to time for the expansion projects created at higher capital cost. The "Sugar Incentive Scheme of 1993" was formulated by the Union Government to provide incentives to projects licensed/to be licensed by enabling the sugar units to utilise the surplus funds generated through higher free sale quota for repayment of term loans advanced by the Central Financial Institutions and Sugar Development Fund. In view of the bumper sugar production in 1994-95 and the expected upward trend in production during 1995-96 and the mounting inventory of sugar stocks, it was decided to create a buffer stock of 5 lakh tonnes of sugar with effect from January 10,1996 for a period of one year in order to prevent the fall in the prices. Subsequently, it was decided to maintain the existing stock for one more year and to hold an additional buffer stock of 5.0 lakh tonnes from 1st December 1996 to 30th November 1997. Simultaneously, the consumers are protected from the fluctuations in price of sugar by allotting levy sugar (normally 40 per cent) to States and Union Territories for distribution through the Public Distribution System. Though there is no price control on free sale sugar, its market supplies are regulated by the Government by fixing monthly release quotas to maintain price stability.

Sugar Development Fund (SDF)

Under the Sugar Cess Act 1982, a cess of Rs.14.00 per quintal is being collected on sugar produced by all sugar factories in India. The Sugar Development Fund Act 1982 provides that an amount equivalent to the proceeds of the excise duty levied and collected under the Sugar Cess Act 1982, reduced by the cost of collection as determined by the Central Government, be credited to the Fund. Since 1982 uptill February 1996, a cess amount of Rs.1,778.73 crores has been collected and as on March 31, 1996, an amount of Rs.1,656.00 crores has been transferred to SDF. Out of this, Rs.438.60 crore for sugarcane development, and Rs.519.47 crores for modernisation/ rehabilitation of sugar factories have been sanctioned upto March 1996.

Levy Sugar Price Equalization Fund

The Levy Sugar Price Equilization Fund Act 1976 has been in force since April 1976. During the year 1995-96, an amount of Rs. 0.37 crore has been recovered from the sugar mills and credited to the Fund bringing the total credit since the commencement of the Act to Rs.20.79 crores.

(m) Cotton and Synthetic Textiles

Production of cotton/blended yarn at 2429 million kgs. recorded accelerated growth rate of 10.4 per cent during 1995-96 (2.7 per cent during 1994-95) accompanied by an improvement in the capacity utilisation from 81 per cent during 1994-95 to 85 per cent during 1995-96 (Table IV-26). The production of cotton yarn marked a sharp revival and the sector grew by 9.6 per cent during 1995-96 as compared with the decline of 2.1 per cent during 1994-95. Notwithstanding the decelerated growth in export of cotton yarn during 1995-96, the year-end-stock figures of this segment had remained stagnant at 73 million kgs.

Production of cotton and man-made textiles during 1995-96 at 30,582 million square metres registered accelerated growth of 6.9 per cent (2.5 per cent during 1994-95) on account of capacity addition in the cost-effective decentralised sector. However, the overall capacity utilisation remained unchanged at 52 per cent (Table IV-27). While production by mill sector declined by 10.4 per cent that of decentralised sector grew considerably by 8.4 per cent during 1995-96 (1.7 per cent during 1994-95). Exports of cotton fabrics (in value terms) during 1995-96 at Rs.23,910 crore, recorded a growth of 9.5 per cent over the preceding year. The year-end stocks of all cloths declined marginally from 82 million square metres as at the end of 1994-95 to 81 million square metres as at the end of 1995-96.

(n) Paper, Paper Boards and Newsprint

The total production of paper and paper boards at 27 lakh MT during 1995-96 registered a lower growth rate of 8.6 per cent (10.6 per cent during 1994-95) due to the closure of 120 units which accounted for 25.0 per cent of the total capacity (Table IV-28). The reduction in import duty from 65 per cent to 40 per cent in the Union Budget 1995-96 and further to 20 per cent in May 1995 coupled with the crash in the international market price of paper led to high imports of 1 lakh MT during 1995-96. The total exports of this industry also dropped to around 6000 MT during 1995-96 from 1.4 lakh MT during 1994-95. Keeping in view the installed capacity of 40 lakh MT during 1995-96, the existence of excess capacity in this segment may not be ruled out. In order to improve capacity utilisation and face international competition, there is an urgent need for undertaking modernisation and cost reduction.

Newsprint segment of the industry, on the other hand, accelerated at a faster pace by 12.5 per cent during 1995-96 on top of a 11.1 per cent growth during 1994-95. With substantial addition to installed capacity during 1995-96 the capacity utilisation declined marginally during the year despite sizeable increase in production.

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

Sector	Weight	April-June		April-March					
		1996(P)	1995(P)	1995-96(P)		1994-95		1993-94	
		Index	Index	Index	Contribution to growth **	Index	Contribution to growth **	Index	Contribution to growth **
1	2	3	4	5	6	7	8	9	10
Mining and Quarrying	11.46	249.3 (2.4)	243.6 (16.0)	266.1 (6.9)	6.59	248.8 (7.5)	9.14	231.5 (3.5)	6.82
Manufacturing	77.11	278.1 (11.9)	248.5 (13.4)	278.0 (13.3)	83.51	245.4 (9.8)	77.82	223.5 (6.1)	75.34
Electricity	11.43	344.5 (2.2)	337.0 (12.5)	340.5 (8.2)	9.84	314.6 (8.5)	12.96	290.0 (7.5)	17.54
General Index (Crude)	100.00	282.4 (9.4)	258.1 (13.6)	283.8 (11.8)	100.00	253.7 (9.4)	100.00	232.0 (6.0)	100.00

P : Provisional.

** : Relative contribution to growth of a sector, say S during a given time frame, is measured by the ratio of incremental change in the index of S to incremental change in the overall index, adjusted for that sector's weight in the overall index.

Note : Figures in brackets are percentage increase over the previous year.

Source : Central Statistical Organisation, Government of India.

Table IV-2 : Growth in Index of Seventeen Major Groups of Manufacturing Sector (Base : 1980-81 = 100)

Industry Group	Weight	April-June		Relative Contribution (in per cent)		Index (end-March)		Relative Contribution (in per cent)	
		1996-97(P)	1995-96(P)	1996-97(P)	1995-96(P)	1995-96 (P)	1994-95	1995-96 (P)	1994-95
1	2	3	4	5	6	7	8	9	10
I. Acceleration (During 1995-96)									
1. Transport equipment	6.39	299.5 (20.6)	248.4 (16.9)	14.3	10.1	295.9 (23.7)	239.2 (13.2)	13.9	10.6
2. Machinery, machine tools and parts	6.24	243.4 (16.7)	208.6 (15.3)	9.5	7.6	251.0 (21.3)	206.9 (9.4)	10.7	6.5
3. Beverages, tobacco and tobacco products	1.57	181.1 (8.3)	167.2 (2.8)	1.0	0.3	161.1 (19.5)	134.8 (-2.2)	1.5	-0.3
4. Metal products	2.29	174.3 (7.9)	161.5 (16.7)	1.3	2.3	175.4 (17.9)	148.7 (17.6)	2.4	3.0
5. Wood and wood products	0.45	248.3 (8.1)	229.8 (12.8)	0.4	0.5	239.6 (16.6)	205.5 (3.1)	0.6	0.2
6. Food and food products	5.33	233.7 (28.5)	181.9 (45.6)	12.1	13.4	207.5 (14.2)	181.7 (13.5)	5.1	6.8
7. Textile products (including wearing apparel)	0.82	87.0 (3.9)	83.7 (8.3)	0.1	0.2	89.7 (14.1)	78.6 (7.1)	0.3	0.3
8. Non-metalic mineral products	3.00	269.9 (5.3)	256.3 (10.4)	1.8	3.2	264.5 (12.1)	236.0 (8.0)	3.3	3.1
9. Chemicals and chemical products	12.51	378.1 (13.4)	333.5 (7.9)	24.4	13.4	363.5 (11.4)	326.3 (9.5)	18.2	21.0
10. Other manufacturing industries	0.91	260.7 (-4.8)	273.9 (12.9)	-0.5	1.3	299.2 (11.0)	269.6 (1.0)	1.0	0.1
11. Rubber, plastic, petroleum & coal products	4.00	202.7 (7.4)	188.7 (8.1)	2.5	2.5	196.4 (7.9)	182.1 (3.2)	2.3	1.3
12. Leather and leather and fur products	0.49	227.7 (0.0)	227.6 (0.4)	0.0	0.0	227.6 (7.4)	211.9 (3.7)	0.3	0.2
13. Basic metal and allied products	9.80	206.1 (-2.4)	211.2 (12.4)	-2.2	10.1	225.1 (5.0)	214.5 (-4.3)	3.9	-5.6
14. Cotton textiles	12.31	166.2 (4.9)	158.4 (2.1)	4.2	1.8	159.6 (2.4)	155.8 (-2.9)	1.8	-3.4
15. Jute, hemp and mesta textiles	2.00	78.5 (-8.5)	85.8 (8.3)	-0.6	0.6	92.6 (1.3)	91.5 (-11.4)	0.1	-1.4
II. Deceleration (During 1995-96)									
16. Electrical machinery	5.78	697.4 (20.2)	580.2 (22.9)	29.6	27.6	735.1 (20.5)	609.9 (32.6)	31.1	51.2
17. Paper and paper products	3.24	294.1 (5.8)	277.9 (14.6)	2.3	5.1	286.4 (10.9)	258.1 (14.8)	3.5	6.4
Manufacturing	77.11	278.1 (11.9)	248.5 (13.4)	100.0	100.0	278.0 (13.3)	245.4 (9.8)	100.0	100.0

P : Provisional.

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

Source : Central Statistical Organisation, Government of India.

Table IV-3 : Use-based Classification of Industrial Production (1980-81 = 100)

(Percentage)

Industry Groups	Weight	Growth Rate April-June		Growth Rate April-March		
		1996-97(P)	1995-96(P)	1995-96(P)	1994-95	1993-94
1	2	3	4	5	6	7
Basic Goods	39.42	3.5 (15.4)	13.0 (40.7)	8.8 (30.9)	5.6 (25.6)	9.4 (66.2)
Capital Goods	16.43	20.6 (42.1)	19.1 (25.7)	18.2 (31.7)	24.8 (48.0)	-4.1 (-13.8)
Intermediate Goods	20.51	11.6 (21.3)	6.3 (8.6)	10.8 (15.5)	3.7 (7.1)	11.7 (33.3)
Consumer Goods *of which* :	23.65	9.5 (21.3)	16.1 (24.6)	12.6 (21.7)	8.7 (19.2)	4.0 (14.1)
Consumer Durables	2.55	11.1 (5.6)	26.0 (8.1)	37.1 (12.8)	10.2 (4.4)	16.1 (10.0)
Consumer Non-Durables	21.10	9.0 (15.7)	13.6 (16.5)	6.5 (8.9)	8.3 (14.8)	1.4 (3.9)
General	100.0	9.4	13.6	11.8	9.4	6.0

P : Provisional.

Note : Figures in brackets indicate relative contribution of the segments to overall growth.

Source : Central Statistical Organisation, Government of India.

Table IV-4 : Trends in Production of Infrastructure Industries

Industry	Weight	Unit	April-September		April-March		
			1996-97(P)	1995-96	1995-96(P)	1994-95	1993-94
1	2	3	4	5	6	7	8
Electricity	11.43	Billion Units	191.0 (+2.6)	186.1 (+10.9)	379.7 (+8.2)	351.0 (+8.5)	323.5 (+7.5)
Coal	6.61	Million Tonnes	120.6 (+7.7)	112.0 (+8.9)	270.1 (+6.4)	253.7 (+3.1)	246.0 (+3.3)
Saleable Steel *	5.21	,,	6.9 (+4.1)	6.6 (+10.2)	14.0 (+8.9)	12.8 (+8.3)	11.9 (+4.6)
Cement	1.6	,,	37.2 (+12.2)	33.2 (+11.3)	69.3 (+11.2)	62.4 (+7.6)	58.0 (+7.1)
Petroleum Crude	2.41	,,	15.8 (-10.3)	17.6 (+15.9)	34.6 (+7.2)	32.2 (+19.3)	27.0 (+0.3)
Petroleum Refinery Products @	1.52	,,	28.4 (+4.3)	27.3 (+5.0)	54.5 (+3.6)	52.6 (+4.1)	50.5 (+1.5)
Composit Index of Infrastructure Industries #	28.77		285.5 (+3.1)	276.8 (+10.7)	291.2 (+7.9)	269.9 (+8.1)	249.8 (+5.3)

* : Data on production of secondary producers not included.

@ : Represents 93 per cent of the refinery throughput.

: (Base : 1980-81 = 100).

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

Source : Ministry of Planning and Programme Implementation, Government of India.

Table IV-5 : Employment in Organised Sector

At the end of	Employment (in lakhs)						
	Public Sector					Private Sector	Total
	Central Govt.	State Govt.	Quasi Govt.	Local Bodies	Total (2 to 5)		(6 & 7)
1	2	3	4	5	6	7	8
March 1993	33.83 (-1.3)	72.93 (+1.4)	64.90 (+1.5)	21.60 (-1.7)	193.26 (+0.1)	78.50 (+2.3)	271.77 (+0.1)
March 1994	33.92 (+0.3)	73.37 (+0.6)	65.14 (+0.4)	22.02 (+1.9)	194.45 (+0.6)	79.30 (+1.0)	273.75 (+0.7)
March 1995	33.95 (+0.1)	73.55 (+0.2)	65.20 (+0.1)	21.97 (-0.2)	194.67 (+0.1)	80.59 (+1.6)	275.25 (+0.5)

Source : Ministry of Labour, Government of India.

Table IV-6 : Small Scale Sector

Item	April-March		
	1993-94	1994-95	1995-96(P)
1	2	3	4
1. Number of units (Lakh Nos)	23.84 (+6.1)	25.71 (+7.8)	N.A.
2. Production (Rupees crore at 1990-91 prices)			
Target	1,79,760	1,96,118	N.A.
Achievement	1,81,133 (+7.1)	1,99,427 (+10.1)	N.A.
3. Production (Rupees crore at current prices)	2,41,648 (+15.4)	2,93,990 (+21.7)	3,56,060 (+21.1)
4. Employment (Lakh persons)	139.38 (+4.0)	146.56 (+5.1)	154.00 (+5.1)
5. Exports (Rupees crore)	25,307.10 (+42.3)	29,068.15 (+14.9)	37,207.00 (+28.0)

P : Provisional.

Notes : 1) Figures in brackets indicate change over the preceding year.

2) Data pertain to modern SSI sector (exclusive of powerlooms and traditional industries).

Source : (1) Office of the Development Commissioner, Small Scale industries, Ministry of industry.

(2) Small Industrial Development Bank of India (SIDBI).

Table IV-7 : State-wise classification of Sick Small Scale industrial units and outstanding bank credit at the end of March 1995

(Amount in Rs.crore)

States / Union Territories	Total Sick Units	
	No.of Units	Amount o/s
1	2	3
Eastern Region		
Assam	17984	44.60
Meghalaya	367	2.25
Mizoram	162	0.95
Bihar	26749	120.10
Arunachal Pradesh	140	0.52
West Bengal	50500	363.59
Nagaland	1728	5.22
Manipur	2370	4.55
Orissa	20498	68.99
Sikkim	96	0.51
Tripura	921	2.55
Andaman & Nicobar Islands	28	0.12
Total	**121543**	**613.95**
(%) (Eastern Region)	45.21	17.31
Northern Region		
Uttar Pradesh	35988	330.30
Delhi	5712	241.90
Punjab	2473	69.35
Haryana	2339	82.99
Chandigarh	188	12.26
Jammu & Kashmir	127	5.04
Himachal Pradesh	649	19.60
Rajasthan	17205	80.19
Total	**64681**	**841.63**
(%) (Northern Region)	24.06	23.73
Western Region		
Gujarat	7728	231.26
Maharashtra	21346	738.85
Daman & Diu	67	6.06
Goa	657	13.11
Madhya Pradesh	11489	185.12
Total	**41287**	**1174.40**
(%) (Western Region)	15.36	33.11
Southern Region		
Andhra Pradesh	13740	279.50
Karnataka	11399	188.51
Lakshadweep	0	0.00
Tamil Nadu	7300	296.46
Kerala	8631	146.02
Pondicherry	234	6.66
Total	**41304**	**917.15**
(%) (Southern Region)	15.37	25.86
TOTAL (All India)	**268815**	**3547.16**

Notes : (i) A small scale industrial unit is considerd as sick when : (1) any of its borrowal accounts has become a 'doubtful' advance i.e. principal or interest in respect of any of its borrowal accounts has remained overdue for a period exceeding 2 1/2 years, and (2) there is erosion in the net worth due to accumulated cash losses to the extent of 50 per cent or more of its peak net worth during the preceding two accounting years.

(ii) Figures in brackets indicate percentage share to the total.

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

Table IV-8 : Performance of Coal Industry

(Million Tonnes)

Item	April-March 1993-94	1994-95	1995-96(P)
1	2	3	4
1. Production			
(a) Coal (i+ii)	248.7 (+4.3)	257.8 (+3.7)	273.4 (+6.0)
(i) Coking Coal	44.7 (-1.1)	42.0 (-6.0)	40.0 (-4.8)
(ii) Non-coking Coal	204.0 (+5.5)	215.8 (+5.8)	233.5 (+8.2)
(b) Lignite	18.1 (+9.0)	19.3 (+6.6)	22.1 (+14.5)
2. Imports (Coking Coal)	7.1 (+9.2)	8.3 (+16.9)	8.9 (+7.2)
3. Despatches (i+ii)	245.1 (+5.3)	252.4 (+3.0)	270.6 (+7.2)
(i) Coking Coal	44.6 (+0.9)	42.3 (-5.2)	40.0 (-5.4)
(ii) Non-coking Coal	200.5 (+6.3)	210.1 (+4.8)	230.8 (+9.9)
4. Exports	0.1 (-)	0.1 (-)	0.1 (-)
5. Year-end Pit-head Stocks (i+ii)	50.8 (-1.2)	47.5 (-6.5)	45.6 (-4.0)
(i) Coking Coal	14.8 (-6.3)	10.3 (-30.4)	8.7 (-15.5)
(ii) Non-coking Coal	36.0 (+1.1)	37.2 (+3.3)	36.9 (-0.8)

P : Provisional.

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

Source : Ministry of Coal, Government of India.

Table IV-9 : Performance of Iron Ore Industry

(Million Tonnes)

Item	April-March 1993-94	1994-95	1995-96(P)
1	2	3	4
1. Production	58.3 (+2.1)	64.5 (+10.6)	66.6 (+3.3)
2. Despatches for internal consumption	28.4 (+0.7)	33.4 (+17.6)	36.2 (+8.4)
3. Despatches for export	26.9 (+21.2)	26.1 (-3.0)	30.4 (+16.5)
4. Year-end stocks	4.7 (-)	4.7 (-)	4.5 (-4.3)

P : Provisional.

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

Source : Indian Bureau of Mines, Government of India.

Table IV-10 : Performance of Cement Industry

(Million tonnes)

Item	April-March		
	1993-94	1994-95	1995-96 (P)
1	2	3	4
1. Installed Capacity	76.9	83.8	97.3
	(+10.2)	(+9.0)	(+16.1)
2. Production	58.0	62.4	69.6
of which :	(+7.8)	(+7.6)	(+11.5)
(i) Public Sector	5.5	4.5	4.2
	(+3.8)	(-18.2)	(-6.7)
(a) Cement Corporation of India	2.8	2.2	2.0
	(-6.7)	(-11.4)	(-9.1)
(b) Others	2.7	2.3	2.3
	(+17.4)	(-14.8)	(0.0)
(ii) Private Sector	48.6	53.8	60.3
	(+6.8)	(+10.7)	(+12.1)
(iii) Mini and White Cement Plants	3.9	4.0	5.1
	(+30.0)	(+2.6)	(+27.5)
3. Despatches	54.2	58.3	64.4
	(+6.9)	(+7.6)	(+10.5)
4. Average Capacity Utilisation (per cent)	75.4	74.5	71.5
5. Imports	NIL	NIL	NIL
6. Exports	1.3	1.6	1.5
7. Year-end Stocks	0.7	0.8	0.8

P : Provisional.

Note : Figures in bracekts are percentage variations over the previous year.

Source : Cement Manufacturers' Association., New Delhi.

Table IV-11 : Production of Iron and Steel

('000 tonnes)

	Pig Iron				Saleable Steel			
	1992-93	1993-94	1994-95	1995-96(P)	1992-93	1993-94	1994-95	1995-96(P)
1	2	3	4	5	6	7	8	9
A. Production								
1. Rourkela	30.0 (-26.8)	48.0 (+60.0)	38.0 (-20.8)	14.0 (-63.2)	1179.0 (+4.8)	1130.0 (-4.2)	1196.0 (+5.8)	1148.0 (-4.0)
2. Bhilai	135.0 (-22.9)	300.0 (+122.2)	278.0 (-7.3)	272.0 (-2.2)	3118.0 (+0.5)	3335.0 (+7.0)	3407.0 (+2.2)	3495.0 (+2.6)
3. Durgapur	17.0 (-75.7)	35.0 (+105.9)	182.0 (+420.0)	103.0 (-43.4)	641.0 (-6.0)	642.0 (+0.2)	853.0 (+32.9)	909.0 (+6.6)
4. Bokaro	154.0 (-9.9)	203.0 (+31.8)	256.0 (+26.6)	155.0 (-39.5)	2999.0 (+9.9)	3205.0 (+6.9)	3169.0 (-1.1)	3330.0 (+5.1)
Total (SAIL)	**336.0 (-26.5)**	**586.0 (+74.4)**	**754.0 (+28.7)**	**544.0 (-27.9)**	**7937.0 (+3.9)**	**8312.0 (+4.7)**	**8625.0 (+3.8)**	**8882.0 (+3.0)**
5. IISCO	430.0 (+10.5)	406.0 (-5.6)	403.0 (-0.7)	420.0 (+4.2)	398.0 (+2.8)	333.0 (-16.3)	332.0 (-0.3)	302.0 (-9.0)
6. TISCO	—	—	—	—	2124.0 (+4.2)	2154.0 (+1.4)	2446.0 (+13.6)	2701.0 (+10.4)
7. VSP	914.0 (+42.4)	985.0 (+7.8)	848.0 (-13.9)	771.0 (-9.9)	879.0 (+74.4)	1184.0 (+34.7)	1555.0 (+31.3)	2136.0 (+37.4)
Total (1 to 7)	**1680.0 (+12.9)**	**1977.0 (+17.7)**	**2005.0 (+1.4)**	**1735.0 (-13.5)**	**11338.0 (+7.3)**	**11983.0 (+5.7)**	**12958.0 (+8.1)**	**14021.0 (+8.2)**
8. Secondary Producers	165.0 (+61.8)	273.0 (+65.5)	780.0 (+185.7)	1060.0 (+35.9)	3377.0 (-0.7)	2700.0 (-20.0)	3345.0 (+23.9)	4350.0 (+30.0)
Total (A)	**1845.0 (+16.0)**	**2250.0 (+22.0)**	**2785.0 (+23.8)**	**2795.0 (+0.4)**	**14715.0 (+5.3)**	**14683.0 (-0.2)**	**16303.0 (+11.0)**	**18371.0 (+12.7)**
B. Sales								
1. Sales (Domestic)	1423.0 (+14.1)	1248.0 (-12.3)	1203.0 (-3.6)	916.0 (-23.9)	8369.0 (-1.4)	9190.0 (+9.8)	10431.0 (+13.5)	11200.0 (+7.4)
2. Imports	73.0 (-52.0)	21.0 (-71.2)	1.0 (-95.2)	8.0 (+700.0)	1085.0 (+8.8)	1155.0 (+6.5)	1936.0 (+67.6)	1834.0 (-5.3)
Total Consumption (1 and 2)	**1496.0 (+6.9)**	**1269.0 (-15.2)**	**1204.0 (-5.1)**	**924.0 (-23.3)**	**9454.0 (-0.3)**	**10345.0 (+9.4)**	**12367.0 (+19.5)**	**13034.0 (+5.4)**
C. Exports	**16.0 —**	**620.0 (@)**	**466.0 (-24.8)**	**503.0 (+7.9)**	**895.0 (+139.9)**	**1559.0 (+74.2)**	**1272.0 (-18.4)**	**1516.0 (+19.2)**
D. Year-end stocks	**295.0 (+137.9)**	**202.0 (-31.5)**	**154.0 (-23.8)**	**161.0 (+4.5)**	**1022.0 (+91.0)**	**812.0 (-20.5)**	**669.0 (-17.6)**	**757.0 (+13.2)**

P : Provisional. @ : Shows a very large variation.

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

Source : Joint Plant Committee and Steel Authority of India Ltd.

Table IV-12 : Installed Plant Capacity

(Mega Watt)

As at the end of March	Thermal	Hydel	Nuclear	Non-con-ventional	Total
1	2	3	4	5	6
1993-94	54,315	20,366	2,005	32	76,718
	(+7.1)	(+4.1)	(0.0)	(0.0)	(+6.1)
1994-95	58,073	20,829	2,225	37	81,164
	(+6.9)	(+2.3)	(+11.0)	(+15.6)	(+5.8)
1995-96 (P)	60,087	20,976	2,225	—	83,288
	(+3.5)	(+0.7)	(0.0)	—	(+2.6)

P : Provisional.

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

Source : Central Electricity Authority.

Table IV-13 : Source-wise Targets, Generation and Achievement of Electric Power

(Billon Kilo Watt Hours)

Source	April-March					
	1993-94		1994-95		1995-96 (P)	
	Target	Genera-tion	Target	Genera-tion	Target	Genera-tion
1	2	3	4	5	6	7
1. Thermal	243.2	247.8	274.7	262.9	297.0	299.6
		(+10.4)		(+6.1)		(+14.0)
		(+1.9)		(-4.3)		(+0.9)
2. Hydel	67.5	70.3	69.0	82.5	72.3	72.5
		(+0.7)		(+17.4)		(-12.1)
		(+4.1)		(+19.6)		(+0.3)
3. Nuclear	6.0	5.4	8.3	5.6	7.9	8.0
		(-19.4)		(+3.7)		(+42.9)
		(-10.0)		(-32.5)		(+1.3)
4. Total	**316.7**	**323.5**	**352.0**	**351.0**	**377.2**	**380.1**
		(+7.5)		**(+8.5)**		**(+8.3)**
		(+2.1)		**(-0.3)**		**(+0.8)**

P : Provisional.

Note : Figures in brackets in upper rows represent percentage variations over the previous year and figures in the bracket in the lower rows represent percentage variations over the target of the same year.

Source : Central Electricity Authority.

Table IV-14 : All-India / Region-wise Demand and Supply of Electricitty and Deficit

(Billion KWH)

Region	1993-94			1994-95			1995-96 (P)		
	Require-ment	Availability	Deficit (Percentage)	Require-ment	Availability	Deficit (Percentage)	Require-ment	Availability	Deficit (Percentage)
1	2	3	4	5	6	7	8	9	10
Northern Region	97.3	90.5	7.0	104.7	97.1	7.3	111.9	105.0	6.2
Western Region	99.6	95.7	3.9	110.3	106.0	3.9	124.9	118.7	4.9
Southern Region	84.7	77.4	8.6	93.0	85.6	8.0	105.6	87.9	16.7
Eastern Region	37.9	32.5	14.2	40.3	35.1	12.9	42.8	38.4	10.1
North-Eastern Region	3.7	3.3	10.8	3.9	3.5	9.6	4.5	3.9	12.6
All India	**323.2**	**299.4**	**7.4**	**352.3**	**327.3**	**7.1**	**389.7**	**354.0**	**9.2**

P : Provisional.
Source : Central Electricity Authority.

Table IV-15 : Crude Oil and Petroleum Refinery Products

(Thousand Tonnes)

Item	April-March		
	1993-94	1994-95	1995-96(P)
1	2	3	4
A) Crude Oil			
a) Production (i+ii)	**27,026** (**+0.3**)	**32,239** (**+19.3**)	**34,555** (**+7.2**)
(i) On-shore	11,651 (+4.0)	12,013 (+3.1)	11,910 (-0.9)
(ii) Off-shore	15,375 (-2.4)	20,226 (+31.6)	22,645 (+12.0)
b) Imports (Gross)	**30,822** (**+5.4**)	**27,349** (**-11.3**)	**27,342** (**0.0**)
B) Petroleum Refinery Products			
a) Production *of which :*	**51,084** (+1.4)	**52,927** (+3.6)	**55,067** (+4.0)
(i) Naphtha	4,666 (+1.7)	5,662 (+21.4)	5,969 (+5.4)
(ii) Kerosene	5,266 (+1.3)	5,261 (-0.1)	5,253 (-0.2)
(iii) High Speed Diesel Oil	18,809 (+2.8)	19,593 (+4.2)	20,663 (+5.5)
b) Imports (Gross) *of which :*	**12,076** (+7.0)	**13,951** (+15.5)	**20,335** (+45.8)
(i) Naphtha	NIL	NIL	NIL
(ii) Kerosene	3,946 (+13.9)	4,240 (+7.5)	5,001 (+17.9)
(iii) High Speed Diesel Oil	7,555 (+5.5)	8,637 (+14.3)	12,852 (+48.8)

P : Provisional.
Note : Figures in brackets represent percentage variations over the previous year.
Source : Ministry of Petroleum and Natural Gas, Government of India.

Table IV-16 : Output of Selected Heavy Mechanical Industries

Item	Unit	April-March		
		1993-94	1994-95	1995-96(P)
1	2	3	4	5
1. Automobiles				
i) Passanger cars	'000 Nos.	209.8 (+29.0)	261.9 (+24.8)	345.0 (+31.7)
ii) Commercial vehicles	..	145.3 (+9.1)	195.0 (+34.2)	271.0 (+39.0)
iii) Jeeps	..	48.0 (+22.1)	48.6 (+1.3)	59.6 (+22.6)
2. Scooters, motor cycles & mopeds	..	1,756.7 (+16.4)	2,191.3 (+24.7)	2,621.6 (+19.6)
3. Structurals	'000 Tonnes	150.9 (-4.8)	149.0 (-1.3)	155.9 (+4.6)
4. Steel castings**	..	360.9 (+0.4)	383.2 (+6.2)	371.1 (-3.2)
5. Diesel engines**	'000 Nos.	1,673.4 (-0.5)	1,621.3 (-3.1)	1,953.0 (+20.5)
6. Railway wagons (in terms of four wheelers)	..	19.3 (-22.8)	14.7 (-23.8)	19.0 (+29.3)
7. Road rollers	Nos.	53.0 (+51.4)	200.0 (+277.4)	220.0 (+10.0)
8. Lifts	..	3,696.0 (+12.6)	3,426.0 (-7.3)	2,336.0 (-31.8)
9. Tractors	'000 Nos.	138.7 (-5.3)	157.8 (+13.8)	202.8 (+28.5)

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

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

Item	Unit	April - March		
		1993-94	1994-95	1995-96(P)
1	2	3	4	5
Typewriters	000 Nos.	78.9 (-27.5)	86.0 (+9.0)	94.1 (+9.4)
Bicycles	..	7,775.2 (+11.6)	8,901.9 (+14.5)	9,123.0 (+2.5)
Sewing Machines	..	111.8 (-12.0)	99.3 (-11.2)	128.3 (+29.2)
Razor Blades	Mill. Nos.	3,445.0 (+11.2)	3,328.8 (-3.4)	3,483.5 (+4.6)
Wrist Watches	..	8.4 (-13.4)	7.4 (-11.9)	10.4 (+40.5)

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

Table IV-18 : Output of Selected Electrical Engineering Industries

Item	Unit	April - March		
		1993-94	1994-95	1995-96(P)
1	2	3	4	5
A. Light Electrical Engineering				
1. Electrical Lamps				
i) Incandescent	Mill.Nos.	325.6	373.9	382.0
		(+7.4)	(+14.8)	(+2.2)
ii) Fluorescent	,,	76.3	92.4	117.1
		(+9.9)	(+21.1)	(+26.7)
2. Electrical Fans**	,,	6.1	10.3	7.1
		(+19.6)	(+68.9)	(-31.1)
3. Radio Receivers	'000 Nos.	151.9	209.8	151.4
		(-38.0)	(+38.1)	(-27.8)
4. Storage Batteries	,,	2,869.1	3,079.6	3,379.6
		(+8.1)	(+7.3)	(+9.7)
5. Dry Cells	Mill.Nos.	1,285.2	1,283.9	1,439.6
		(+7.8)	(-0.1)	(+12.1)
6. Domestic Refrigerators	'000 Nos.	1,289.2	1,641.3	1,913.2
		(+29.3)	(+27.3)	(+16.6)
B. Heavy Electrical Engineering				
1. Power Transformers	Mill.KVA.	33.4	41.5	38.2
		(-4.0)	(+24.3)	(-8.0)
2. Electric Motors	Mill.H.P.	6.1	6.6	6.6
		(+15.1)	(+8.2)	(-)
3. Power Driven Pumps	'000 Nos.	470.9	514.4	660.8
		(-10.0)	(+9.2)	(+28.5)

P : Provisional.

** : Includes production from the small-scale sector.

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

Source : Ministry of Industry, Government of India.

Table IV-19 : Production of Non-Ferrous Metals

(Thousand Tonnes)

Item	1993-94	1994-95	1995-96(P)
1	2	3	4
Virgin Metals			
1. Aluminium	460.7	479.8	523.4
	(-5.4)	(+4.1)	(+9.1)
2. Copper	52.0	45.6	45.3
	(+10.6)	(-12.3)	(-0.7)
3. Zinc	141.5	149.1	141.6
	(+11.9)	(+5.4)	(-5.0)
4. Lead	28.0	43.8	35.1
	(-29.9)	(+56.4)	(-19.9)
Semi-Manufactures			
1. Aluminium			
a) Sheets and circles	100.9	114.1	121.1
rolled products	(+18.8)	(+13.1)	(+6.1)
b) Wire rods for aluminium conductors	27.2	28.0	34.2
steel reinforced (ACSR)/(AAC)	(+6.1)	(+2.9)	(+22.1)
2. Copper/Brass sheets and circles products	36.5	40.9	44.7
	(+59.1)	(+12.1)	(+9.3)

P : Provisional

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

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

Table IV-20 : Jute Textiles

(Thousand Tonnes)

Item	Year (Apr - Mar)	Hessian	Sacking	Carpet Backing	Others	Total
1	2	3	4	5	6	7
Production	1993-94	341.8	784.3	23.4	298.6	1,448.1
		(+7.5)	(-19.0)	(-25.2)	(-1.1)	(+10.5)
	1994-95	333.5	689.6	32.5	318.6	1,374.2
		(-2.4)	(-12.1)	(+38.9)	(+6.7)	(-5.1)
	1995-96(P)	413.9	676.3	30.5	312.3	1,433.0
		(+24.1)	(-1.9)	(-6.2)	(-2.0)	(+4.3)
Consumption	1993-94	242.3	752.5	1.7	243.0	1,239.5
		(+11.2)	(+20.2)	(+6.3)	(-3.8)	(+12.9)
	1994-95	245.7	679.9	2.5	244.7	1,172.8
		(+1.4)	(-9.6)	(+47.1)	(+0.7)	(-5.4)
	1995-96(P)	267.4	665.5	2.3	226.6	1,161.8
		(+8.8)	(-2.1)	(-8.0)	(-7.4)	(-0.9)
Exports	1993-94	104.3	23.9	21.4	45.5	195.1
		(+1.4)	(-13.7)	(+6.5)	(+0.9)	(-0.4)
	1994-95	116.2	6.4	27.3	71.5	221.4
		(+11.4)	(-73.2)	(+27.6)	(+57.1)	(+13.5)
	1995-96(P)	119.3	7.3	22.4	61.3	210.3
		(+2.7)	(+14.1)	(-17.9)	(-14.3)	(-5.0)
Year-end Stocks	1993-94	26.1	23.1	3.3	16.6	69.1
		(+14.5)	(+16.7)	(-52.9)	(+7.8)	(+6.3)
	1994-95	27.8	19.1	1.2	15.2	63.3
		(+6.5)	(-17.3)	(-63.6)	(-8.4)	(-8.4)
	1995-96(P)	39.9	16.6	3.1	17.5	77.1
		(+43.5)	(-13.1)	(+158.3)	(+15.1)	(+21.8)

P : Provisional.

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

Source : Jute Manufacturers Development Council, Calcutta.

Table IV-21 : Production, Import, Consumption and Stock of Rubber

(Thousand Tonnes)

Item	April - March		
	1993-94	1994-95	1995-96 (P)
1	2	3	4
Production	**548**	**600**	**641**
	(+6.8)	**(+9.5)**	**(+6.8)**
Natural	435	472	507
	(+10.7)	(+8.5)	(+7.4)
Synthetic	50	64	68
	(-13.8)	(+28.0)	(+6.3)
Reclaimed	63	64	66
	(+1.6)	(+1.6)	(+3.1)
Imports	**85**	**83**	**122**
	(+32.8)	**(-2.4)**	**(+47.0)**
Natural	21	9	53
	(+23.5)	(-57.2)	(+488.9)
Synthetic	64	74	69
	(+36.2)	(+15.6)	(-6.8)
Consumption	**627**	**673**	**725**
	(+7.2)	**(+7.3)**	**(+7.7)**
Natural	451	486	525
	(+8.9)	(+7.8)	(+8.0)
Synthetic	113	123	134
	(+3.7)	(+8.8)	(+8.9)
Reclaimed	63	64	66
	(+1.6)	(+1.6)	(+3.1)
Import as a Percentage of Consumption	**13.6**	**12.3**	**16.8**
Natural	4.8	1.8	10.1
Synthetic	56.7	60.2	51.2
Year-end Stocks	**94**	**92**	**124**
	(+11.9)	**(-2.1)**	**(+34.8)**
Natural	77	70	103
	(+8.5)	(-9.1)	(+47.1)
Synthetic	15	20	19
	(+25.0)	(+33.3)	(-5.0)
Reclaimed	2	2	2
	(-33.3)	(0.0)	(0.0)

P : Provisional.

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

Source : Rubber Board, Government of India.

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

(Mill. numbers)

Year (April-March)	Automobile Tyres: Total	Automobile Tyres: *of which :* Giant Tyres	Bicycle Tyres	Rubber Footwear
1	2	3	4	5
1992-93	16.5	6.6	19.3	28.4
	(+0.6)	(+8.4)	(-14.0)	(+15.1)
1993-94	18.9	7.0	12.2	35.4
	(+14.5)	(+6.1)	(-36.8)	(+24.6)
1994-95(P)	21.3	7.3	9.7	33.5
	(+12.7)	(+4.3)	(-20.5)	(-5.4)
1995-96(P)	21.9	8.8	10.4	28.4
	(+2.8)	(+20.5)	(+7.2)	(-15.2)

P : Provisional.

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

Source : Central Statistical Organisation, Government of India.

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

(Thousand Tonnes)

Item	April-March		
	1993-94	1994-95	1995-96(P)
1	2	3	4
1. Fertilizers			
a) Nitrogenous Fertilisers	7,383.6	7,950.7	8,762.9
(N content)	(-1.5)	(+7.7)	(+10.2)
b) Phosphatic Fertilisers	1,847.1	2,459.1	2,552.3
(P_2O_5)	(-22.3)	(+33.1)	(+3.8)
2. Inorganic Chemicals			
a) Caustic Soda	1,109.7	1,118.5	1,340.8
	(+3.4)	(+0.8)	(+19.9)
b) Soda Ash	1,544.9	1,454.9	1,464.3
	(+11.0)	(-5.8)	(+0.6)
3. Paints and Varnishes*	308.4	405.0	523.0
	(+3.0)	(+31.3)	(+29.1)
4. Soaps*	1,460.9	1,480.4	1,801.0
	(+0.2)	(+1.3)	(+21.7)
5. Synthetic Detergents	307.7	355.8	449.3
	(+10.1)	(+15.6)	(+26.3)
6. Drugs & Pharmaceuticals (Rs. crore)			
i) Bulk Drugs	1,320.00	1,518.00 (E)	N.A.
	(+26.3)	(+15.0)	
ii) Formulations	6,900.00	7,935.00 (E)	N.A.
	(+25.0)	(+15.0)	
7. Petrochemicals			
i) Low Density Polyethylen (LDPE)	168.7	256.1	223.7
	(+11.1)	(+51.8)	(-12.7)
ii) PVC Resins	315.6	324.1	389.5
	(+26.2)	(+2.7)	(+20.2)
iii) DMT/PTA	113.2	146.6	212.0
	(-8.9)	(+29.5)	(+44.6)
iv) Caprolactum	73.3	79.0	114.0
	(+72.1)	(+7.8)	(+44.3)

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

* : Includes production in Small-scale Sector.

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

Source : i) Ministry of Industry, Government of India.

ii) Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilizers.

Table IV-24 : Balance Sheet of Sugar (October-September)

(Lakh tonnes)

Item	1993-94	1994-95	1994-95 (Oct- June)	1995-96 (Oct- June)
1	2	3	4	5
1. Opening Stock	32.25 (-34.21)	30.88@ (-4.25)	30.88@ (-4.25)	55.98 (81.28)
2. Production	98.33 (-7.31)	146.43 (48.92)	141.88 (47.84)	160.68 (13.25)
3. Import	20.00+	2.00	—	—
4. Total Supply (1+2+3)	150.58 (-2.92)	179.31 (19.08)	172.76 (35.01)	216.66 (25.41)
5. Internal Consumption	119.60 (0.72)	122.70 (2.59)	91.38 (6.65)	97.67 (6.88)
6. Exports	0.10 (-97.57)	0.63 (530.00)	0.23	8.00
7. Total off-take (5+6)	119.70 (-2.57)	123.33 (3.03)	91.61 (7.00)	105.67 (15.35)
8. Closing Stock (4-7)	30.88 (-4.25)	55.98 (81.28)	81.15 (92.24)	110.99 (36.77)

\+ : This is the total imports of which some quantities arrived in the next season 1994-95.

@ : Including stocks of imported sugar.

Note : Figures in brackets are percentage variation over the previous year/period.

Source : Indian Sugar Mills Association.

Table IV-25 : Sugar Releases during 1993-94, 1994-95 and 1995-96 Seasons

(Lakh tonnes)

Month	1993-94			1994-95			1995-96		
	Levy	Free-sale	Total	Levy	Free-sale	Total	Levy	Free-sale	Total
1	2	3	4	5	6	7	8	9	10
October	3.92	7.00	10.92	3.80	7.00	10.80	4.03	8.30	12.33
November	3.66	7.20	10.86	3.49	7.00	10.49	3.60	7.50	11.10
December	3.52	6.10	9.62	3.37	6.10	9.47	3.49	6.80	10.29
January	3.51	5.75	9.26	3.78	5.75	9.53	3.69	6.50	10.19
February	3.52	5.65	9.17	3.88	5.75	9.63	3.70	6.25	9.95
March	3.50	6.00	9.50	3.65	6.15	9.80	3.72	6.25	9.97
April	3.31	5.45	8.76	3.37	6.30	9.67	3.70	6.60	10.30
May	3.34	4.90	8.24	3.36	6.70	10.06	3.71	7.25	10.96
June	3.36	5.60	8.96	3.27	7.00	10.27	3.69	7.40	11.09
July	3.36	6.00	9.36	3.41	6.90	10.31	3.69	7.25	10.94
August	3.40	5.75	9.15	3.51	6.70	10.21	3.69	7.25	10.94
September	3.65	5.75	9.40	3.72	6.70	10.42	3.69	7.25	10.94
Total	**42.05**	**71.15**	**113.20**	**42.61**	**78.05**	**120.66**	**44.40**	**84.60**	**129.00**
Monthly Average	3.50	5.93	9.43	3.55	6.50	10.06	3.70	7.05	10.75

Source : Indian Sugar Mills Association.

Table IV-26 : Production, Consumption and Stock Position of Yarn

(Million Kgs.)

Item	April - March		
	1993-94	1994-95	1995-96(P)
1	2	3	4
Installed Capacity (In Millions) (Spindles)	28.6	30.7	31.3
Capacity Utilisation (%) (Spindles)	84	81	85
A. Production (i+ii+iii+iv)	**2,142**	**2,200**	**2,429**
	(+10.4)	**(+2.7)**	**(+10.4)**
i) Cotton Yarn	1,622	1,586	1,738
	(+6.5)	(-2.1)	(+9.6)
ii) Blended/Mixed Yarn	305	346	393
	(+23.5)	(+13.4)	(+13.6)
iii) 100 per cent Man-made Fibre Spun Yarn	140	158	188
	(+12.0)	(+12.9)	(+19.0)
iv) Cotton Yarn by SS Spg. Units	75	110	110
	(+63.0)	(+46.7)	(0.0)
B. Domestic Consumption			
(all yarn) (i+ii)	**1,483**	**1,465**	**NA**
	(+3.7)	**(-1.2)**	
i) Mill Sector ++	158	101	NA
	(-16.8)	(-36.1)	
ii) Decentralised Sector +	1,381	1,364	NA
	(+11.4)	(-1.2)	
C. Exports (Cotton Yarn)			
i) Quantity	179	229	262
	(+38.8)	(+27.8)	(+14.4)
ii) Value (Rs. crore)	1,609	2,612	3,363
	(+37.9)	(+62.3)	(+28.8)
D. Year-end Stocks (Unsold)			
(Cotton yarn)	39	73	73
	(-33.9)	(+87.2)	(0.0)

P : Provisional.
++ : Relates to consumption for weaving cloth only.
+ : Including deliveries of cotton yarn to hosiery and other purposes.
NA : Data Not Available.

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

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

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

(Million square metres)

Item	April - March		
	1993-94	1994-95	1995-96(P)
1	2	3	4
Installed Capacity ('000s) (Looms)	150 (-5.1)	139 (-7.3)	140 (+0.7)
Capacity Utilisation (%) (Looms)	54 (+5.9)	52 (-3.7)	52 (0.0)
A. Production (i+ii)	**27,898** **(+9.5)**	**28,606+++** **(+2.5)**	**30,582 +++** **(+6.9)**
i) Mill Sector (a+b+c)	1,990 (-0.5)	2,271+++ (+14.1)	2,036 +++ (-10.4)
a) Cotton Fabrics	1,356 (-3.6)	1,262 (-6.9)	1,169 (-7.4)
b) Blended/Mixed Fabrics	575 (+8.1)	746 (+29.7)	611 (-18.1)
c) 100 per cent Man-made Fibre Fabrics	59 (-3.3)	263 (+345.8)	256 (-2.7)
ii) Decentralised Sector (a+b+c+d)	25,908 (+10.4)	26,335 (+1.7)	28,546 (+8.4)
a) Cotton Fabrics	16,434 (+10.0)	15,757 (-4.1)	17,246 (+9.5)
b) Blended/Mixed Fabrics	2,580 (+19.9)	2,915 (+13.0)	2,839 (-2.6)
c) 100 per cent Man-made Fibre Fabrics	6,468 (+8.6)	7,232 (+11.8)	8,030 (+11.0)
d) Khadi Wool Silk	426 (-0.9)	431 (+1.2)	431 (0.0)
B. Domestic Consumption (all cloth)+	**22,971** **(+12.5)**	**23,206** **(+1.0)**	**NA**
C. Year-end Stocks (unsold)++ (all cloth)	**85** **(-13.3)**	**82** **(-3.5)**	**81** **(-1.2)**
D. Exports of Cotton Fabrics (mills/powerlooms, made up, handloom) (Rs. crore)	**19,581** **(+29.4)**	**21,834** **(+11.5)**	**23,910** **(+9.5)**

P : Provisional.

\+ : Relates to total availability.

++ : Relates to mill sector only.

+++ : Includes production by Non-SSI weaving units also.

NA : Data Not Available.

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

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

Table IV-28 : Paper, Paper Boards and Newsprint

(Production and capacity in lakh tonnes)

	Year April-March	Installed Capacity	Production	Capacity Utilisation Ratio (per cent)
1	3	4	5	
A) Paper and Paper Boards				
	1992-93	34.5 (+2.7)	21.3 (+0.9)	61.4
	1993-94	37.9 (+9.9)	22.7 (+6.6)	59.9
	1994-95	38.4 (+1.3)	25.1 (+10.6)	65.4
	1995-96(P)	40.0 (+4.2)	27.0 (+8.6)	67.5
B) Newsprint				
	1992-93	3.7 (+19.4)	3.4 (+17.4)	91.9
	1993-94	5.4 (+45.9)	3.6 (+5.9)	66.6
	1994-95	5.6 (+3.7)	4.0 (+11.1)	71.4
	1995-96(P)	6.5 (+16.1)	4.5 (+12.5)	69.2

P : Provisional.

Note : Figures in brackets indicate percentage variation over the corresponding period of the previous year.

Source : Indian Paper Mills Association.

CHAPTER V

MONETARY AND BANKING DEVELOPMENTS*

Monetary Developments

The monetary developments during 1995-96 were marked by a moderation in the growth of money supply in the face of continued credit expansion and significant changes in the composition of reserve money.

Overall Trends in Money Supply

Broad money (M_3) recorded a lower order of increase of 13.2 per cent (Rs.70,410 crore) in 1995-96 as compared with an increase of 22.3 per cent (Rs.97,019 crore) recorded in the previous year (Table V-1 and Statement 37 of Vol. II). The expansion in narrow money (M_1) in 1995-96 was even lower at 11.5 per cent (Rs.22,106 crore) decelerating from the peak (since 1971-72) growth rate of 27.5 per cent (Rs.41,479 crore) registered in the previous year. This was the third occasion since 1971-72 when the M_3 growth rate, on a financial year basis, dipped below the 15 per cent mark, the other two occasions being 1981-82 and 1974-75. The lower order of monetary expansion during 1995-96, however, needs to be viewed with caution, as the unusually large base of March 31, 1995 which happened to be the reporting Friday and the last day for accounting purposes distorted the data. If, to obviate this problem, one were to go by the data for the preceding reporting Friday (*i.e.*, March 17, 1995), broad money growth in 1995-96 would work out to be higher at 17.9 per cent. Even if this procedure is not adopted, average rate of M_3 expansion in the two years of 1994-95 and 1995-96 works out to 17.8 per cent which is close to the long term annual average growth rate of 17.4 per cent since 1971-72.

Component-wise, the deceleration in broad money is essentially a reflection of the slowdown in the growth of aggregate deposits at 12.4 per cent in 1995-96 which was the lowest since 1971-72. This was primarily on account of the sharp slowdown in the growth of demand deposits to 5.3 per cent in 1995-96 from 33.7 per cent in 1994-95 (Table V-1 and Statement 37 of Vol. II). In fact, demand deposits showed an absolute decline throughout the year till the penultimate reporting fortnight ended March 15, 1996, and increased sharply by as much as Rs.10,526 crore in the final reporting fortnight ended March 29, 1996. Time deposits grew at a lower pace of 14.2 per cent in 1995-96 as compared with 19.6 per cent in the previous year, which incidentally was the lowest growth rate since 1971-72. There was, however, a large expansion of currency with the public at 17.4 per cent in 1995-96 on top of a phenomenal increase of 22.3 per cent recorded in 1994-95. The expansion of currency accounted for about 80 per cent of the increase in narrow money in 1995-96. The 'other deposits' with the Reserve Bank declined marginally by 1.3 per cent in contrast to the increase of 34.0 per cent in 1994-95.

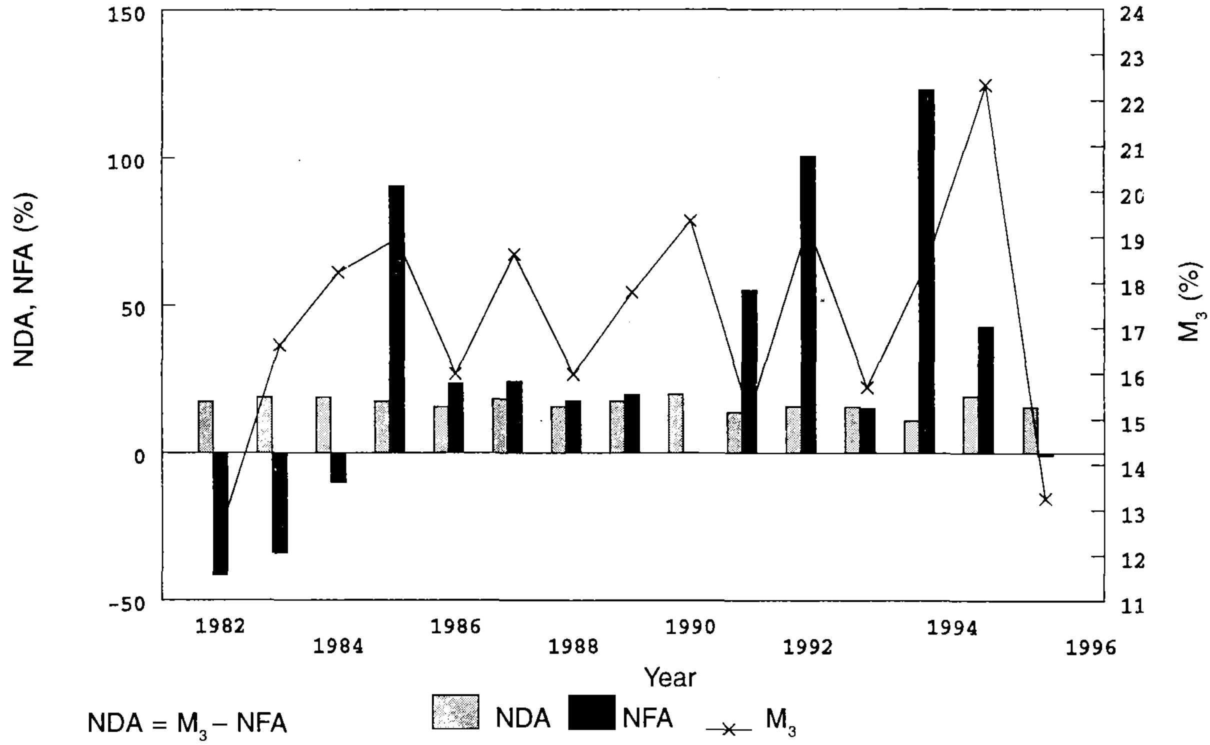
On the sources side, the relative strength of factors contributing to broad money expansion underwent significant changes in 1995-96 as compared with those in 1994-95 and 1993-94 (Graph V-1). While net bank credit to Government increased by 15.7 per cent (Rs.34,991 crore) in 1995-96 as compared with an increase of 9.1 per cent (Rs.18,501 crore) in 1994-95, the net foreign exchange assets of the banking sector declined by 0.8 per cent (Rs.628 crore) in contrast to the phenomenal expansion of 42.8 per cent (Rs.23,298 crore) during the previous year (Statement 39 of Vol. II). There was a modest deceleration in the other banks' investments in Government securities to Rs.15,120 crore in 1995-96 from Rs.16,323 crore in 1994-95. The Central government's demand for funds has manifested itself in terms of a sharp increase in monetised deficit which, on a fortnightly average basis, was at a high level of Rs.15,572 crore in 1995-96 in contrast to a surplus balance of Rs 550 crore in 1994-95. While easy liquidity conditions in 1993-94 and 1994-95 enabled the market to absorb government securities, the situation was different in 1995-96. The ratio of monetised deficit to the increase in net bank credit to the Government rose to 56.7 per cent from 11.5 per cent in 1994-95. Bank credit to commercial sector increased substantially by 16.5 per cent in 1995-96 on top of a phenomenal growth of 23.1 per cent in 1994-95.

* Material in this Chapter is based on data available for the period upto end-September 1996.

Graph V-1

Annual Growth Rates of Monetary Aggregates

(1981-82 to 1995-96)



The banking sector's net non-monetary liabilities increased sharply by Rs.12,138 crore in 1995-96 as compared with a nominal increase of Rs.118 crore in the previous year. The Reserve Bank's net non-monetary liabilities increased by Rs.2,943 crore as compared with Rs.3,321 crore in 1994-95.

As regards quarterly variations, while M_3 expansion remained subdued during the first half of 1995-96, it picked up during the latter half of 1995-96. The quarterly broad money expansion accelerated to 6.1 per cent in the final quarter ended March 1996 from barely 0.9 per cent in the first quarter ended June 1995 following policy initiatives including, *inter alia,* the lowering of reserve requirements.

Seasonal Trends

Both broad and narrow money recorded lower orders of expansion during the slack season (April - October) of 1995 than those in the previous slack season. Currency with the public accelerated while aggregate deposits slowed down mainly on account of the decline in demand deposits. On the sources side, net bank credit to Government increased by Rs.10,718 crore (Rs.2,519 crore last year) which was driven mainly by a spurt in the monetised deficit (Statement 43 of Vol. II). Bank credit to commercial sector was also higher. Net foreign exchange assets of the banking sector recorded a markedly lower growth of 1.9 per cent in the slack season of 1995 as compared with that of 25.6 per cent in the comparable period of 1994.

During the busy season (November - April) of 1995-96, broad money grew at a higher rate of 9.0 per cent than that of 8.2 per cent during the corresponding period of 1994-95. On the other hand, narrow money recorded a rise of 8.9 per cent only as compared with a 14.1 per cent growth during the same period of the previous year. Currency with the public decelerated. Aggregate deposits, on the other hand, grew by Rs.38,263 crore during the period under review as compared with Rs.21,152 crore rise during the corresponding period of 1994-95. Net bank credit to Government was markedly higher at Rs.25,178 crore than the increase of Rs.18,409 crore in the previous year while bank credit to commercial sector grew by Rs.28,515 crore which was lower than the increase of Rs.33,214 crore recorded in the comparable period of the previous year. The banking sector's net foreign exchange assets declined by Rs.123 crore as against an expansion of Rs.4,147 crore witnessed in the busy season of the previous year.

Reserve Money and Net Domestic Assets of the Reserve Bank

The reserve money expansion decelerated to 14.8 per cent in 1995-96 from 22.1 per cent in 1994-95. Unlike in the previous two years, when much of the increase in reserve money emanated from large-scale capital inflows, the increase in 1995-96 was mainly due to sharp increase in the monetised deficit which accounted for nearly four-fifths of the increase in reserve money. In absolute terms, of the reserve money expansion of Rs.25,054 crore recorded in 1995-96, net RBI credit to the Centre amounted to as much as Rs.19,855 crore (Rs.2,130 crore last year) which in turn, was attributable mainly to the increase in the RBI's holdings of Central Government securities (Rs.11,781 crore) and the Centre's availing of *ad hoc* Treasury Bills to the tune of Rs.5,896 crore (Table V-2 and Statement 42 of Vol. II). There was a sharp pick-up in refinance availed of by scheduled commercial banks by Rs.8,224 crore reflecting stringent money market conditions. Consequently, the Reserve Bank's net domestic assets increased substantially by Rs.25,682 crore in 1995-96 as compared with Rs.7,312 crore in 1994-95. With the Reserve Bank's net foreign exchange assets recording an absolute fall for the first time since 1990-91, accretion to the RBI's net domestic assets outstripped the increase in reserve money for the first time in the 'nineties.

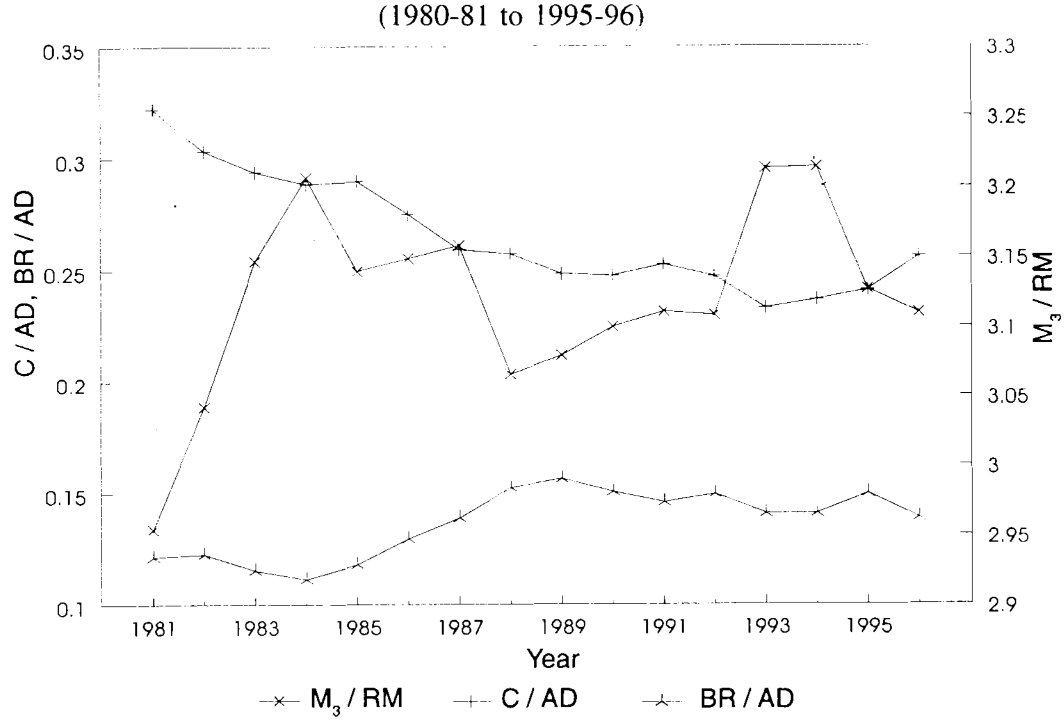
Some Monetary Relationships

Despite substantial reductions in the cash reserve ratio, the average broad money multiplier declined, *albeit* marginally to 3.11 in 1995-96 from 3.13 in 1994-95 as the currency to aggregate deposits (C/AD) ratio moved up to 0.26 from 0.24 over the same period (Graph V-2). The incremental broad money multiplier also fell to 2.81 in 1995-96 from 3.17 in 1994-95 as the incremental C/AD ratio reached its peak at 0.33 since 1974-75. The annualised incremental broad money multiplier exhibited greater volatility in 1995-96 than in the previous year, tracing an inverted U curve as it rose from 2.37 in April 1995 to 4.34 in January 1996 and declining thereafter to 2.81 in March 1996. In view of the strong currency growth coinciding with reduced capital inflows, the ratio of net foreign assets to currency in circulation declined to 60.5 per cent as at the end of March 1996 from 71.4 per cent as at the end of March 1995.

Graph V-2

Average Monetary Ratios

(1980-81 to 1995-96)



Income Velocity of Money

The income velocity of broad money has exhibited a downward trend suggesting that the demand for money has increased in response to the increase in income (Graph V-3). The data on income velocity for money for the 26-year period from 1970-71 to 1995-96 show that while the M_1 income velocity has flattened, the M_3 income velocity has shown a sharp decline from 4.2 to 1.9. The long-term movements in the income velocity of money reflect the changes in the financial structure, apart from real income growth and the opportunity cost of money which have been recognized as having a strong influence on the demand for money. The secular behavior of income velocity of money in India thus reflects the typical characteristics of an economy where monetization has gone apace with financial developments.

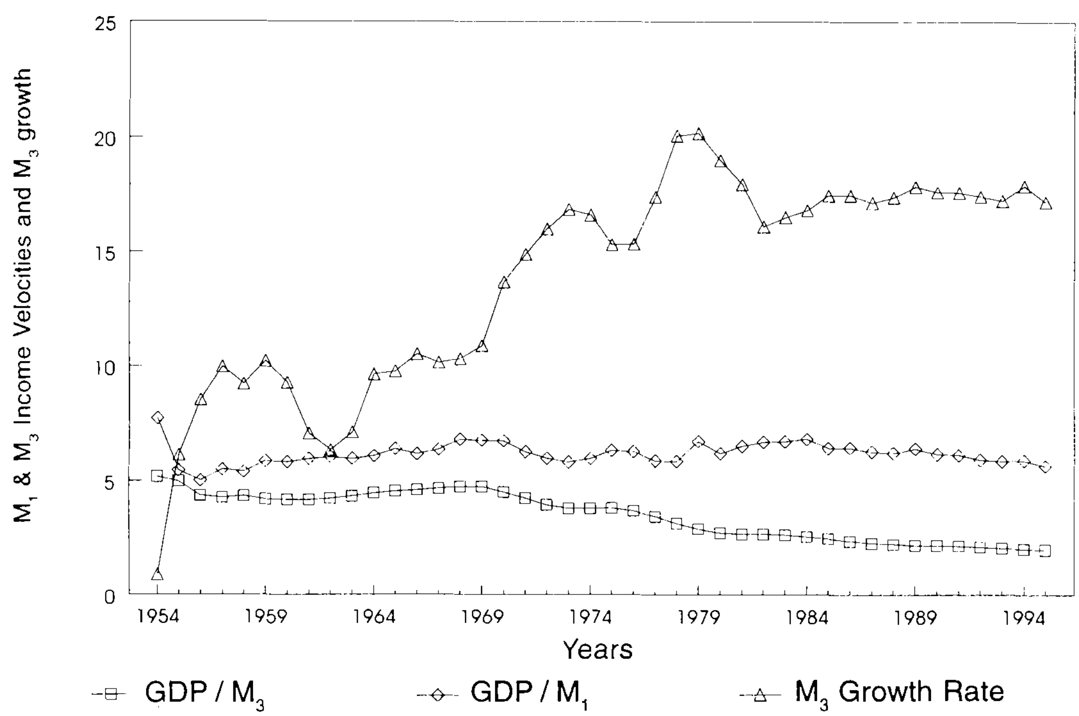
Trends During the First Half of the Year

Broad money registered a strong growth of Rs.37,567 crore (6.2 per cent) during the first half of 1996-97 (up to September 27, 1996) as against a lower rise of Rs.23,327 crore (4.4 per cent) during the comparable period of the previous year. On an annualised basis, monetary expansion at 15.3 per cent by September 27, 1996 was broadly in conformity with the targetted growth of 15.5 - 16.0 per cent envisaged for 1996-97 in the credit policy of 1996-97. It may, however, be noted that the subdued broad money expansion of the first quarter of 1995-96 partly reflected the unusually high base on March 31, 1995; on March 17, 1995 basis, M_3 growth during the first half of 1995-96 works out much higher at 8.6 per cent.

The broad money expansion during the first half of the current year was driven mainly by the strong growth in time deposits by Rs.34,705 crore (9.0 per cent). Currency with the public increased by Rs.1,534 crore (1.3 per cent). On the sources side, net bank credit to the Government recorded a substantial rise of Rs.15,560 crore (6.0 per cent) while other banks' credit to the commercial sector recorded the moderate increase of Rs.1,957 crore or 0.6 per cent. Net foreign exchange assets of the banking sector increased by Rs.7,558 crore in the first half of 1996-97 in contrast to the decline of Rs 2,857 crore in the comparable period of the previous year.

Graph V-3

Income Velocities of Broad Money (M_3) and Narrow Money (M_1) and the M_3 Growth rate (Three-Year Moving Average)



Reserve money declined by Rs.10,426 crore (5.4 per cent) in fiscal 1996-97 (up to September 27) as against the increase of Rs.5,379 crore (3.2 per cent) during the corresponding period of the previous year. The monetised deficit at Rs.3,801 crore was far lower than that of Rs.8,714 crore recorded in 1995-96, mainly due to a lower net issue of *ad hoc* Treasury bills. Owing to easy liquidity conditions emanating from the lagged effect of substantial reductions in CRR and the resultant easier call money market conditions, the Reserve Bank's claims on commercial and co-operative banks declined sharply by Rs.13,902 crore as against the fall of Rs.1,878 crore in the comparable period in 1995-96. As a result of the accretion to the RBI's net foreign exchange assets by Rs.7,559 crore *vis-a-vis* lower recourse to the *ad hoc* Treasury bills coupled with fall in refinance facilities, the Reserve Bank's net domestic assets declined by Rs.17,985 crore. With lower currency growth in 1996-97 (up to September 27), the RBI's ratio of net foreign exchange assets to currency in circulation inched up to 66 per cent as on September 27, 1996. Reflecting the lower CRR requirements, to be maintained by scheduled commercial banks, bankers' deposits declined sharply by Rs.14,358 crore raising the money multiplier from 3.10 as on March 31, 1996 to 3.48 on September 27, 1996.

Currency and Coinage

During 1995-96, the composition of currency in circulation remained mostly unchanged compared with that of the previous years.The share of notes in circulation to currency in circulation which has been rising in the 'nineties increased marginally from 97.7 per cent as on March 31, 1995 to 98.1 per cent as on March 31, 1996. The share of both rupee coins and small coins have fallen.

Denomination-wise, the share of notes of Rs.50 and higher denominations has risen in line with long-term trends. The share of notes denominated as Rs.500 has increased from 13.5 per cent in 1993-94 to 16.5 per cent in 1994-95. The shares of all other denominations declined except those of Rs.10 and Rs.100 which rose marginally.

Issue of Coins and Notes

The following commemorative coins were issued for general circulation during 1995-96 :

a) Rupee One coins with the themes of i) "Ear of Corn" and ii) "Saint Thiruvalluvar" on the occasion of the Eighth World Tamil Conference 1995.

b) Rupee Two coins with the theme of "Saint Thiruvalluvar" on the occasion of the Eighth World Tamil Conference 1995.

c) Rupee Five coins with the themes of i) "Agriculture Organisations" on the occasion of the Fiftieth anniversary of the Food and Agriculture Organisation 1945-95, ii) "Mother's Health is Child's Health" and iii) "Saint Thiruvalluvar" on the occasion of the Eighth World Tamil Conference 1995.

The following new series of notes were issued by the Reserve Bank bearing the signature of the Governor, Dr.C.Rangarajan.

a) Rs.10/- (Shalimar Garden design) notes with capital letter 'E' inset in the numbering panels.

b) Rs.100/- notes with capital letter 'B' inset in numbering panels.

The following notes were issued in the new series (Mahatma Gandhi design) bearing the signature of the Governor, Dr.C.Rangarajan.

a) Rs.10/- notes without inset in numbering panels.

b) Rs.100/- notes without inset in numbering panels.

c) Rs.100/- notes with capital letter 'E' inset in numbering panels.

Lost, Destroyed and Mutilated Notes

During the year 1995-96, claims numbering 2.65 lakh (2.05 lakh claims in 1994-95) were received from various offices of the Reserve Bank with respect to mutilated notes involving 425.62 lakh pieces (371.8 lakh pieces last year) valued at Rs.36.21 crore (Rs.34.85 crore last year). Claims approved for payment[1] amounted to Rs.46.48 crore

1. Includes claims approved in the preceding year but paid in the following year.

which was higher than the approved claims of Rs.34.92 crore in 1994-95.

The aggregate value of claims at all banks comprising the Reserve Bank, the State Bank of India and its Associates and other public sector banks amounted to Rs.115.8 crore (Rs.109.8 crore last year). Despite the delegation of full powers to the SBI group and other public sector banks for acceptance and payment with respect to mutilated notes under the RBI Note Refund Rules, the proportion of claims received by the Reserve Bank declined only marginally from 31.74 per cent (Rs.34.85 crore) in 1994-95 to 31.3 per cent (Rs.36.21 crore) in 1995-96. The share of claims received by the State Bank of India registered an increase from 28.3 per cent (Rs.31.08 crore) in 1994-95 to 29.0 per cent (Rs.33.61 crore) in 1995-96 while that of other public sector banks remained unchanged at 40 per cent. The State Bank of India and other public sector banks together accounted for more than two-thirds of total claims received and 66.8 per cent of the amount approved for payment.

Note Forgeries

According to information received from National Crime Records Bureau, New Delhi, the volume of forged/counterfeit notes in circulation has increased in 1995-96. The total number of forged/counterfeit notes in circulation went up from 6,997 pieces in 1994-95 to 10,644 pieces in 1995-96. The value of forged notes detected, rose from Rs.3.96 lakh in 1994-95 to Rs.7.07 lakh in 1995-96.

Banking Developments[1]

All Scheduled Commercial Banks

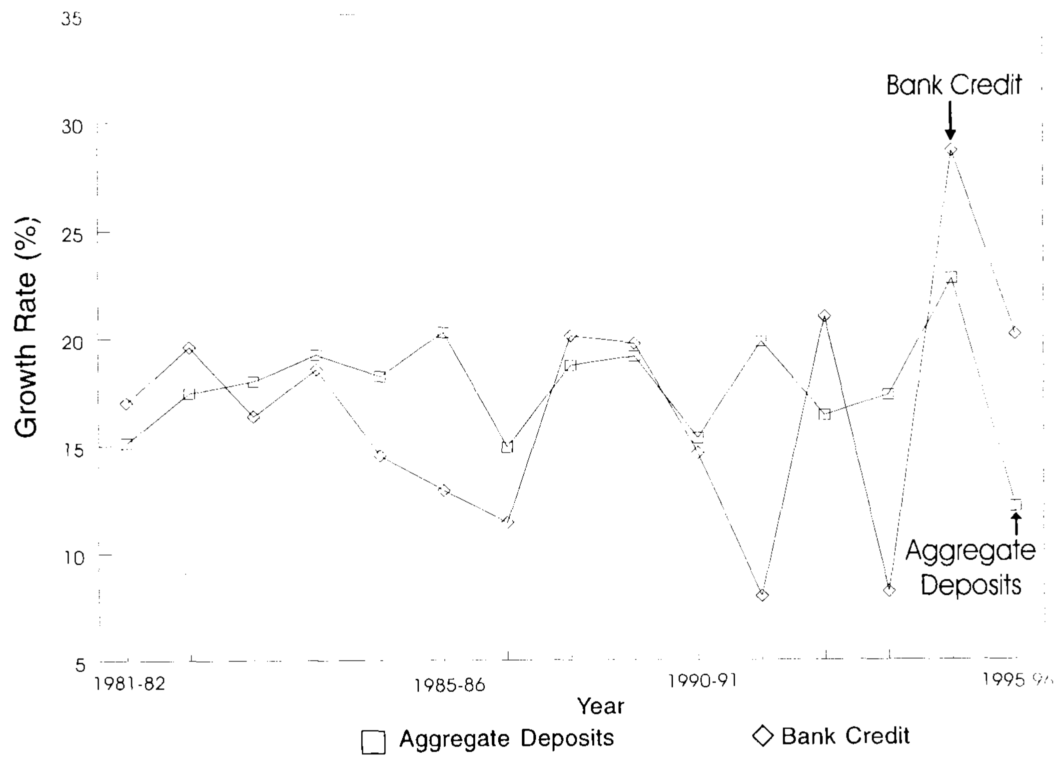
The scheduled commercial banks' deposits and credit aggregates recorded lower order of growth during 1995-96 than those in the previous year.

The aggregate deposits of scheduled commercial banks increased by Rs.46,961 crore (12.1 per cent) during 1995-96, as compared with

Graph V-4

Trend in Aggregate Deposits and Bank Credit

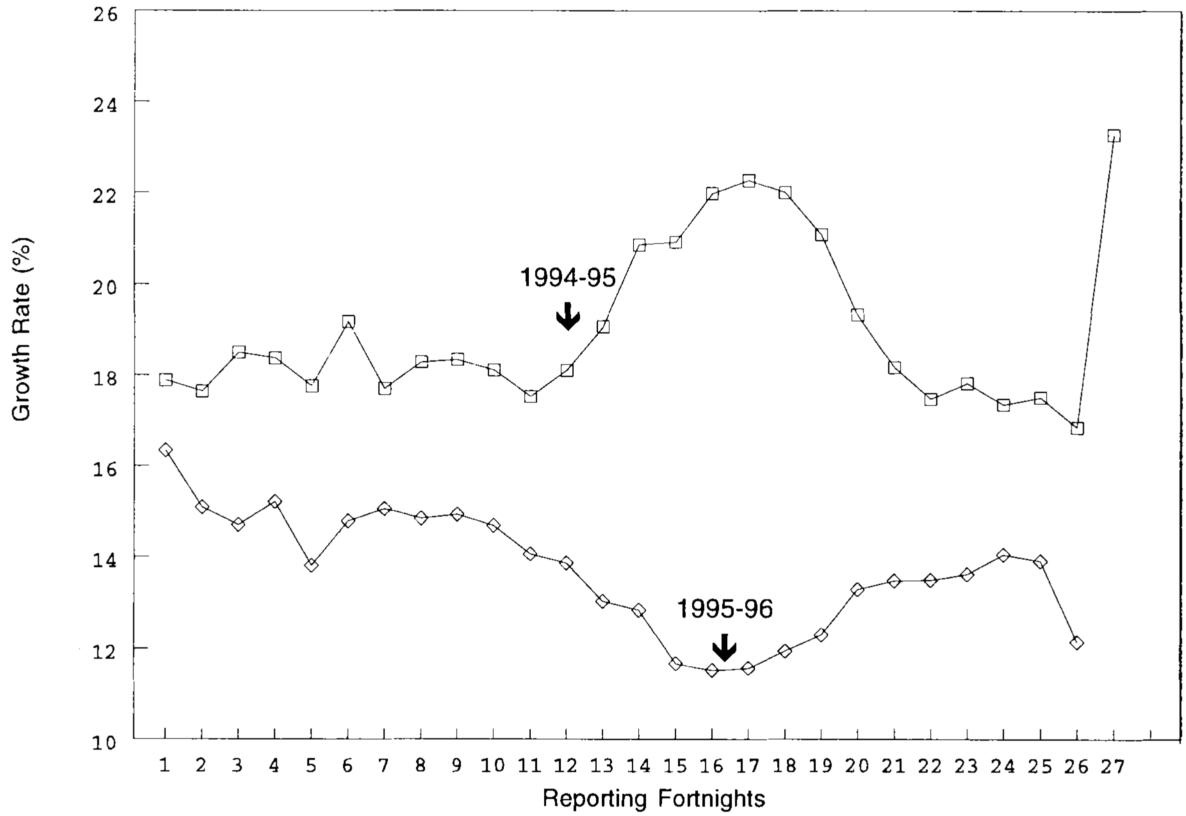
(1981-82 to 1995-96)



1. Those interested in details of the operations of Commercial Banks may refer to Reserve Bank's Publication *"Trend and Progress of Banking in India, 1995-96"*.

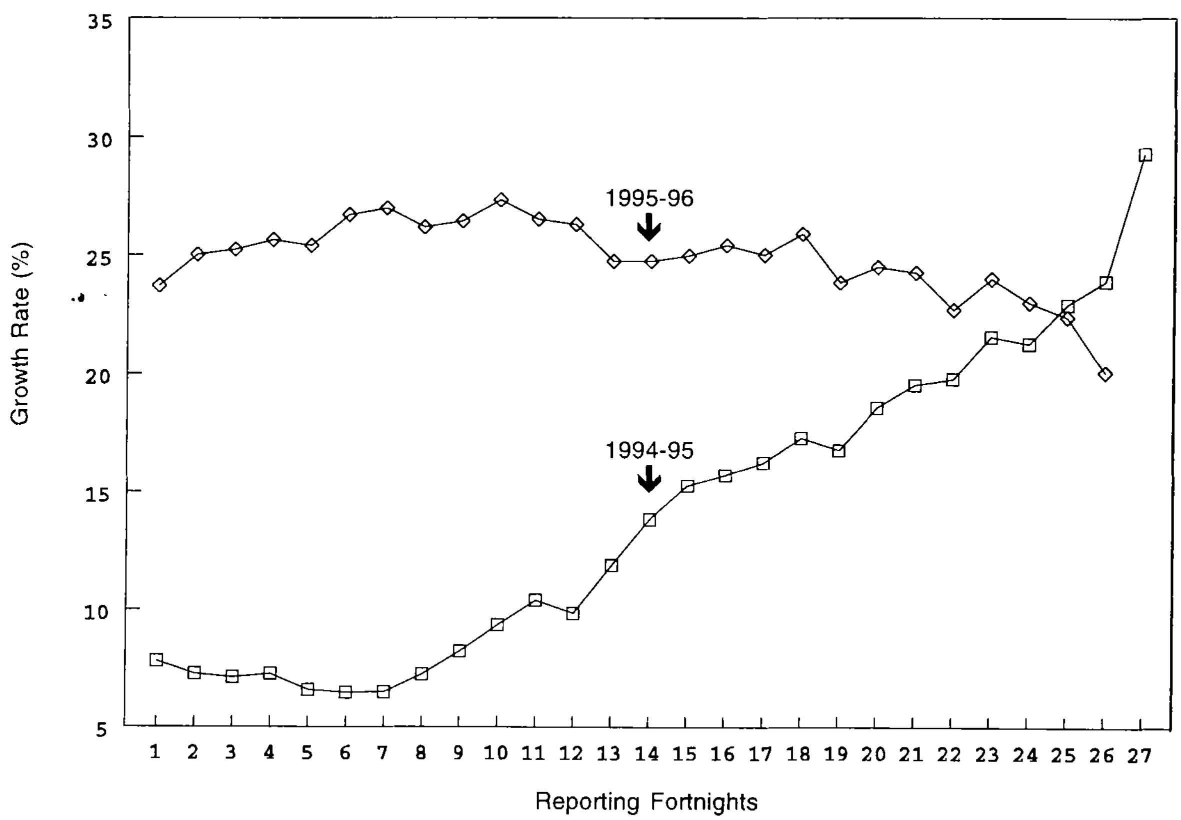
Graph V-5

Annualised Variation of Aggregate Deposits



Graph V-6

Annualised Variation of Bank Credit



Rs.71,727 crore (22.8 per cent) in the previous year (Graphs V-4, 5 and 6 and Table V-3 and Statement 47 of Vol.II). The deceleration in aggregate deposits, witnessed in the second half of 1994-95, continued in the first half of 1995-96 when aggregate deposits increased only by Rs.11,740 crore (3.0 per cent). The deposit growth, however, picked up in the second half of 1995-96 (Statement 51 of Vol. II) responding, as it were, to policy measures in respect of the hike in ceiling on the interest rate for term deposits of less than 2 years' maturity and the flexibility given to banks to fix interest rates on term deposits above 2 years' maturity (effective October 1, 1995). The second half of 1995-96 recorded deposit growth of Rs.35,220 crore (8.8 per cent) with the last fortnight (March 15 to March 31) alone accounting for Rs.19,359 crore (41.2 per cent) of the increase in aggregate deposits during the entire financial year. The year-end bulge in deposits was especially high in 1995-96 (Table V-4). The revival of foreign exchange inflows in the last quarter of the year also facilitated the flow of funds into the banking sector as reflected in the reversal of the declining trend in the growth of demand liabilities.

Bank Credit

The expansion of bank credit during the year at Rs.42,455 crore (20.1 per cent) was substantial, yet lower than that of Rs.47,143 crore (28.7 per cent) recorded in 1994-95. As regards its composition, food credit registered a sizeable decline on account of lower procurement of foodgrains, higher off-take and increased exports. On the other hand, non-food credit extended by scheduled commercial banks registered an impressive increase of 22.5 per cent (Rs.44,938 crore) on top of a rise of 29.8 per cent (Rs.45,776 crore) in the preceding year. The incremental credit-deposit ratio rose during 1995-96 to 90.4 per cent from 65.7 per cent in 1994-95, with the non-food credit-deposit ratio going up to a high level of 95.7 per cent.

Investments

During the year under review, the commercial banks' investment in Government and other approved securities increased by Rs.15,529 crore (10.4 per cent) which was lower than that of Rs.16,731 crore (12.6 per cent) in 1994-95. Although banks' investments in Government securities slowed down to Rs.14,542 crore (12.4 per cent) from Rs.16,484 crore (16.3 per cent) in 1994-95, due to moderation in deposit growth and increased demand for non-food credit, banks continued to hold securities in excess of SLR requirements close to Rs.25,000 crore at the end of March 1996.

Disaggregated Bank Group-wise Analysis

At the disaggregated bank-group level, the SBI group and foreign banks group improved their shares in overall deposits mobilised during the year from 21.6 per cent and 3.8 per cent, respectively, in 1994-95 to 32.8 per cent and 5.9 per cent, respectively, in 1995-96. Contemporaneously, the share of nationalised banks declined from 55.5 per cent in 1994-95 to 46.1 per cent in 1995-96. On the credit side, the shares of SBI group and foreign banks in non-food credit extended during the year increased, respectively, to 32.4 per cent and 14.9 per cent in 1995-96 from 25.0 per cent and 11.7 per cent, respectively, in 1994-95. Such a share in respect of nationalised banks declined to 37.3 per cent from 45.9 per cent during the same period (Table V-5; Statements 48, 49 and 50 of Vol. II).

Trends during April-September 1996-97

The upturn in aggregate deposits witnessed in the second half of 1995-96 continued through the first half of 1996-97 with aggregate deposits increasing by Rs.30,599 crore (7.1 per cent) as against an increase of Rs.11,740 crore (3.0 per cent) during the comparable period of the previous year (Statement 47 of Vol.II). Bank credit declined marginally by Rs.1,907 crore (0.8 per cent) as against an increase of Rs.10,229 crore (4.8 per cent) in the corresponding period of the previous year. Non-food credit recorded a fall of Rs.552 crore (0.2 per cent) during the period in contrast to an increase of Rs.9,898 crore (5.0 per cent) in the comparable period last year. Food credit decreased by Rs.1,355 crore (13.8 per cent) in the first half of 1996-97 as against an increase of Rs.331 crore (2.7 per cent) last year.

Sectoral and Industry-wise Deployment of Credit

Data on sectoral deployment of credit by 47 scheduled commercial banks (27 nationalised banks and 20 major private sector banks, excluding RRBs) accounting for about 91 per cent of non-food credit in 1995-96 indicate a lower expansion in non-food gross bank credit of Rs.37,196 crore as compared with an increase of Rs.38,760 crore during 1994-95 (Statement 74 of Vol. II).

The industry-wise deployment of gross bank credit in 1995-96 reflects sizeable increases in incremental bank credit to all industries except construction. However, credit to industries as a whole recorded a lower order of growth of 22.2 per cent (Rs.22,682 crore) in 1995-96 as compared with 27.1 per cent (Rs.21,828 crore) in 1994-95 (Statement 76 of Vol. II).

Advances to Priority Sector

Public Sector Banks

Credit extended to priority sector by public sector banks witnessed further improvement in 1995-96. Such advances increased during the year by Rs.7,815 crore to Rs.69,609 crore from Rs.61,794 crore as at end-March 1995. As a ratio to net bank credit, it increased from 36.6 per cent as at end-March 1995 to 37.8 per cent at end-March 1996, but was still 2.2 percentage points below the stipulated level of 40 per cent (Table V-6). Although advances to agricultural sector increased from 13.9 per cent to 14.3 per cent during the same period, it remained far below the stipulated sub-target of 18 per cent. However, advances to the non-agricultural priority sector exceeded the stipulated sub-target of 22 per cent by 1.5 percentage point. The priority sector advances to the weaker sections at 8.5 per cent as at end- March 1996 fell short of the 10 per cent sub-target by 1.5 percentage points.

Private Sector Banks

The latest available data indicate that although priority sector advances by private sector banks (excluding newly set up private sector banks) rose by 52.5 per cent from Rs.4,064 crore (30.0 per cent of net bank credit) in March 1995 to Rs.6,198 crore (32.5 per cent of net bank credit) in March 1996, these were still 7.5 percentage points short of the stipulated 40 per cent target (Statement 77 of Vol. II).

Composition of Priority Sector Advances

The composition of priority sector advances by public and private sector banks underwent a marginal change in 1995-96. While the share of agriculture in total priority sector advances declined somewhat in respect of both public sector banks and private sector banks (March 1996 over March 1995), the share of small scale industries increased in case of both categories of banks. Within agriculture, there was some shift from direct to indirect agricultural advances in respect of both public sector banks and private sector banks (Statement 77 of Vol. II).

Export Credit

The export credit refinance limits of all scheduled commercial banks increased by Rs.4,747 crore (50.5 per cent) to Rs.14,142 crore as on March 29, 1996 from Rs.9,395 crore as on March 31, 1995. The proportion of export credit refinance limits to outstanding export credit eligible for refinance increased from 48.0 per cent to 54.0 per cent during 1995-96 (Table V-7). With the revision in export credit refinance formula in April 1996, the limit has declined since to 47.8 per cent as on September 27, 1996. The proportion of aggregate export credit to net bank credit increased from 12.1 per cent as at the end of March 1995 to 12.6 per cent as on March 29, 1996.

The export credit outstanding increased from Rs.19,592 crore at end-March 1995 to Rs.26,214 crore a year later. After going up to Rs.26,455 crore in June 1996, it declined to Rs.23,798 crore by end-September 1996. This reflected in part the movements in call money markets.

Details of monetary and credit policy measures formulated during 1995-96 (from October 1995) and 1996-97 (up to the end of September 1996) are set out in Annexure - I.

Special Programmes

The various social sector schemes for employment generation and poverty alleviation have continued to be an essential feature of the country's development strategy. The achievements under these schemes during 1994-95 and 1995-96 are presented in Annexure - II.

A new scheme, namely Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP) was launched on January 16, 1996 with the objective of eradicating urban poverty by the year 2000. The scheme which is to be implemented in over 400 urban agglomerates, will cover urban poor living below the urban poverty line of Rs.11,850 per household per annum.

Branch Expansion/Branch Licensing Policy

In tune with the objectives of banking reform, the branch licensing policy continued to be liberal in 1995-96. Opening of new bank branches require compliance with prudential criteria including (i) the 8 per cent CRAR norm, with a certificate from bank's auditors to that effect, (ii) net profit for three consecutive years, (iii) the extent of non-performing assets not to exceed 15 per cent of total outstanding loans with auditors' certificate to that effect, (iv) minimum net owned funds of Rs.100 crore, (v) approval of the plan of opening branches by the Board of Directors, and (vi) submission of the plan to the Reserve Bank for approval.

'Stand-alone' Automated Teller Machines (ATMs) installed at places other than at branches and extension counters were permitted to carry out functions restricted to deposits and withdrawals, personal identification number (PIN) changes, requisition for cheque books, statement of accounts, balance inquiry and inter-account transfer which, however, would be restricted to accounts of the same customer at the same centre.

Details of branch expansion in the States are set out in Statement 79 of Vol. II. Bank group-wise / population group-wise distribution of banks are given in Statement 80 of Vol. II.

Indian Banks Abroad

During the year, no new branches were opened abroad by Indian banks. After the closure/merger of 5 branches, the total number of overseas branches of Indian banks (8 public sector and 1 private sector) came down to 96 while Representative Offices of Indian banks abroad remained at 14. The number of wholly owned subsidiaries and joint ventures remained at 11 and 7, respectively.

Foreign Banks in India

During 1995-96, the number of foreign banks operating in India increased from 27 to 31. As at the end of July 1996, there were 36 foreign banks operating in India. The number of representative offices of foreign banks in India increased to 27 from 23 during the year. Twelve foreign banks are having agency arrangements with Indian companies or individuals.

Regional Rural Banks (RRBs)

The number of RRBs remained unchanged at 196. During 1995-96, deposits and advances of RRBs increased by Rs.2,522 crore (23.2 per cent) and Rs.1,088 crore (17.5 per cent), respectively, as compared with Rs.2,803 crore (34.8 per cent) and Rs.1,177 crore (23.4 per cent), respectively, recorded in the previous year (Statement 78 of Vol. II).

Primary (Urban) Co-operative Banks

Progress

The number of Primary (Urban) Co-operative Banks (PCBs) at the end of March 1996 stood higher at 1,501 as against 1,431 a year ago. The number of licensed PCBs rose to 1,180 from 1,107 during this period. The number of offices of PCBs moved up to 4,537 from 4,123 at the end of March 1995. Deposits of PCBs aggregated Rs.23,841 crore at the end of March 1996, rising by 18.6 per cent over the year, and their outstanding advances were of the order of Rs.17,675 crore, recording an increase of 19.5 per cent over the year (Table V-8).

Refinance Facilities

The Reserve Bank of India continued to extend refinance facilities at the Bank Rate to the eligible PCBs against their advances to tiny/cottage industrial units. During 1995-96, short-term credit limits aggregating Rs.4.6 crore were sanctioned to the State Co-operative Banks on behalf of 8 PCBs. At the end of March 1996, the amount outstanding against the limits sanctioned stood at Rs.2.9 crore as against Rs.3.9 crore a year ago.

Priority Sector Lending

The PCBs are required to lend 60 per cent of their total advances to priority sector activities and of this, at least 25 per cent is to be allocated to weaker sections. At the end of March 1996, of the 831 reporting PCBs, 694 had achieved the target.

Weak and Non-viable Banks

The number of weak and non-viable PCBs stood at 216 at the end of March 1995, as against 233 at the end of March 1994. There were 17 PCBs which were issued directions under Section 35A of Banking Regulation Act, 1949, at the end of March 1996.

Lending to Non-Banking Financial Companies

PCBs have been advised that they should not finance non-banking financial companies (NBFCs) other than the hire purchase/leasing companies.

Loan System for Delivery of Bank Credit

The PCBs were advised that in the case of borrowers with assessed Maximum Permissible Bank Finance (MPBF) of Rs.20 crore and above, the 'Cash Credit' component would be 40 per cent of the MPBF and the balance 60 per cent would be in the form of 'Loan' component. With a view to extending the Loan System in respect of the borrowers with assessed MPBF of Rs.10 crore and above but less than Rs.20 crore, the PCBs were also advised that 60 per cent of the MPBF in these cases would be in the form of 'Cash Credit' component and the balance 40 per cent would be by way of 'Loan' component.

Interest Rate Revision

a) Lending Rates

With effect from June 21, 1995, interest rates on advances of PCBs were deregulated, subject to the prescription of a minimum lending rate of 13.0 per cent per annum.

In alignment with the revision in the interest rates on export credit and import finance of commercial banks, the following changes have been effected for the PCBs also.

a) Interest rates on advances under the post-shipment credit denominated in foreign currency (PSCFC) were revised from time to time on the basis of similar changes in the case of such credit by commercial banks. The scheme was, however, finally terminated in February 1996.

b) The rate of interest on post-shipment export rupee credit for over 90 days and upto 180 days was freed.

c) The PCBs were advised to charge 15 per cent interest rate surcharge on the outstanding bank credit for import, which was subsequently raised to 25 per cent in February 1996.

Deposit Rates

As part of a gradual move towards providing greater flexibility in determining deposit rates, effective October 1, 1995, the PCBs were given the freedom to fix their own interest rates on domestic term deposits with a maturity of over 2 years, and in the case of domestic term deposits of 46 days and upto 2 years, the interest rate was prescribed at 'not exceeding 12.0 per cent per annum'. Further, with a view to providing banks greater flexibility in determining their term deposit rates, effective July 2, 1996, the PCBs were given freedom to fix their own interest rates on domestic term deposits of over one year. With the developments in the money markets and the progressive move from the cash credit system to the loan system, there was a need for providing some outlet for management of the short-term surplus funds which made it imperative to reduce the minimum period of term deposits from 46 days to 30 days. Accordingly, effective July 2, 1996, the interest rate on domestic term deposits of 30 days and upto one year was prescribed at "not exceeding 11.0 per cent per annum". The revised domestic term deposit rates would apply only to fresh deposits and on renewals of maturing deposits. The revised deposit rates are set out below :

Deposits (excluding Non-resident Deposits)

(Per cent per annum)

i)	Current account	Not exceeding	0.5
ii)	Saving account		4.5
iii)	Term deposits		
	a) 30 days and upto 1 year	Not exceeding	11.0
	b) Over 1 year	Banks are free to decide the rate of interest	

Deposits under Non-resident (External) Rupee Accounts (NRE account) Scheme

i)	Current account		Nil
ii)	Saving account		4.5
iii)	Term deposits		
	a) 6 months and upto 2 years	Not exceeding	12.0
	b) Over 2 years	Banks are free to decide the rate of interest	

Maximum Limit on Advances

The maximum limit on advances of the PCBs based on Time and Demand Liabilities (TDL) was withdrawn and instead prudential exposure limits based on capital funds have been introduced since January 1996. Accordingly, banks have been advised that the exposure ceiling on fund based and non-fund based limits should be fixed in relation to banks' capital funds and it should not exceed 25 per cent of capital fund in the case of individual borrowers and 50 per cent in the case of group of borrowers.

Selective Credit Controls

In the context of favourable price-output situation of sensitive commodities, the selective credit control provisions on advances against the commodities, which are subject to the control stipulations, were liberalised during the year, by reducing the minimum margins on all the commodities covered under the controls and raising the level of credit ceilings on some commodities. The changes effected in the control stipulations have been indicated below in a chronological order.

April 1996

Reduction in Minimum Margins on Advances against All Commodities

The minimum margins on advances against all commodities covered under selective credit controls were reduced, effective April 4, 1996, by 15 percentage points, across the board. Accordingly, the minimum margins on advances against pulses, oilseeds and vegetable oils (including vanaspati) were stipulated at 45 per cent for mills/processing units and against warehouse receipts covering stocks of these commodities and 60 per cent to 'others' (mainly trade). The margins on 'other foodgrains' (viz., other than paddy/rice, wheat and pulses) were set at 30 per cent to 'mills/ processing units' and against warehouse receipts and 45 per cent to 'others'. The minimum margins on advances against released stocks of sugar were fixed at 60 per cent for mills/processing units and 'others' and 45 per cent against warehouse receipts covering stocks of this commodity, while the margins on advances against gur and khandsari to mills/ processing units were set at 30 per cent, 60 per cent for 'others' and 45 per cent against warehouse receipts covering stocks of these commodities.The margins on cotton to 'others' (other than cotton mills including spinning mills) were set at 45 per cent against stocks and 30 per cent against warehouse receipts covering stocks of this commodity. In the case of buffer stock of sugar and unreleased stocks of sugar, the existing prescriptions of zero per cent and 20 per cent, respectively, were continued.

Level of Credit Ceiling

In the case of commodities where there is a stipulation of level of credit ceiling, the base period for determining the peak level of credit was brought forward by one year to the three years ended 1994-95 (November-October), effective April 4, 1996.

Increase in the Level of Credit Ceilings on Advances against Pulses, Oilseeds and Vegetable Oils

The level of credit ceilings on advances against pulses, oilseeds and vegetable oils (including vanaspati) were raised, effective April 4, 1996, by 15 percentage points, to set them uniformly in respect of all commodities at 100 per cent of the peak level of credit maintained by the party in any of the three years ended 1994-95 (November-October).

July 1996

Reduction in Minimum Margins on Sugar, Gur and Khandsari

The minimum margins on advances to sugar mills against released stocks of sugar and to 'others' and warehouse receipts covering stocks of sugar, gur and khandsari were reduced, effective July 2, 1996, by 15 percentage points. Accordingly, the minimum margins on released stocks of sugar to mills/processing units and 'others' (mainly trade) were stipulated at 45 per cent and 30 per cent against warehouse receipts covering stocks of this commodity. The minimum margins on advances against gur and khandsari were stipulated uniformly at 30 per cent for mills/processing units and against warehouse receipts covering stocks of these commodities and 45 per cent to 'others'. In the case of buffer stock of sugar and unreleased stocks of sugar, the existing prescriptions of zero per cent and 20 per cent, respectively, were continued.

Reduction in Minimum Margin on Cotton and Kapas

Effective July 2, 1996, the minimum margin on advances against cotton and kapas was reduced by 15 percentage points to 'others' (viz., other than cotton mills including spinning mills), setting thereby the margins uniformly at 30 per cent to 'others' and against warehouse receipts covering stocks of this commodity. Mills including spinning mills continued to be exempt from the provisions of selective credit controls.

Increase in the Level of Credit Ceiling on Cotton and Kapas

Effective July 2, 1996, the level of credit ceiling on advances against cotton and kapas was raised by 10 percentage points from the then existing 100 per cent to 110 per cent of the peak level of credit maintained by the party in any of the three years ended 1994-95 (November - October).

The revised structure of minimum margins and level of credit ceiling stipulations applicable on the advances against the commodities covered under selective credit controls as on July 2, 1996 is presented in Table V-9. Scheduled commercial banks' outstanding advances against selected commodities are set out in Table V-10. Security-wise advances to mills/factories and industrial users as a percentage of total credit against sensitive commodities are indicated in Table V-11.

The provisions of the directives on selective credit controls as applicable on July 2, 1996 are furnished in Annexure - III.

Rural Credit

Institutional finance for the rural sector consists essentially of loans extended by Scheduled Commercial Banks (SCBs), Regional Rural Banks (RRBs) and Co-operatives comprising of Primary Agricultural Credit Societies (PACS), Large-sized Adivasi Multi-purpose Societies (LAMPS), Farmers' Service Societies (FSS) and Central Land Development Banks (CLDBs).

Institutional Finance for Agriculture and Allied Activities

a) Direct Finance

The direct institutional loans for agriculture and allied activities issued by the Co-operatives, State Governments, Scheduled Commercial Banks and RRBs, during 1994-95 increased substantially by Rs.4,737.8 crore or 32.4 per cent to Rs.19,373.8 crore from Rs.14,636 crore during the previous year. The outstanding loans of these institutions amounted to Rs.41,096.4 crore at the end of March 1995 as against Rs.36,988.7 crore at end-March 1994, recording a rise of 11.1 per cent over the year (Table V-12).

The Co-operatives comprising of PACS (including LAMPS and FSS) and CLDBs accounted for a preponderant 56.2 per cent of the total institutional credit disbursed for agriculture and allied activities during 1994-95. These advances grew substantially by Rs.2,398.9 crore or 28.3 per cent from Rs.8,484.0 crore in 1993-94 to Rs.10,882.9 crore in 1994-95 mainly on account of the rise in short-term loans. While the short-term loans disbursed by the PACS, including LAMPS and FSS which accounted for nearly 77 per cent of the total advances of the Co-operatives during 1994-95, rose sharply by as much as Rs.2,337.6 crore or 38.7 per cent to Rs.8,376.6 crore, the medium and long-term loans issued by the PACS and CLDBs, however, recorded only a marginal increase of Rs.61.3 crore or 2.5 per cent to Rs.2,506.3 crore. The outstanding advances of the Co-operatives aggregated Rs.17,167.5 crore at the end of March 1995, compared with Rs.15,316.0 crore a year ago, thus recording a rise of 12.1 per cent over the year (Table V-12).

There was a remarkable rise in the loans issued by the Scheduled Commercial Banks during 1994-95. The total loans (both short-term and long-term) issued aggregated Rs.7,407.9 crore, recording a spurt of Rs.2,008.0 crore or 37.2 per cent over the previous year. The short-term loans amounting to Rs.3,841.6 crore, recorded a rise of Rs.981.4 crore or 34.3 per cent over the previous year. The term loans, which almost stagnated during the previous year, increased by as much as Rs.1,026.6 or 40.4 per cent during 1994-95 to reach a level of Rs.3,566.3 crore. The outstanding advances of Scheduled Commercial Banks on June 30, 1995 amounted to Rs.20,920.0 crore, recording an accretion of Rs.1,807.1 crore or 9.5 per cent over Rs.19,112.9 crore a year ago (Table V-12).

The loans issued by the RRBs also increased appreciably during 1994-95 by 44.0 per cent from Rs.752.1 crore to Rs.1,083.0 crore. The share of RRBs in the loans issued by all institutions improved to 5.6 per cent from 5.1 per cent in 1993-94. The outstanding loans of the RRBs aggregated Rs.3,008.9 crore at the end of March 1995, compared with Rs.2,559.8 crore at the end of March 1994, showing a rise of 17.5 per cent over the year (Table V-12).

The loans disbursed by the State Governments, whose share remains very nominal in total institutional loans, increased by Rs.29.7 crore or 7.9 per cent from Rs.377.0 crore in 1993-94 to Rs.406.7 crore in 1994-95 (Table V-12).

b) Indirect Finance

The outstanding indirect institutional loans for agriculture and allied activities by Scheduled Commercial Banks amounted to Rs.2,865.5 crore at the end of June 1995, recording a rise of 36.5 per cent over the year. The indirect loans extended by RRBs have been declining over the years. The amount of loans issued by these institutions was a paltry Rs.0.1 crore during 1994-95. Their outstanding loans were Rs.32.8 crore at end-March 1995. The outstanding amount of loans provided by the Rural Electrification Corporation of India stood at Rs.6,191.9 crore at the end of March 1995 as against Rs.5,654.6 crore at the end of March 1994, thereby recording a rise of 9.5 per cent (Table V-13).

Scheduled Commercial Banks

As mentioned earlier, agricultural loans issued by Scheduled Commercial Banks rose significantly during 1994-95. A brief analysis of the bank group-wise, purpose-wise and region-wise disbursement of direct loans of Scheduled Commercial Banks is provided in the following paragraphs.

Bank Group-wise Disbursements

All categories of Scheduled Commercial Banks showed impressive growth performance in their credit disbursals in 1994-95. The disbursement by the State Bank of India group increased by nearly 50 per cent to reach a level of Rs.2,401 crore as against the decline of 1.7 per cent in 1993-94. Consequently, their share in total agricultural credit of the Scheduled Commercial banks improved to 32.4 per cent in 1994-95 from 29.9 per cent during the previous year. The disbursement of credit by Nationalised Banks (excluding the SBI group) as a group also rose considerably by 31.5 per cent to Rs.4,626 crore during 1994-95. The credit disbursed by other Scheduled Commercial Banks including Foreign Banks rose by Rs.112 crore or 41.6 per cent to Rs.381 crore during 1994-95 (Table V-14).

Purpose-wise Disbursements

The term loans recorded a significantly higher growth of 40.4 per cent during 1994-95, as against 34.3 per cent growth in the short-term loans. Of the total term loans amounting to Rs.3,566.3 crore, nearly two-third was provided for agricultural activities alone and the remaining one-third was for allied activities such as dairying, poultry, fishery, etc. Loans for tractors, agricultural implements, and machinery, which accounted for 35.1 per cent of total term loans, increased by 35.2 per cent to Rs.1,250 crore. The loans for reclamation and land development schemes also increased significantly by 23.1 per cent. The loans disbursed for off- farm activities such as dairying, poultry, fishery etc. recorded a much sharper growth of 50.9 per cent during the year. Dairying, among these activities, claimed the largest amount (Rs.384.2 crore); the growth of the same at 13.6 per cent was, however, relatively less pronounced. Credit disbursements rose impressively for other activities like poultry, piggery and bee-keeping (75.5 per cent) and fisheries (112.2 per cent) during the year (Table V-15).

Region-wise Disbursements

The smart spurt in credit disbursements during 1994-95 was seen in all the six regions. The Southern Region continued to account for the major chunk of the credit disbursed (69.3 per cent of the short term loans and 32.5 per cent of the term loans), though the relative share of the region declined from 55.1 per cent in 1993-94 to 51.6 per cent in 1994-95. The relative share of the Western

Region improved to 17.5 per cent from 13.1 per cent in the previous year. While the relative share of the Northern Region improved marginally from 11.0 per cent in 1993-94 to 11.3 per cent in 1994-95 and that of the Eastern Region improved from 6.0 per cent to 6.4 per cent, the share of the North-Eastern Region dwindled to a mere 0.5 per cent from the already low of 0.6 per cent, and that of the Central Region dropped from 14.1 per cent to 12.7 per cent (Table V-16).

Priority Sector Advances of Public Sector Banks

The outstanding advances of the Public Sector Banks for the priority sector activities at end-March 1996 stood at Rs.69,609 crore which marked a rise of 12.6 per cent over Rs.61,794 crore a year ago. The relative share of priority sector advances in the total outstanding advances of the public sector banks improved from 36.6 per cent at end-March 1995 to 37.8 per cent at end-March 1996. The total outstanding advances to agriculture, both direct and indirect, recorded a growth of 12.1 per cent from Rs.23,513 crore at the end of March 1995 to Rs.26,351 crore at the end of March 1996. The relative share of agriculture in total bank credit improved from 13.9 per cent to 14.3 per cent during this period (Table V-17).

NABARD and Rural Credit

Assistance for Agriculture and Allied Activities

NABARD continued to extend its refinance support to a broad spectrum of production activities in the rural sector. The details of financial assistance provided by NABARD to the State Co-operative Banks, Regional Rural Banks and State Governments for financing various production activities other than those covered under its schematic lending operations are set out in Table V-18. A brief account of NABARD's refinance operations is presented in the following paragraphs.

Short-term Credit

The major chunk of NABARD's short-term credit support is disbursed for financing Seasonal Agricultural Operations (SAO). The credit limits sanctioned by NABARD to the State Co-operative Banks for financing SAO aggregated Rs.4,750 crore during 1995-96 which was Rs.635 crore (15.4 per cent) more than Rs.4,115 crore during 1994-95. The amount outstanding under this head stood at Rs.2,930 crore at the end of March 1996. Similarly, the short-term credit limits for SAO sanctioned to the RRBs during 1995-96 at Rs.830 crore were 14.0 per cent higher than Rs.728 crore during 1994-95. Among the short-term credit for other purposes, credit limit sanctioned to the State Co-operative Banks for production and marketing activities of Co-operative Weavers' Societies rose by 14.9 per cent to Rs.701 crore during 1995-96 and that for financing of sugar factories rose by 37.5 per cent to Rs.275 crore during 1995-96 (Table V-18).

Medium-term Credit

The medium-term credit limits sanctioned by NABARD for approved agricultural purposes to the State Co-operative Banks during the calendar year 1995 declined to Rs.6.0 crore from Rs.9.0 crore in 1994. Credit for converting the short-term agricultural loans into medium-term loans declined enormously to Rs.64 crore during 1995-96 from Rs.161.0 crore in the previous year. The credit limits sanctioned to the RRBs for non-schematic purpose during 1995-96 were of the order of Rs.49.0 crore which was lower by Rs.34.0 crore than the limits sanctioned during 1994-95 (Table V-18).

Long-term Credit to State Governments

During the financial year 1995-96, NABARD sanctioned long-term credit limits amounting to Rs.100.0 crore as against Rs.73.0 crore sanctioned during the previous year to the State Governments for enabling them to contribute to the share capital of co-operative credit institutions (Table V-18).

Schematic/Investment Credit

During 1995-96, the total amount of refinance disbursements by NABARD under its various schematic lending operations stood at Rs.3,064 crore, recording a rise of only 1.8 per cent over Rs.3,011 crore disbursed during 1993-94. The growth rate of the same, it may be noted, had decelerated over the years from 16.4 per cent in 1993-94 to 9.7 per cent in 1994-95 and sharply further down to 1.8 per cent in 1995-96. Agency-wise, purpose-wise and region-wise data on refinance assistance provided by NABARD as set out in Tables V-19, V-20 and V-21, respectively, show the following pattern.

NABARD offers its refinance support to four agencies namely, State Co-operative Agricultural and Rural Development Banks (SCARDBs), formerly known as State Land Development Banks, Scheduled Commercial Banks, RRBs and State Co-operative Banks for various schematic lending programmes. The agency-wise break up of the data on disbursement of refinance during 1995-96 shows that the SCARDBs accounted for the largest (48 per cent) share in the total refinance of Rs.3,064 crore, followed by Scheduled Commercial Banks (27 per cent). While the disbursement of refinance to SCARDBs and RRBs increased by 20.2 per cent and 11.6 per cent, respectively, that to the Scheduled Commercial Banks declined by 23.0 per cent (Table V-19).

The purpose-wise analysis of the data on disbursements reveals that farm mechanisation operations accounted for the largest share of nearly 23.0 per cent in total refinance disbursements during 1995-96, almost same as in the previous year. The amount moved up from Rs.685.0 crore in 1994-95 to Rs.701.0 crore in 1995-96, recording a rise of 2.3 per cent as against 21.6 per cent in 1993-94 and 8.6 per cent in 1994-95. Minor irrigation projects received the second highest share of the disbursement amounting to Rs.607 crore, which was marginally higher than the disbursement during 1994-95 (Rs.598 crore). Land Development/ Command Area Development activities recorded the highest growth in disbursement, which were up by 70.6 per cent from Rs.17.0 crore in 1994-95 to Rs.29.0 crore in 1995-96. Disbursement of refinance for non-farm activities such as fisheries, poultry and dairy development, etc., also posted impressive growth, *albeit* at a decelerated pace. In contrast, refinance for IRDP schemes declined by 25.6 per cent to Rs.461.0 crore in 1995-96 from Rs.620.0 crore in 1994-95 (Table V-20).

A close look at the regional pattern of distribution of refinance by NABARD reveals that the Southern Region accounted for the highest share in total disbursement (31.9 per cent) in 1995-96, followed by the Central Region (20.6 per cent), the Northern Region (18.5 per cent) and the Western Region (17.5 per cent). In terms of growth, the North-Eastern Region recorded an impressive 33.4 per cent rise in regard to the disbursement of refinance, followed by 8.9 per cent rise in the Northern Region and 4.1 per cent rise in the Eastern Region (Table V-21).

Refinance under IRDP

NABARD's refinance assistance during 1995-96 under IRDP schemes declined substantially by 25.6 per cent from Rs.620 crore in 1994-95 to Rs.461 crore in 1995-96. The drop was experienced across all the purposes except livestock. The disbursements for 'industries, services and business' claimed as much as Rs.224 crore accounting for 48.5 per cent of total refinance under IRDP. Among the other purposes, dairy development got 19 per cent, minor irrigation 11 per cent, and livestock 10 per cent (Table V-22).

Interest Rates

NABARD made certain revisions in the structure of interest rates charged by it on its refinance facilities effective August 1, 1995. The interest rates at the ultimate beneficiaries level remained unchanged during 1995-96. The revised rates of interest on refinance to different agencies and the rates of interest to ultimate beneficiaries in respect of term loans (3 years and above) are as under :

(Per cent per annum)

Size Limit	Rate of Interest to ultimate beneficiaries	Rate of interest on refinance	
		RRBs, State Co-op. Banks and SCARDBs	Commercial Banks
1	2	3	4
1. Upto and inclusive of Rs.25,000	12.0	6.5 (6.5)	8.5 (7.5)
2. Over Rs.25,000 and upto Rs.2 lakhs	13.5	9.5 (9.5)	10.5 (10.0)
3. Over Rs.2 lakhs	Banks are free to determine the interest rates	12.0 (RRBs-11%, SCB-4.5% below the rate charged to the ultimate beneficiaries, SCARDBs-thrust area 9.5%, non-thrust area 10.5%)	3% below the rate charged to the ultimate beneficiaries. (4 % below the rate charged to the ultimate beneficiaries)

Pre-revised rates are shown in brackets

Source : NABARD.

ARDR Scheme, 1990

Details of claims lodged/debt relief provided by the State Co-operative Banks, SCARDBs, and RRBs under the Agricultural and Rural Debt Relief (ARDR) Scheme, 1990 and the reimbursements made by NABARD at end-March 1996 are follows :

(Rs. crore)

Particulars	Agency			Total
	State Co-operative Bank	SCA-RDBs	RRBs	
1	2	3	4	5
I. Claims lodged	3,343.35	826.1	798.5	4,968.0
II. Claims considered for reimbursement	3,316.9	823.2	718.6	4,858.7
III. Amounts sanctioned by NABARD/ drawn by banks				
a. Grant sanctioned	1,593.0	399.9	719.8 #	2,712.7
b. Grant drawn by banks*	1,593.0	394.4	719.7	@2,707.1
c. Loan sanctioned	1,567.9	399.8	—	1,967.7
d. Loan drawn by banks	1,567.7	397.0	—	1,961.7

\# Excludes excess grant adjusted subsequently.
* Amount released net of refunds.
@ Include refunds due.

Source : NABARD

Rural Infrastructural Development Fund

As envisaged in the Union Budget 1995-96, a Rural Infrastructural Development Fund (RIDF) with an initial corpus of Rs.2,000 crore, to be made up by contributions from the scheduled commercial banks failing to meet the target for agricultural lending, was created within NABARD for facilitating quicker completion of ongoing rural infrastructure projects. During 1995-96, NABARD sanctioned Rs.1,984 crore for 2489 projects in various States. Irrigation projects accounted for an overwhelming share of 94 per cent of the aggregate sanctioned amount. The remaining amounts were sanctioned for schemes relating to watershed management, rural bridges and flood protection measures (Table V-23).

The disbursements during 1995-96 under the RIDF aggregated Rs.387 crore. Four States, viz., Maharashtra (Rs.82 crore), Orissa (Rs.51 crore), Rajasthan (Rs.43 crore), and Andhra Pradesh (Rs.39 crore) together accounted for about 56 per cent of total disbursements (Table V-23).

The significant potential benefit arising out of incomplete infrastructure projects, particularly the irrigation schemes, lies in restoring and fructifying the utility of huge amounts of nearly Rs.4,000 crore locked up in investments already made by the State Governments. The tardy pace in the utilisation of sanctioned assistance was due to the fact that the sanctions of the projects were communicated to most of the State Governments after the finalisation of their budgets for 1995-96, as a result of which adequate budgetary provisions could not be made for these projects. Acquisition of lands for drainage also constituted a major hindrance in the implementation of certain irrigation projects.

National Co-operative Development Corporation (NCDC)

The NCDC assumes promotional and developmental role to strengthen and develop the agriculture and allied activities in the country in the Co-operative Sector. It acts as a buffer between the Co-operatives, the States and the Union Government.

The Corporation's financial assistance is meant for helping the Co-operatives for common facilities such as godowns, processing units and other income generating assets as also for equipping them with equity and margin money for raising bank credit. The cumulative assistance disbursed by NCDC from 1962-63 through 1995-96 rose to Rs.3,674.7 crore. During 1995-96, while the financial assistance provided by the NCDC for the central schemes declined by 31.8 per cent to Rs.171.0 crore, that for the corporation sponsored schemes rose by 41.5 per cent to Rs.192.0 crore (Table V-24). Maharashtra, Andhra Pradesh and Kerala accounted for the bulk of the total financial assistance.

The thrust of NCDC's activities included the strengthening of co-operative marketing, agro-processing facilities, the help rendered to raise the production of fertilisers and to give facilities of its distribution, the enhancement of storage/cold storage capacities, the promotion of off-farm activities, weaker sections' programmes, etc. In the North-Eastern States, special efforts are being made by NCDC to educate officials/non-officials from Co-operatives to increasingly avail of the assistance for various agricultural and allied activities. Reducing the regional imbalances in the development process has been one of the goals of NCDC. A special centrally sponsored scheme is accordingly being implemented in the areas/States where such developmental disparities are wide spread with focus on programmes for weaker sections. NCDC has been able to progressively increase its assistance for the development of these programmes to the extent of Rs.385.54 crore by the end of March, 1996. In addition, NCDC has disbursed an amount of Rs.770.15 crore till 1995-96 to the co-operatively under-developed and least developed States which forms approximately 21 per cent of the total assistance disbursed by NCDC to all the States.

Comprehensive Crop Insurance Scheme

The details of the progress made under the Comprehensive Crop Insurance Scheme (CCIS) introduced during the *Kharif* 1985 and implemented by the General Insurance Corporation of India (GIC) are presented in Table V-25. During 1995 *Kharif* season, 17 States implemented the Scheme, covering an area of 75.02 lakh hectares, up from 71.43 lakh hectares in the previous *kharif* season. The sum assured aggregated Rs.1,723.8 crore which was 14.3 per cent higher than Rs.1,507.79 crore in the previous *kharif* season. The total insurance charges amounted to Rs.26.2 crore, compared with Rs.23.12 crore in the previous *kharif* season. As for *Rabi* 1995-96, 16 States implemented the Scheme, covering an area of 7.88 lakh hectares involving an insured sum of Rs.191.8 crore. The total insurance charges paid amounted to Rs.3.3 crore.

Annexure – I

Monetary and Credit Policy

		Effective Date
A.	**Deposit Rates**	
	With a view to bringing about a better alignment of interest rates on domestic term deposits and term deposits under Non-Resident (External) Rupee Accounts (NRE-Accounts), the interest rate on NRE term deposits for maturity of 6 months to 3 years and over was raised to 'not exceeding 12.0 per cent per annum' from 'not exceeding 10.0 per cent per annum'.	October 31, 1995
	With a view to providing banks greater flexibility in determining their term deposit rates banks were given freedom to fix their own interest rates on domestic term deposits with a maturity of over one year effective July 2, 1996. Further, to provide some outlet for management of short-term surplus funds, owing to the developments in the money markets and the progressive move from the cash credit system to a loan system, the minimum period of term deposits was reduced from 46 days to 30 days. Accordingly, effective July 2, 1996, the interest rate on domestic term deposits of 30 days and up to one year was prescribed at 'not exceeding 11.0 per cent per annum'.	July 2, 1996
	With a view to bringing about an alignment of the maturity structure of NRE term deposits with that on domestic term deposits, interest rates on NRE term deposits of over two years were freed.	April 4, 1996
B.	**Reserve Ratio**	
	1) Cash Reserve Ratio (CRR) Measures related to Non-Resident Deposit Scheme	
	i) To enable banks to balance the increase in their cost of NRE deposits by increasing the return on deployment of their funds, and to enable banks to market NRNR deposits more competitively, any increase in NRE deposits and deposits under Non-Resident Non-Repatriable Rupee (NRNR) accounts over the level outstanding as on October 27, 1995 was exempted from maintenance of average Cash Reserve Ratio (CRR).	Fortnight beginning October 28, 1995
	ii) On account of escalation of call money rates to very high levels and simultaneously with moderation of money market support from the RBI, the average CRR was reduced from 15.0 per cent to 14.5 per cent.	Fortnight beginning November 11, 1995
	iii) With a view to making the Scheme more attractive to banks and to enable them to market these deposits more competitively, any increase in Foreign Currency Non-Resident Accounts (Banks) [FCNR(B)] deposits over the level outstanding as on November 24, 1995 was exempted from maintenance of CRR.	Fortnight beginning November 25, 1995
	iv) With a view to enable banks to better balance the cost of FCNR(B) deposits and the return on the deployment of their funds, average CRR on liabilities under the FCNR(B) Scheme upto the level outstanding as on November 24, 1995 was reduced from 14.5 per cent to 7.5 per cent.	Fortnight beginning December 9, 1995
	v) Taking into account the recent monetary and credit developments, average CRR was reduced further by 0.5 percentage point to 14.0 per cent.	Fortnight beginning December 9, 1995
	vi) Taking into account the cost of raising resources and the return on deployment of these funds, the CRR stipulation on Non-Resident deposits were relaxed as follows :	Fortnight beginning January 6, 1996
	(a) All liabilities under the FCNR(B) Scheme were exempted from CRR stipulations;	
	(b) All liabilities under the NRNR Scheme were exempted from CRR stipulations;	
	(c) Average CRR on NRE deposits was reduced from 14.0 per cent to 10.0 per cent.	
	vii) With a view to augmenting the lendable resources of banks to enable them to meet the genuine productive requirements of credit, without generating monetary expansion, CRR to be maintained by scheduled commercial banks was reduced by one percentage point in two phases of 0.5 percentage point each.	
	14.0 per cent to 13.5 per cent	April 27, 1996
	13.5 per cent to 13.0 per cent	May 11, 1996

Annexure – I *(Contd.)*

viii)	Taking into account the advantages of a rationalisation by way of a reduction in CRR together with a reduction in refinance, CRR was further reduced by one percentage point to 12.0 per cent augmenting the resources of banks by Rs.4,100 crore.	Fortnight beginning July 6, 1996
ix)	In order to bolster the growth of deposits under the NRE deposit scheme, liabilities under the NRE Accounts Scheme were subject to a zero CRR prescription from the existing 10.0 per cent. This change was in line with the changes that had already been made in respect of Foreign Currency Non-Resident (Banks) Scheme and Non-Resident (Non-Repatriable) Rupee Deposit Scheme.	Fortnight beginning April 13, 1996
(2)	**Statutory Liquidity Ratio (SLR)**	
	Relaxations of the Statutory Liquidity Ratio (SLR) on NRE Deposits	
	With a view to rationalising the overall SLR prescription, the SLR on outstanding liabilities under the NRE Accounts Scheme was reduced from the existing 30.0 per cent to 25.0 per cent.	Fortnight beginning April 13, 1996

C. Export Credit

i)	With a view to rationalising the interest rates on Post-Shipment Export Credit denominated in US Dollars (PSCFC) and encouraging a quicker turnaround of credit, the rate of interest prescribed at 7.5 per cent per annum for a total period upto 90 days was retained unchanged; for periods beyond 90 days and upto 6 months from the date of shipment, the rate of interest was raised from 7.5 per cent per annum to 9.5 per cent per annum; for export credit not otherwise specified for PSCFC, banks were given freedom to fix the rate.	October 31, 1995
ii)	With a view to facilitating faster turnaround of credit the interest rate on export bills under the Scheme upto 90 days was raised from 7.5 per cent to 9.5 per cent; interest rates on credit over 90 days and on export credit not otherwise specified for PSCFC were allowed to be fixed freely by banks.	January 16, 1996
iii)	With changes in the interest rates under the PSCFC Scheme, banks were made eligible for refinance under the Scheme only against bills upto 90 days. Export credit provided under PSCFC for periods over 90 days and upto 6 months from date of shipment was made ineligible for refinance if such credit was provided after January 15, 1996.	
iv)	Taking into account more recent developments in the spot and forward exchange markets, the continuation of the PSCFC Scheme had created serious distortions in the effective interest rates with significantly lower rates under this Scheme than under foreign currency post-shipment credit. With a view to removing this distortion, the PSCFC Scheme was terminated and as such no further drawals were permitted under this Scheme. The drawals under this scheme upto February 7, 1996 were, however, allowed to be continued till the due date and the corresponding refinance also made available on such outstanding credit.	February 8, 1996
v)	The interest rate on post-shipment export rupee credit for over 90 days and upto 180 days was freed and banks were given freedom to determine their own interest rates on such credit. The interest rate on such credit upto 90 days, however, was retained unchanged at 13.0 per cent.	February 8, 1996
vi)	In the context of recent developments in the foreign exchange market and the overall monetary and credit situation, the interest rate surcharge on import finance was withdrawn.	July 23, 1996

D. Refinance Facilities

Export Credit Refinance	
Scheduled commercial banks were provided export credit refinance to the extent of 45 per cent of the total outstanding export credit eligible for refinance (Rupee Credit and PSCFC taken together) as on February 16, 1996 *plus* 100 per cent refinance on the increase in such export credit over the outstanding level as on February 16, 1996; the rate of interest on such export credit refinance was retained unchanged at 11.0 per cent per annum.	Fortnight beginning April 13, 1996

Annexure – I *(Contd.)*

E.	**Measures Relating to Money Market**	
	In order to make the scheme more flexible and thereby attractive to banks and financial institutions and also with a view to providing greater liquidity and depth to the money market, changes were announced on November 23, 1995 in the Scheme of Money Market Mutual Funds (MMMFs) – private sector allowed entry, ceiling on the size of MMMFs removed, prescription of minimum and maximum limits on investments in individual instruments by MMMFs withdrawn.	December 11, 1995
	Money Market Mutual Funds	
	i) With a view to making the scheme of MMMFs more flexible, the restriction that the units of MMMFs could be issued only to individuals, was withdrawn and MMMFs made available to corporates and others on par with all other mutual funds as regards who could invest in such schemes.	April 9, 1996
	ii) The scheme of money market mutual funds (MMMFs) was made more attractive to investors, by reducing the minimum lock-in period from 46 days to 30 days.	July 3, 1996
	Liquidity Support to Mutual Funds Dedicated to Government Securities	
	i) With a view to encouraging schemes of Mutual Funds which are dedicated exclusively to investments in Government securities, the Reserve Bank would provide liquidity support to such dedicated funds floated with the approval of the Securities and Exchange Board of India (SEBI). The support will be by way of purchases of Government of India dated securities by the Reserve Bank from such funds; the liquidity support provided by the Reserve Bank would be to the extent of 20 per cent of the investment in Government dated securities outstanding at any point of time.	Announced on April 3, 1996
F.	**Measures Relating to Banks' Investment in Securities**	
	Valuation of Banks' Investments in Approved Securities	
	As part of the measures on prudential regulation and transparency in the financial statements of banks, Reserve Bank of India had advised scheduled commercial banks in April 1992, that they should bifurcate their investments in approved securities into "permanent" and "current" investments. To begin with, it was decided that banks should keep not more than 70 per cent of their investment in the "permanent" category from the accounting year 1992-93. While the ratio 70 per cent permanent and 30 per cent current was kept at the same level during the years 1993-94 and 1994-95, it was altered to not exceeding 60 per cent permanent in 1995-96. It was thought necessary for banks to progressively move towards the international practice of valuing all investments on fully 'marked to market' basis. This would also facilitate the development of an active and healthy secondary market in Government securities. Accordingly it has been decided that for scheduled commercial banks, during the financial year 1996-97 the ratio of the "permanent" category would be not exceeding 50 per cent for approved securities. Banks were advised to make early arrangements to adjust to the new valuation norms and those banks which have a lower proportion of permanent category were advised not to increase the proportion in this category.	April 6, 1996
G.	**Measures Relating to Foreign Exchange**	
	It was decided to monitor cancellation of forward contracts booked by authorised dealers for amounts of US $ 100,000 and above. Such cancellations were required to be reported to the Reserve Bank on a weekly basis. It was also advised that the Reserve Bank would also closely monitor US Dollar/Indian rupee intra-day trading transactions of authorised dealers.	Week ended February 9, 1996
	Fixing of Aggregate Gap Limits for Foreign Exchange Transactions	
	In accordance with the recommendations made by the Expert Group on Foreign Exchange Markets in India, banks were permitted to fix their own Aggregate Gap Limits depending upon their foreign exchange operations, risk taking capacity, balance sheet size and other relevant parameters. Such limits need specific approval by the Reserve Bank. Banks which are permitted higher limits need to be in a position to monitor their exposures continuously by marking to market the mismatches. This measure was expected to add liquidity in the swap market and ensure better management of foreign currency assets and liabilities by the banks.	April 4, 1996

Annexure – I *(Concld.)*

	Foreign Exchange Transactions in Overseas Markets In accordance with the recommendations made by the Expert Group, selected banks were permitted to initiate cross currency position in overseas markets. Such cross-currency transactions need to be included in the open exchange positions. Reserve Bank closely monitors such transactions.	April 11, 1996
H.	**General Credit Measures**	
	i) With a view to discouraging the excessive use of bank credit, finance for imports was required to be earmarked under a separate sub-limit of the cash credit limit. Outstandings under this import credit sub-limit were subjected to a 15 per cent interest rate surcharge.	October 31, 1995
	With a view to further discourage the excessive use of bank credit to finance imports, the outstandings earmarked under a separate sub-limit of the cash credit limit were made subject to an interest rate surcharge at an enhanced rate of 25 per cent (from 15 per cent earlier).	February 8, 1996
	In the context of recent developments in the foreign exchange market and in the overall monetary and credit situation, it has been decided to totally withdraw the interest rate surcharge on import finance.	July 23, 1996
	ii) The refinance facility against the collateral of Treasury Bills and Government dated and other approved securities was terminated. With this, refinance facility remains only in respect of export credit extended by banks.	July 6, 1996
	Loan System for Delivery of Bank Credit	
	iii) In the case of borrowers with assessed Maximum Permissible Bank Finance (MPBF) of Rs.20 crore or more, the "cash credit component" was reduced to 40 per cent of the MPBF and the balance 60 per cent was to be "loan component". The "Loan System", was extended to cover borrowers with assessed MPBF of Rs.10 crore or above but less than Rs.20 crore; 60 per cent of MPBF was to be in the form of "cash credit component" and the balance 40 per cent was to be by way of "loan component".	April 18, 1996
I.	**Selective Credit Control**	
	Taking into consideration the output and price situation in respect of commodities covered under selective credit controls, the following measures were taken :	
	i) Minimum Margins	
	The minimum margins on advances against all commodities covered under selective credit controls were reduced by 15 percentage points across-the-board. In the case of buffer stock of sugar and unreleased stocks of sugar the existing prescriptions of zero per cent and 20 per cent, respectively, continue.	April 4, 1996
	ii) The Level of Credit Ceiling	
	For commodities where there is a stipulation of level of credit ceilings based on the three-year period 1991-92 through 1993-94 (November-October), the reference period was brought forward to the three year period 1992-93 through 1994-95 (November-October) and wherever the level of credit ceilings were then prescribed at 85 per cent, these were raised by 15 percentage points.	April 4, 1996
	iii) On a review of the price output situation in respect of sugar and cotton the following measures were effected. The minimum margin on advances to mills against sugar for released stocks and to 'others' and warehouse receipts against sugar, *gur* and *khandsari* were reduced by 15 percentage points. The minimum margin on advances against cotton and *kapas* was reduced by 15 percentage points for 'others' (*viz.*, other than cotton mills including spinning mills) and the level of credit ceiling raised to 110 per cent from 100 per cent.	July 2, 1996

Annexure - II

Performance of Special Employment and Anti-Poverty Programmes

(Rupees crore)

	1994-95		1995-96	
	Target	Achievement	Target	Achievement
1	2	3	4	5
1. Annual Credit Plan				
i) Agriculture & Allied activities	16,515.80	16,884.70	19,905.74	10,501.73
ii) Small Scale Industries	4,936.30	5,605.00	6,088.59	2,726.05
iii) Services	3,716.73	4,080.90	5,336.40	2,216.32
Total	25,168.83	26,570.70	31,330.73	15,443.60
2. Integrated Rural Development Programme (IRDP)				
No. of Beneficiaries (lakh No.)	21.15	21.82	19.30	28.59
Of which :				
(i) No. of SC/ST (-do-)	N.A.	10.80	N.A.	10.72
(ii) No. of Women beneficiaries (-do-)	N.A.	7.34	N.A.	6.76
Amount of subsidy	N.A.	629.3	N.A.	107.14
Amount of loan	N.A.	920.9	N.A.	1,703.13
3. Scheme of Urban Micro Enterprises (SUME)				
No. of beneficiaries (No.)	1,20,070	—	1,17,223	—
No. of applications sanctioned (No.)	N.A.	1,43,619	N.A.	1,18,135
Amount of loan sanctioned	N.A.	110.10	N.A.	96.54
Amount of loan disbursed	N.A.	85.00	N.A.	73.92
4. Prime Minister's Rozgar Yojana for Educated Unemployed Youth (PMRY)				
No. of Beneficiaries (No.)	2,39,215	1,82,552	3,21,360	2,75,513
Sanctioned amount by banks	N.A.	1,024.81	N.A.	1,593.25
No. of cases sanctioned	N.A.	1,82,552	N.A.	2,75,513
Disbursed amount by banks	N.A.	576.80	N.A.	846.20
No. of accounts of disbursal	N.A.	1,09,709	N.A.	1,62,998
5. Differential Rate of Interest[1] (D.R.I.) Scheme				
No. of borrowal accounts (in lakhs)	N.A.	23.00	N.A.	20.41
Amount	#	701.80	#	681.91
No. of borrowal Accounts of SC/ST (in lakhs)	N.A.	11.61	N.A.	10.39
Amount	£	420.8	£	424.92
6. Twenty Point Programme-1986[1]				
No. of borrowal accounts (in lakhs)	N.A.	276.45	N.A.	279.60
Amount	N.A.	15,560.30	N.A.	16,736.63
7. Credit to Minority Communities[2]				
No. of Borrowal Accounts (in lakhs)	N.A.	12.61	N.A.	12.85
Amount	N.A.	1,130	N.A.	1,212.00
8. Credit to SC/ST[1]				
No. of borrowal accounts (in lakhs)	N.A.	99.10	N.A.	99.10
Amount	N.A.	5,428.00	N.A.	5,809.00

N.A. - Not Applicable.

1 Actual figures as at end-December 1994 and 1995.

2 Actual figures as at end-June 1994 and 1995. Data pertain to 41 districts identified as having concentration of minority communities.

- Annual target has been fixed at 1 per cent of total advances outstanding at the end of the previous year.

£ - Annual target has been fixed at 40 per cent of total DRI advances.

Annexure – III

Selective Credit Controls
Provisions of the Directives Applicable to Scheduled Commercial Banks on Advances Against Selected Commodities
(Position as on July 2, 1996)

A. Pulses and "Other Foodgrains"
(viz., Jowar, Bajra, Maize, Barley, Ragi and all other foodgrains including coarse grains)

Minimum Margin	Level of Credit	Exemption from minimum margin, level of credit and rate of interest
(1)	(2)	(3)
I. Pulses i) 45% on advances against stocks of pulses to processing units/mills. ii) 60% on advances against stocks of pulses to parties other than processing units/mills. iii) 45% on advances against warehouse receipts covering stocks of pulses **II. "Other Foodgrains" (*viz.*, jowar, bajra, maize, barley, ragi and all other foodgrains including coarse grains)** i) 30% on advances against stocks of other foodgrains to processing units/mills. ii) 45% on advances to parties other than processing units/mills. iii) 30% on advances against warehouse receipts covering stocks of "other foodgrains".	For each party, 100% separately of the peak level of credit maintained by the party in any of the 3 years (November-October) 1992-93, 1993-94 and 1994-95. **Exemption** Advances against "other foodgrains"to foodgrains processing units.	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim. **B. Public Procurement, Storage and Distribution Agencies** i) Advances to the Food Corporation of India and State Governments. ii) Advances to Co-operative Marketing Federations, Central or State Warehousing Corporations and such other agencies duly appointed as agents for the purpose of food procurement/distribution by the Food Corporation of India/Central or State Governments to the extent of the stocks held by them as such agents. iii) Advances against rationed foodgrains granted to wholesale and retail dealers appointed/ licensed by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories. iv) Advances to Central and State Governments/ Agencies entrusted with the procurement of pulses at support prices fixed by the Government of India.

(1)	(2)	(3)
		C. Others i) Advances against the security of maize and barley to manufacturing units (i.e. industrial users). ii) Advances against the security of, or by way of purchase of, demand documentary bills drawn in connection with the movement of foodgrains. iii) Advances against high-yielding/hybrid seeds produced under contract with the National Seeds Corporation Ltd., Delhi, or a State Government or which bear the certification of the said Corporation or as the case may be, the concerned State Government or of any certification agencies authorised under the Seeds Act, 1966 and seeds notified under Sec.5 of the said Act. iv) Advances to Khadi and Village Industries Commission and its associate institutions. v) Advances to Wholesale Consumers' Co-operative Stores and State/National Federations of Consumers' Co-operatives. vi) Advances upto an aggregate limit of Rs.1 lakh per borrower are exempt from all the provisions of the Selective Credit Control subject to the condition that the borrower deals with one bank only. **D. Exports** Pre-shipment credit granted to exporters against the security of foodgrains on the basis of firm export orders/irrevocable letters of credit and post-shipment credit given in the form of purchase, negotiation or discounting of export bills or advances thereagainst in respect of export of foodgrains.

(1)	(2)	(3)

Notes :

i) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which enables other banks to discount usance bills under the L/Cs.

ii) No bank shall advance against the security of any of the foodgrains where a ban on trading has been imposed in respect of that foodgrain except to wholesale or retail traders who are authorised by the State Government to deal in that foodgrain and to processing units to the extent to which and the manner in which such processing is allowed by the respective State Governments.

iii) Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns, set up under a Government Scheme and godowns set up by Regulated Market Yards.

iv) States and categories of advances indicated in column 3 above, though exempted from rate of interest, minimum margin and level of credit prescribed, will continue to be governed by other instructions issued prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities, etc. In the case of advances mentioned at item C(vi) in column 3 above, these instructions will not be applicable.

v) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (*i.e.,* composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

B. Indigenous Oilseeds (*viz.*, Groundnut, Rapeseed/Mustardseed, Cottonseed, Castorseed and Linseed) and All Imported Oilseeds

Minimum Margin	Level of Credit	Exemption from minimum margin, level of credit and rate of interest
(1)	(2)	(3)
Indigenous oilseeds (*viz.*, groundnut, rapeseed/ mustardseed, cottonseed, castorseed and linseed) and all imported oilseeds. i) 45% on advances to processing units/mills. ii) 60% on advances to parties other than processing units/mills. iii) 45% on advances against warehouse receipts representing stocks of oilseeds. **Exemption** 1) Advances against all imported oilseeds for a period not exceeding 8 weeks after arrival of goods in India. 2) Advances to State level oilseeds growers' co-operative federations under the National Dairy Development Board's Oilseeds Project, against stocks of oilseeds purchased from grower members. 3) Advances against stocks of oilseeds procured from grower members and of oils thereof to oilseeds processing units of State Co-operative Marketing Federations in Madhya Pradesh, Uttar Pradesh and Rajasthan set up under the aegis of National Co-operative Development Corporation (NCDC) under the European Economic Community Assisted Project. Banks have been advised to charge a concessional margin of 25% if a State Government guarantee is available (effective May 16, 1994) to certain State level co-operative institutions which are exempt from the minimum margin and level of credit ceiling stipulations.	In respect of each party, separate ceiling for each of (i) groundnut, (ii) cottonseed, (iii) linseed and castorseed together : 100% of the peak level of credit maintained by the party in any of the 3 years (November-October),*viz.*, 1992-93, 1993-94 and 1994-95. **Exemption** 1) Advances against imported oilseeds. 2) Advances to State level oilseeds growers' co-operative federations under the National Dairy Development Board's Oilseeds Project, against stocks of oilseeds purchased from grower members. 3) Advances against stocks of oilseeds procured from grower members and of oils thereof to oilseeds processing units of State Co-operative Marketing Federations in Madhya Pradesh, Uttar Pradesh and Rajasthan set up under the aegis of National Co-operative Development Corporation (NCDC) under the European Economic Community Assisted Project.	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim. **B. Public Procurement, Storage and Distribution Agencies** i) Advances to the Food Corporation of India and the State Trading Corporation against stocks of oilseeds. ii) Wholesale and retail dealers appointed/licensed by the Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of the quantum meant for public distribution. iii) Advances to Central and State Governments/ Agencies entrusted with procurement of oilseeds at support prices fixed by the Government of India. **C. Export** i) Credit limits in favour of exporters, against oilseeds,all varieties of oil cakes meant for exports and extractions of oilseeds in respect of specific firm export contracts and/or against export bills. ii) Packing credit advances to exporters of HPS groundnut against the security of groundnut to the extent of the value of raw materials required (which should be resonably assessed) for selecting HPS groundnut covered by the export

(1)	(2)	(3)
		order even though the value of raw materials exceed the value of the relative export order, provided that such advances to the extent of the value of the residual groundnut shall be adjusted, either by the sale proceeds of the residual groundnut or in cash, as soon as the selection of the HPS groundnut is completed within 15 days from the date of such advances and the balance in the packing credit account shall be adjusted by the proceeds of the relative export bill.
		D. Others
		i) Advances to Khadi and Village Industries Commission and its associate institutions.
		ii) Advances upto an aggregate limit of Rs.1 lakh per borrower are exempt from all the provisions of the Selective Credit Control subject to the condition that the borrower deals with one bank only.
		iii) Advances granted by way of purchase of demand documentary bills drawn in connection with movements of commodities covered by the directive.
		iv) Advances to Wholesale Consumers' Co-operative Stores and State/National Federations of Consumers' Co-operatives.
		v) Advances against high-yielding and hybrid seeds used for growing oilseeds under contract with National Seeds Corporation Ltd., Delhi or a State Government or which bear the certification of the said Corporation or as the case may be, the concerned State Government or of any certification agencies authorised under the Seeds Act,1966 and seeds notified under Section 5 of the said Act.

(1)	(2)	(3)

Notes

i) Banks should refrain from granting additional limits against oilseeds to parties other than Government and Government supported organisations; even in the case of such organisations, a strict scrutiny on drawals should be maintained.

ii) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which would enable other banks to discount usance bills under the L/Cs.

iii) No bank shall issue, either to a Court or to Government, or any other person, a guarantee on behalf of, or on account of, any importer guaranteeing payment of customs duty and/or import duty, or other levies payable in respect of import of essential commodities without taking, as security for issue of such guarantees, a cash margin ***equivalent to at least one half of the amount payable*** under the guarantee. The term "essential commodities" shall mean such commodities as may be specified by the Reserve Bank of India from time to time.

iv) Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns, set up under a Government Scheme and godowns set up by Regulated Market Yards.

v) States and categories of advances indicated in column 3 above, though exempted from rate of interest, minimum margin and level of credit prescribed, will continue to be governed by other instructions issued prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities, etc. In the case of advances mentioned at item D (ii) in column 3 above,however, these instructions will not be applicable.

vi) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (*i.e.*, composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

vii) Oilcakes of the oilseeds specified in the Annexure including deoiled cakes not meant for exports are also subject to the Selective Credit Control provisions.

C. Vegetable Oils (Indigenous Oils, *viz.*, Groundnut Oil, Rapeseed Oil/Mustard Oil, Cottonseed oil, Castor oil, Linseed oil and Vanaspati and All Imported Oils)

Minimum Margin	Level of Credit	Exemption from minimum margin, level of credit and rate of interest
(1)	(2)	(3)

(1) Minimum Margin

Indigenous and imported oils

i) 45% to registered oil mills and vanaspati manufacturers

ii) 60% other than (i) above

iii) 45% against warehouse receipts representing stocks of oils.

Exemption

i) Advances to consumers' co-operatives in respect of stocks held under the Centrally Sponsored Scheme for the distribution of essential consumer articles.

ii) Advances against all imported vegetable oils for a period not exceeding 4 weeks after arrival of the goods in India.

iii) Advances granted to vanaspati manufacturers against the security of imported oils used as raw materials by them in the manufacture of vanaspati.

iv) Advances to State level oilseeds growers' co-operative federations under the National Dairy Development Board's Oilseeds Project, against stocks of oils extracted from oilseeds purchased from grower members.

v) Advances to vanaspati manufacturers against cottonseed oil.

Banks should not establish letters of credit on more than 45 days' D/A basis for import of edible oils, as far as possible. In case banks establish letters of credit on more than 45 days'D/A basis, they should stipulate that, after 30 days from the date of arrival of the goods in the port, the importer will deposit with them an amount equivalent to the margin amount which he would have provided under the directives had he availed himself of advances against the commodity. Banks should refrain from granting additional limits against

(2) Level of Credit

In respect of each party, 100% of peak level of credit maintained by the party in any of the three years (November-October) *viz.*, 1992-93, 1993-94 and 1994-95.

Exemption

i) Advances to consumers' co-operatives in respect of stocks held under the Centrally Sponsored Scheme for the distribution of essential consumer articles.

ii) Advances against all imported vegetable oils.

iii) Advances to State level oilseeds growers' co-operative federations under the National Dairy Development Board's Oilseeds Project, against stocks of oils extracted from oilseeds purchased from grower members.

(3) Exemption from minimum margin, level of credit and rate of interest

A. States

Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim.

B. Public Procurement, Storage and Distribution Agencies

i) Advances to the Food Corporation of India and the State Trading Corporation against stocks of vegetable oils and vanaspati.

ii) Wholesale and retail dealers appointed/licensed by the Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of the quantum meant for public distribution.

C. Exports

Packing credit advances to the exporters of deoiled and/or defatted cakes against the security of oilseeds and/or other raw material to the extent of the value of raw material required for producing cakes covered by the export order, even though the value of the raw material exceeds the value of the relative export order.

Provided

i) Such advances to the extent of the value of by-product oil shall be adjusted by the sale proceeds of the by-product oil or in cash as soon as the oil is extracted but within a period not exceeding 30 days from the date of advance and the balance in the packing credit account shall be adjusted by the proceeds of the relative export bills and advances, if any, against the by-product oil granted in a

(1)	(2)	(3)
vegetable oils to parties other than Government and Government supported Organisations; even in the case of such organisations a strict scrutiny on drawals should be maintained. Banks have been advised to charge a concessional margin of 25% if a State Government guarantee is available (effective May 16, 1994) to certain State level co-operative institutions which are exempt from the minimum margin and level of credit ceiling stipulations.		separate account are exempted for a period of 30 days from the date of such advance. ii) Pre-shipment credit granted to exporters against the security of vegetable oils on the basis of firm export orders/irrevocable letters of credit and post-shipment credit given in the form of purchase, negotiation or discounting of export bills or advances thereagainst in respect of export of vegetable oils. **D. Others** i) Advances by way of purchase of demand documentary bills drawn in connection with the movement of vegetable oils and vanaspati. ii) Advances to Khadi and Village Industries Commission and its associate institutions. iii) Advances up to an aggregate limit of Rs.1 lakh per borrower from all provisions of the Selective Credit Control subject to the condition that the borrower deals with one bank only. iv) Advances against stocks of oil processed from linseed oil and castor oil for use as industrial raw material by factories. v) Advances against receivables arising out of sale of vegetable oils (including vanaspati) delivered to Army Purchase Organisation and against stocks of vanaspati held by vanaspati manufacturers for being delivered to the Army Purchase Organisation in the Ministry of Food and Agriculture, Government of India, New Delhi and with the prior approval of the Reserve Bank of India, other agencies designated for the purpose by the Central and State Governments, in pursuance of contracts entered into or to be entered into with the said organisation by the said manufacturers. vi) Advances to Wholesale Consumers' Co-operative Stores and State and National Federations of Consumers' Co-operatives.

(1)	(2)	(3)

Notes

i) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which would enable other banks to discount usance bills under the L/Cs.

ii) No bank shall issue, either to a court or to Government, or any other person, a guarantee on behalf of, or on account of, any importer guaranteeing payment of customs duty and/or import duty, or other levies payable in respect of import of essential commodities without taking, as security for issue of such guarantees, a cash margin ***equivalent to at least one half of the amount payable*** under the guarantee. The term "essential commodities" shall mean such commodities as may be specified by the Reserve Bank of India from time to time.

iii) Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns, set up under a Government Scheme and godowns set up by Regulated Market Yards.

iv) States and categories of advances indicated in column 3 above, though exempted from rate of interest, minimum margin and level of credit prescribed, will continue to be governed by other instructions issued prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities, etc. In the case of advances mentioned at item D(iii) in column 3 above, however, these instructions will not be applicable.

v) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (*i.e.*, composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

vi) Advances against groundnut oil, rapeseed/mustard oil, cotonseed oil, linseed oil and castor oil cover their solvent extracted oils also.

D. Sugar, Gur and Khandsari

Minimum Margin	Exemption from minimum margin and rate of interest
(1)	(2)

1. Advances against sugar

(a) To sugar factories

i) Nil against Buffer stock stipulated by the Government.

ii) 45% on advances to parties manufacturing sugar in respect of such stocks as have been released for sale by the Government and have left the factory or mill premises and on which excise duty has been paid.

iii) 20% on advances to parties manufacturing sugar other than those referred to in 1(a)(i) and (ii) above.

(b) 45% to parties other than sugar factories.

(c) 30% on advances against warehouse receipts covering stocks of sugar.

2) Advances against Gur and Khandsari

i) 30% on advances to manufacturing units.

ii) 45% on advances to others.

iii) 30% on advances against warehouse receipts covering stocks of gur and khandsari.

Exemption

Advances to Consumers' Co-operatives in respect of stocks held under schemes of public distribution organised by Government.

Banks should not, as far as possible, establish L/Cs for more than 30 days on D/A basis for import of sugar. In case, banks establish L/Cs for more than 30 days on D/A basis, after 30 days from the date of arrival of the commodity in the port,till date of retirement of the import bills, the importer is required to deposit with banks an amount equivalent to the margin amount as applicable to the bank advances against sugar produced in the country.

A. Public Procurement, Storage and Distribution Agencies

i) Advances to Food Corporation of India.

ii) Advances against sugar granted to wholesale and retail dealers appointed/licensed by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of quantum of sugar allotted to them by the Government.

B. Exports

Advances granted in respect of stocks of sugar pledged/hypothecated with banks which are intended for export out of India.

C. Others

i) Advances granted by way of purchase of demand documentary bills drawn in connection with movement of commodities.

ii) Advances granted to industrial users such as confectioneries, bakeries, biscuit manufacturers, etc., against stocks of sugar, gur and khandsari pledged/hypothecated with banks.

iii) Advances to Khadi and Village Industries Commission and its associate institutions.

iv) Advances upto an aggregate limit of Rs.1 lakh per borrower are exempt from all provisions of the Selective Credit Controls subject to the condition that the borrower deals with one bank only.

v) Advances to Wholesale Consumers' Co-operative Stores or State and National Federations of Consumers' Co-operatives.

(1)	(2)

Notes

i) Stocks of levy sugar shall be valued at the levy price fixed by Government and free sale sugar (including buffer stocks at the average of the price realised in the preceding three months (moving average), or the current market price, whichever is lower. The prices for this purpose shall be exclusive of excise duty.

ii) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which would enable other banks to discount usance bills under the L/Cs.

iii) No bank shall issue, either to a Court or to Government, or any other persons, a guarantee on behalf of, or on account of, any importer guaranteeing payment of customs duty and/or import duty, or other levies payable in respect of import of essential commodities without taking, as security for issue of such guarantees, a cash margin ***equivalent to at least one half of the amount payable*** under the guarantee. The term "essential commodities" shall mean such commodities as may be specified by the Reserve Bank of India from time to time.

iv) States and categories of advances indicated in column 2 above, though exempted from minimum margin and rate of interest prescribed, will continue to be governed by other instructions issued, prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities, etc. In the case of advances mentioned at item C(iv)in column 2 above, however, these instructions will not be applicable.

v) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (*i.e.,* composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

E. Cotton and Kapas

<table>
<tr><th>Minimum Margin</th><th>Level of Credit</th><th>Exemption from minimum margin, level of credit and rate of interest</th></tr>
<tr><td>(1)</td><td>(2)</td><td>(3)</td></tr>
<tr><td>
i) 30% for parties other than cotton mills including spinning mills.
ii) 30% for advances against warehouse receipts.

Exemptions
i) Advances against cotton and kapas to industrial users such as manufacturers of surgical cotton (absorbent cotton wool), provided that such stock is held by the borrower for processing and not for resale.
ii) Advances against stocks of cotton and kapas to Cotton Corporation of India for procurement of cotton under commercial operations.
</td><td>
In respect of each party other than cotton mills including spinning mills: 110% of the peak level of credit maintained by the party with the bank in any of the 3 years (November-October) viz.,1992-93, 1993-94 and 1994-95.

Exemptions
i) Advances against cotton and kapas to industrial users such as manufacturers of surgical cotton (absorbent cotton wool), provided that such stock is held by the borrower for processing and not for resale.
ii) Advances against stocks of cotton and kapas to Cotton Corporation of India for procurement of cotton under commercial operations.
</td><td>
A. States
Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim.

B. Exports
i) Advances in respect of pre-shipment credit for cotton exports, provided the advances are made in respect of firm export order and repaid on negotiation of the relevant export bills on shipment.
ii) Advances against the security of, or by way of purchase or discount of export bills relating to export of cotton from India.

C. Others
i) Advances granted by way of purchase of demand documentary bills drawn in connection with the movement of cotton and kapas.
ii) Advances to Khadi and Village Industries Commission and its associate institutions.
iii) Advances upto an aggregate limit of Rs.1 lakh per borrower are exempt from all provisions of the Selective Credit Controls subject to the condition that the borrower deals with one bank only.
iv) Advances against stocks of cotton and kapas to National Textile Corporation (NTC) including its subsidiaries.
v) Advances against stocks of cotton and kapas to Cotton Corporation of India for procurement of cotton at support prices fixed by the Government of India.
</td></tr>
</table>

(1)	(2)	(3)

Notes

i) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which would enable other banks to discount usance bills under the L/Cs.

ii) Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns, set up under a Government Scheme and godowns of Regulated Market Yards.

iii) States and categories of advances indicated in column 3 above, though exempted from rate of interest, minimum margin and level of credit prescribed, will continue to be governed by other instructions issued, prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities, etc. In the case of advances mentioned at item C(iii) in column 3 above, however, these instructions will not be applicable.

iv) Where credit limits have been sanctioned against the security of more than one commodity and/or against any other type of security (i.e. composite credit limits), the credit limit against each commodity shall be segregated and the restrictions contained in the directive shall be made applicable to each such segregated limit.

v) Advances granted to cotton textile mills (including spinning mills) shall continue to be exempt from Selective Credit Control measures.

Table V-1 : Variations in Broad Money (M_3)

(Rupees crore)

Item	During the Financial Year			
	1995-96 *		1994-95	
	Absolute	Per cent	Absolute	Per cent
1	2	3	4	5
I. Narrow Money (M_1)	22,106	11.5	41,479	27.5
II. Broad Money (M_3)	70,410	13.2	97,019	22.3
III. Major Components				
a. Currency with the Public	17,480	17.4	18,380	22.3
b. Aggregate Deposits with Banks	52,973	12.4	77,781	22.2
Demand Deposits	4,669	5.3	22,241	33.7
Time Deposits	48,304	14.2	55,540	19.6
IV. Major Sources				
a. Net Bank credit to Government	34,991	15.7	18,501	9.1
of which:				
RBI's net credit to Government	19,871	19.6	2,178	2.2
b. Bank Credit to Commercial Sector	48,179	16.5	54,949	23.1
c. Net Foreign Exchange Assets	-628	-0.8	23,298	42.8
d. Net Non-monetary Liabilities	12,139	19.0	118	0.2
of which :				
Reserve Bank	2,943	10.0	3,321	12.8

* Provisional

Table V-2 : Variations in Reserve Money : Components and Sources

(Rupees crore)

Item	During the Financial Year			
	1995-96 *		1994-95	
	Absolute	Per cent	Absolute	Per cent
1	2	3	4	5
Reserve Money	25,054	14.8	30,610	22.1
Currency with the public	17,480	17.4	18,380	22.3
Cash with banks	291	7.3	905	29.2
Bankers' deposits with RBI	7,326	12.0	10,467	20.6
Net RBI credit to Central Government	19,855	20.1	2,130	2.2
Net foreign exchange assets of RBI	-628	-0.8	23,298	45.3
Net Domestic Assets of the RBI	25,682	27.2	7,312	8.4

* : Provisional

Table V-3 : Important Banking Variables

(Rupees crore)

Items	Fiscal year Variation	
	1995-96	1994-95
	March 29, 1996 over March 31, 1995	March 31, 1995 over March 18, 1994
1	2	3
Aggregate Deposits	46,961 (12.1)	71,726 (22.8)
Demand Deposits	3,711 (4.8)	20,330 (35.9)
Time Deposits	43,249 (14.0)	51,396 (19.9)
Bank credit	42,455 (20.1)	47,143 (28.7)
Food credit	–2,483 (–20.2)	1,367 (12.5)
Non-food credit	44,938 (22.5)	45,776 (29.8)
Investments	15,529 (10.4)	16,731 (12.6)
of which Govt. securities	14,542 (12.4)	16,484 (16.3)

Figures in brackets represent percentages.

Table V-4 : Banking Data: Year-end Bulge (1992-96)

(Rupees crore)

	1992 March 31 over March 20	1993 March 31 over March 19	1994 March 31 over March 18	1995 March 31 over March 17	1996 March 29 over March 15	1996 March 31 over March 29
1	2	3	4	5	6	7
Aggregate Deposits	11,309 (29.6)	12,513 (33.1)	18,097 (38.9)	20,161 (28.1)	16,100 (34.3)	3,259 (6.9)
(a) Demand Deposits	6,652 (55.9)	7,447 (542.4)	12,155 (120.2)	11,025 (54.2)	9,223 (248.5)	231 (6.2)
(b) Time Deposits	4,657 (17.7)	5,066 (13.9)	5,942 (16.3)	9,136 (17.8)	6,878 (15.9)	3,028 (7.0)
Bank Credit	10,008 (107.7)	7,374 (27.9)	6,504 (52.3)	8,868 (18.8)	5,982 (14.1)	1,704 (4.0)
(a) Food Credit	174 (106.1)	267 (12.9)	–1,473 (–35.4)	–879 (–64.3)	–759 (30.6)	N.A.
(b) Non-food Credit	9,834 (107.7)	7,107 (29.2)	7,977 (96.4)	9,746 (21.3)	6,741 (15.0)	N.A.

Note : Figures in brackets denote percentage variations to the financial year.

Table V-5 : Variations in Deposits and Non-Food Credit of Major Bank Groups
(Percentage Share)

Item	1993-94	1994-95	1995-96
1	2	3	4
Aggregate Deposits			
1. SBI and Associates	26.4	21.6	32.8
2. Nationalised Banks	54.2	55.5	46.1
3. Foreign Banks	6.2	3.8	5.9
Non-food Credit			
1. SBI and Associates	7.8	25.0	32.4
2. Nationalised Banks	56.1	45.9	37.3
3. Foreign Banks	8.4	11.7	14.9

Table V-6 : Public Sector Banks : Advances to Priority Sector

(Rupees crore)

Sector	March 1995 *			March 1996 *		
	Amount	Percentage to		Amount	Percentage to	
		Total Priority Sector Advances	Net Bank Credit		Total Priority Sector Advances	Net Bank Credit
1	2	3	4	5	6	7
I. Agriculture						
Direct	20,813	33.7	12.3	22,892	32.9	12.4
Indirect	2,700	4.4	1.6	3,459	5.0	1.9
Total	23,513	38.1	13.9	26,351	37.9	14.3
II. Small Scale Industries	25,843	41.8	15.3	29,482	42.3	16.0
III. Other Priority Sectors	12,438	20.1	7.4	13,751	19.8	7.5
Grand Total	61,794	100.0	36.6	69,609 @	100.0	37.8

* Data are provisional.

@ Inclusive of Rs. 25 crore towards funds provided to RRBs by sponsored banks treated as priority sector advances.

Table V-7: Export Credit Refinance

(Rupees crore)

As on last reporting Friday of	Outstanding Export Credit @	Export Credit Refinance Limits	Percentage of Column 3 to Column 2
1	2	3	4
March 1995	19,592	9,395	48.0
June 1995	22,375	9,368	41.9
September 1995	22,609	9,658	42.7
December 1995	24,133	11,181	46.3
March 1996	26,214	14,142	54.0
June 1996	26,455	13,044	49.3
September 1996	23,798	11,377	47.8

@ Eligible for refinance.

Table V-8 : Progress of Primary (Urban) Co-operative Banks

	End March		
	1994	1995	1996
1	2	3	4
Number of PCBs	1,400	1,431	1,501
Number of Licensed PCBs	1,045	1,107	1,180
Number of offices of PCBs	3,853	4,123	4,537
Deposits (Rs. crore)	16,769	20,101	23,841
Loans Outstanding (Rs.crore)	12,172	14,795	17,675
Owned Funds (Rs.crore)	2,723	3,312	3,781

Table V-9 : Minimum Margins and Level of Credit Ceilings on Bank Advances against Commodities subject to Selective Credit Controls (effective July 2, 1996)

Commodities	Minimum Margins			Level of credit ceiling (Base Year : Three Years ending 1994-95 November-October)
	Mills/ processing units	Others	Warehouse receipts	
1	2	3	4	5
1. Pulses	45	60	45	100
2. Other foodgrains (other than paddy/rice, wheat & pulses)	30	45	30	100
3. Oilseeds :(viz., Groundnut,Rapeseed/ Mustard,Cottonseed, Linseed,Castorseed and all imported oilseeds)	45	60	45	100
4. Vegetable oils (viz., Groundnut oil,Rapeseed/ Mustard oil,Cottonseed oil,Linseed oil,Castor oil,Vanaspati and all imported vegetable oils)	45@	60	45	100
5. Sugar				
a) Buffer	0	—	—	—
b) Unreleased stocks	20	—	—	—
c) Released	45	45	30	—
6. Gur and Khandsari	30	45	30	—
7. Cotton and Kapas	X	30	30	110+

@ Applicable to registered oil mills and vanaspati manufacturers.

— Not applicable.

x Exempted from the stipulations.

\+ Applicable to other than cotton mills including spinning mills.

Table V-10 : Scheduled Commercial Banks' Outstanding Advances against Selected Commodities

(Rs. crore)

Commodities	As on the last Friday of					
	March 1994		March 1995		March 1996*	
	Amount	Percentage to total	Amount	Percentage to total	Amount	Percentage to total
	1	2	3	4	5	6
1. Foodgrains(excluding food procurement advances)	**915.2**	**27.8**	**1032.6**	**23.9**	**1102.9**	**23.7**
(a) Paddy/rice	606.4	18.4	650.5	15.1	717.9	15.4
(b) Wheat	96.6	2.9	108.9	2.5	122.2	2.6
(c) Pulses	47.7	1.5	57.8	1.3	51.5	1.1
(d) Other foodgrains	164.5	5.0	215.5	5.0	211.3	4.5
2. Sugar (including khandsari and gur)	**1036.1**	**31.5**	**1490.5**	**34.6**	**1659.3**	**35.7**
(a) Sugar	991.0	30.1	1413.7	32.8	1626.9	35.0
(b) Khandsari	41.3	1.3	73.2	1.7	27.0	0.6
(c) Gur	3.9	0.1	3.6	0.1	5.4	0.1
3. Major Oilseeds	**208.5**	**6.3**	**277.2**	**6.4**	**308.8**	**6.6**
(a) Groundnut	30.6	0.9	65.1	1.5	86.3	1.9
(b) Rapeseed/Mustard	28.7	0.9	39.1	0.9	52.1	1.1
(c) Linseed	0.5	0.0	0.4	0.0	1.3	0.0
(d) Castorseed	3.8	0.1	10.0	0.2	14.7	0.3
(e) Cottonseed	12.0	0.4	19.1	0.4	12.1	0.3
(f) Soyabean	112.7	3.4	121.4	2.8	116.9	2.5
(g) Other Oilseeds	20.3	0.6	22.0	0.5	25.4	0.5
4. Major Vegetable oils and Vanaspati	**298.4**	**9.1**	**374.9**	**8.7**	**445.1**	**9.6**
(a) Groundnut Oil	21.0	0.6	25.1	0.6	21.7	0.5
(b) Rapeseed/Mustard Oil	58.6	1.8	61.7	1.4	54.8	1.2
(c) Castor Oil	20.8	0.6	79.2	1.8	74.9	1.6
(d) Linseed Oil	2.3	0.1	1.4	0.0	2.0	0.0
(e) Cottonseed Oil	25.3	0.8	30.0	0.7	32.8	0.7
(f) Soyabean Oil	28.9	0.9	56.3	1.3	103.5	2.2
(g) Other Veg. Oils	43.8	1.3	40.3	0.9	66.2	1.4
(h) Vanaspati	97.6	3.0	80.8	1.9	89.3	1.9
5. Cotton and Kapas	**686.2**	**20.9**	**1010.5**	**23.4**	**1004.5**	**21.6**
6. Raw Jute	**143.2**	**4.4**	**127.7**	**3.0**	**132.6**	**2.9**
Total	**3287.6**	**100.0**	**4313.3**	**100.0**	**4653.2**	**100.0**

* Data are provisional.

Note : Data on advances against cotton and kapas, raw jute, oilseeds and oils are exclusive of advances to Cotton Corporation of India, Jute Corporation of India and National Dairy Development Board, respectively.

Source : Estimates are based on Basic Statistical Return-3 received from head offices of banks.

Table V-11 : Security-wise Advances to Mills/Factories and Industrial Users (As Percentage To Total Credit Against Sensitive Commodities)

Sr. No.	Commodities	Last Friday of		
		March 1996	March 1995	March 1994
1	2	3	4	5
1	Castor Oil	99.3	96.1	78.8
2	Sugar	98.9	98.9	97.3
3	Vanaspati	96.0	97.2	98.2
4	Raw Jute	96.0	88.6	90.4
5	Linseed Oil	95.0	92.9	100.0
6	Khandsari	94.8	96.4	94.4
7	Soyabean	92.0	87.9	93.3
8	Cottonseed Oil	89.6	93.0	98.0
9	Groundnut	88.9	87.3	38.2
10	Rapeseed/Mustard Oil	88.3	86.9	88.4
11	Cottonseed	85.1	67.0	45.0
12	Pulses	83.5	84.4	80.1
13	Rapeseed/Mustard	82.5	90.0	71.8
14	Wheat	79.6	88.2	88.8
15	Cotton and Kapas	77.9	78.2	77.2
16	Linseed	76.9	50.0	80.0
17	Other Veg.Oils	76.7	92.8	84.2
18	Paddy and Rice	75.9	77.7	76.7
19	Groundnut Oil	74.7	84.9	77.1
20	Soyabean Oil	70.6	98.6	95.5
21	Castorseed	52.4	44.0	68.4
22	Other Oilseeds	50.0	51.8	70.9
23	Gur	42.6	33.3	41.0
24	Other Foodgrains	19.9	21.5	20.0
	All Selected Commodities	**84.1**	**84.6**	**82.7**

Source : Basic Statistical Return-3.

Table V-12 : Direct Institutional Finance for Agriculture and Allied Activities

(Rs. Crore)

Source of Finance	Loans issued during April-March				Loans outstanding at March-end			
	1991-92	1992-93	1993-94	1994-95P	1992	1993	1994	1995P
1	2	3	4	5	6	7	8	9
I. Co-operatives *	**5,796.8**	**6,483.0**	**8,484.0**	**10,882.9**	**12,176.4**	**13,769.0**	**15,316.0**	**17,167.5**
of which :	(51.8)	(53.4)	(58.0)	(56.2)	(39.1)	(40.2)	(41.4)	(41.8)
(a) Short-term loans by PACS (including LAMPS and FSS)	3,933.6	4,394.0	6,039.0	8,376.6	5,109.9	5,900.0	6,640.0	9,136.1
(b) Term-Loans by PACS and CLDBs	1,863.2	2,089.0	2,445.0	2,506.3	7,066.5	7,869.0	8,676.0	8,031.4
II. Scheduled Commercial Banks **	**4,805.9**	**4,959.9**	**5,399.9**	**7,407.9**	**16,981.1**	**18,287.8**	**19,112.9**	**20,920.0**
of which :	(42.9)	(40.9)	(36.9)	(38.2)	(54.5)	(53.4)	(51.7)	(50.9)
(a) Short-term loans	2,341.2	2,431.8	2,860.2	3,841.6	4,630.6	4,988.2	5,425.4	6,154.4
(b) Term loans	2,464.7	2,528.1	2,539.7	3,566.3	12,350.5	13,299.6	13,687.5	14,765.6
III. Regional Rural Banks	**596.3**	**697.7**	**752.1**	**1,083.0**	**1,984.3**	**2,206.0**	**2,559.8**	**3,008.9**
of which:	(5.3)	(5.7)	(5.1)	(5.6)	(6.4)	(6.4)	(6.9)	(7.3)
(a) Short-term loans	336.5	450.8	475.7	687.8	678.8	799.0	886.7	1,115.1
(b) Term loans	259.8	246.9	276.4	395.2	1,305.5	1,407.0	1,673.1	1,893.8
IV. State Governments***	**338.5**	**388.5**	**377.0**	**406.7**	..	..	..	..
	(3.0)	(3.2)	(2.6)	(2.1)				
V. Total Direct Finance (I to IV)@	**11,199.0**	**12,140.6**	**14,636.0**	**19,373.8**	**31,141.8**	**34,262.8**	**36,988.7**	**41,096.4**
of which:								
(a) Short-term loans	6,611.3	7,276.6	9,374.9	12,906.0	10,419.3	11,687.2	12,952.1	16,405.6
	(59.0)	(59.9)	(64.1)	(66.6)	(33.5)	(34.1)	(35.0)	(39.9)
(b) Term loans	4,587.7	4,864.0	5,261.1	6,467.8	20,722.5	22,575.6	24,036.6	24,690.8
	(41.0)	(40.1)	(35.9)	(33.4)	(66.5)	(65.9)	(65.0)	(60.1)

Note : Figures in brackets are percentage share of the respective institution in total direct finance

P : Provisional.

.. : Not available.

* : Figures for 1991-92 relate to July-June period

** : Figures relate to July-June

*** : Taken as short-term loans

@ : The time periods are different for the institutions.

Source : i) NABARD.

ii) Budget Documents of the State Governments.

Table V- 13 : Indirect Institutional Finance For Agriculture and Allied Activities

(Rs. Crore)

Source of Finance	Loans issued during April-March				Loans outstanding at March-end			
	1991-92	1992-93	1993-94	1994-95P	1992	1993	1994	1995P
1	2	3	4	5	6	7	8	9
I. Co-operatives @	**2,002.3E**	**2,072.7E**	..	..	**2,487.2E**	**2,590.5E**	..	..
of which:								
(a) State Co-opertive Banks @@	360.4E	393.0E	..	..	951.6E	982.0E	..	..
(b) Central Co-operative Banks @@	1,642.2E	1,679.7E	..	..	1,535.6E	1,608.5E	..	..
II. Scheduled Commercial Banks	**197.6***	**157.9***	**332.3***	..	**1,433.2#**	**1551.7#**	**2,099.2#**	**2865.5#**
III. Regional Rural Banks	**6.9**	**4.5**	**0.4**	**0.1**	**38.7**	**39.8**	**33.3**	**32.8**
IV. Rural Electrification Corporation ##	**587.8**	**474.3**	**6,92.0**	**967.4**	**4,874.9**	**5,174.9**	**5,654.6**	**6,191.9**
V. Total Indirect Finance	**2,794.6**	**2,709.4**	..	..	**8,834.0**	**9,391.1**	..	..

P : Provisional.

.. : Not available.

E : Estimates.

@ : Taken as short-term loans.

@@ : Loans issued include food procurement finance.

: Priority Sector advances as at end-June.

: Taken as long-term loans.

* : Disbusrement to Priority sectors during July-June.

Source : i) NABARD.
ii) Reserve Bank of India.
iii) Rural Electrification Corporation Ltd.

Table V-14 : Bank Group-wise Disbursements of Direct Agricultural Credit by Scheduled Commercial Banks (July-June)

(Rs. Crore)

Category of Banks	1991-92	1992-93	Annual % Variation	1993-94	Annual % Variation	1994-95	Annual % Variation
1	2	3	4	5	6	7	8
State Bank of India Group	1,582 (32.9)	1,640 (33.1)	3.67	1,612 (29.9)	-1.70	2,401 (32.4)	48.90
Nationalised Banks	3,026 (63.0)	3,110 (62.7)	2.45	3,519 (65.1)	13.15	4,626 (62.5)	31.50
Foreign and Other Scheduled Commercial Banks	198 (4.1)	209 (4.2)	5.56	269 (5.0)	28.71	381 (5.1)	41.60
Total	**4,806** **(100.0)**	**4,959** **(100.0)**	**3.18**	**5,400** **(100.0)**	**8.89**	**7,408** **(100.0)**	**37.20**

Note : Figures in brackets are the percentage share of each category of banks in the total loans disbursed.

Table V-15 : Purpose-wise Disbursement of Direct Agricultural Credit by Scheduled Commercial Banks (July-June)

(Rs. Crore)

Purpose	1991-92	1992-93	Annual % Variation	1993-94	Annual % Variation	1994-95	Annual % Variation
1	2	3	4	5	6	7	8
I. Short-term Loans (Including crop loans)	**2,341.2 (48.7)**	**2,431.8 (49.0)**	**3.9**	**2,860.2 (53.0)**	**17.6**	**3,841.7 (51.9)**	**34.3**
II. Term Loans (A+B)	**2,464.5 (51.3)**	**2,528.1 (51.0)**	**2.6**	**2,539.7 (47.0)**	**0.5**	**3,566.3 (48.1)**	**40.4**
A. Loans for Agriculture	1,730.4 (36.0)	1,773.8 (35.8)	2.5	1,697.5 (31.4)	-4.3	2,295.0 (31.0)	35.2
i) Minor Irrgiation Schemes	260.5 (3.5)	286.4 (3.9)	9.9	292.3 (3.9)	2.1	313.6 (4.2)	7.3
ii) Reclamation and Land Development Schemes	55.5 (0.7)	51.9 (0.7)	-6.5	41.2 (0.6)	-20.6	50.7 (0.7)	23.1
iii) Tractors and Agricultural Implements and Machinery	846.4 (11.4)	965.7 (13.0)	14.1	925.3 (12.5)	-4.2	1,250.9 (16.9)	35.2
iv) Plantations	90.3 (1.2)	94.1 (1.3)	4.2	100.6 (1.4)	6.9	111.3 (1.5)	10.6
v) Other Term Loans	477.7 (6.4)	375.7 (5.1)	-21.4	338.1 (4.6)	-10.0	568.5 (7.7)	68.1
B. Loans for Allied Activities	734.1 (15.3)	754.3 (15.2)	2.8	842.2 (15.6)	11.7	1,271.3 (17.2)	50.9
i) Dairying	304.6 (6.3)	299.5 (6.0)	-1.7	338.1 (6.3)	12.9	384.2 (5.2)	13.6
ii) Poultry Farming, Piggery, and Bee-keeping	114.1 (2.4)	80.6 (1.6)	-29.4	125.1 (2.3)	55.2	219.5 (3.0)	75.5
iii) Fisheries	66.5 (1.4)	71.6 (1.4)	7.7	141.9 (2.6)	98.2	301.1 (4.1)	112.2
iv) Others	248.9 (5.2)	302.6 (6.1)	21.6	237.1 (4.4)	-21.6	366.5 (4.9)	54.6
Grand Total (I+II)	**4,805.7 (100.0)**	**4,959.9 (100.0)**	**3.2**	**5,399.9 (100.0)**	**8.9**	**7,408.0 (100.0)**	**37.2**

Figures in brackets are percentage share of the respective items in grand total.

Table V-16 : Region-wise and Term-wise Disbursements of Direct Agricultural Credit by Scheduled Commercial Banks (July-June)

(Rs. Crore)

Region	1991-92			1992-93			1993-94			1994-95		
	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
Northern Region	106.9 (4.6)	530.6 (21.5)	637.5 (13.3)	118.9 (4.9)	585.9 (23.2)	704.8 (14.2)	122.4 (4.3)	469.8 (18.5)	592.2 (11.0)	184.3 (4.8)	652.0 (18.3)	836.3 (11.3)
North-Eastern Region	6.4 (0.3)	19.6 (0.8)	26.0 (0.5)	6.5 (0.3)	19.2 (0.8)	25.7 (0.5)	7.6 (0.3)	25.3 (1.0)	32.9 (0.6)	5.4 (0.1)	31.1 (0.9)	36.5 (0.5)
Eastern Region	121.6 (5.2)	255.4 (10.4)	377.0 (7.8)	131.1 (5.4)	221.1 (8.7)	352.2 (7.1)	121.0 (4.2)	205.6 (8.1)	326.6 (6.0)	174.7 (4.5)	300.9 (8.4)	475.6 (6.4)
Central Region	170.2 (7.3)	559.8 (22.7)	730.0 (15.2)	179.6 (7.4)	546.5 (21.6)	726.1 (14.6)	182.5 (6.4)	580.9 (22.9)	763.4 (14.1)	247.6 (6.4)	694.2 (19.5)	941.8 (12.7)
Western Region	239.6 (10.2)	382.7 (15.5)	622.3 (12.9)	283.1 (11.6)	408.9 (16.2)	692.0 (14.0)	326.6 (11.4)	382.2 (15.0)	708.8 (13.1)	567.0 (14.8)	727.5 (20.4)	1,294.5 (17.5)
Southern Region	1,696.5 (72.5)	716.6 (29.1)	2,413.1 (50.2)	1,712.7 (70.4)	746.4 (29.5)	2,459.1 (49.6)	2,100.1 (73.4)	875.9 (34.5)	2,976.0 (55.1)	2,662.7 (69.3)	1,160.6 (32.5)	3,823.3 (51.6)
All India	**2,341.2 (100.0)**	**2,464.5 (100.0)**	**4,805.7 (100.0)**	**2,431.8 (100.0)**	**2,528.1 (100.0)**	**4,959.9 (100.0)**	**2,860.2 (100.0)**	**2,539.7 (100.0)**	**5,399.9 (100.0)**	**3,841.7 (100.0)**	**3,566.3 (100.0)**	**7,408.0 (100.0)**

Note : Figures in brackets indicate the percentage share of the region in All India.

Table V-17 : Priority Sector Advances of Public Sector Banks (Outstanding at end-March)

(Rs. Crore)

Item	1994	1995	Annual % Variation	1996P	Annual % Variation
1	2	3	4	5	6
I. Net Bank Credit	138,599.0	168,836.0	21.8	184,390.0	9.2
II. Priority Sector Advances	52,945.0 (38.2)	61,794.0 (36.6)	16.7	69,609.0 (37.8)	12.6
Of which :					
i) Advances to Agriculture	20,930.0 (15.1)	23,513.0 (13.9)	12.3	26,351.0 (14.3)	12.1
a) Direct	18,921.0	20,813.0	10.0	22,892.0	10.0
b) Indirect	2,009.0	2,700.0	34.4	3,459.0	28.1
ii) Advances to Weaker Sections	12,986.0 (9.4)	13,918.0 (8.2)	7.2	15,579.0 (8.5)	11.9

P : Provisional.

Figures in brackets are percentage to Net Bank Credit.

Table V-18 : NABARD's Credit to Co-operatives, Regional Rural Banks and State Governments During 1993-94 to 1995-96

(Rs. Crore)

Agency/Purpose	Period	1993-94 Limits sanctioned	1993-94 Out-standing	1994-95 Limits sanctioned	1994-95 Out-standing	1995-96 Limits sanctioned	1995-96 Out-standing
1	2	3	4	5	6	7	8
I. State Co-operative Banks							
A. Short-term							
(i) (a) Seasonal Agricultural Operations	July-June	3,509	2,220	4,115	2,414	4,750	2,930
(b) Out of (a) : for Oilseeds Production Programme	July-June	417	248	499	251	568	315
(c) Out of (a) : for National Pulses Development Programme	July-June	23	5	33	6	32	8
(ii) Produce (Marketing) Loan Scheme	July-June	5	1	14	2	—	—
(iii) Marketing of crops including cotton and kapas	July-June	4	—	4	—	—	—
(iv) Purchase and distribution of fertilizers	January-December	69	—	53	1	57	—
(v) Production and marketing activities of Co-operative Weavers Societies	April-March	530	278	610	494	701	543
(vi) Financing of production & marketing activities of Industrial Co-operatives.	April-March	16	13	16	12	17	14
(vii) Financing of Co-operative Sugar Factories	July-June	—	—	200	175	275	—
(viii) Purchase and sale of Yarn	July-June	21	6	24	15	27	11
(ix) Financing of individual rural artisans through PACS	April-March	7	6	7	6	9	7
B. Medium-term							
(i) Approved agricultural purposes	January-December	8	53	9	32	6	7
(ii) Purchase of shares in Co-operative Sugar Factories/processing societies	January-December	—	1	2	1	—	2
(iii) Conversion of Short-term loans into Medium-term loans	July-June	47	100	161	84	64	57
II. Regional Rural Banks							
A. Short-Term – SAO	July-June	588	547	728	666	830	755
B. Medium-Term							
(i) Non-Schematic	July-June	61	188	83	180	49	156
(ii) Conversion of ST loans into MT loans	July-June	6	3	4	2	1	1
III. State Governments							
Long-term loans for contribution to share capital of co-operative credit institutions	April-March	40	237	73	282	100	363

— : Not available.

Source : NABARD.

Table V-19 : Agency-wise Disbursements of Refinance by NABARD (April-March)

(Rs. Crore)

Agency	1992-93	1993-94	Annual % Variation	1994-95	Annual % Variation	1995-96	Annual % Variation
1	2	3	4	5	6	7	8
1. SCARDBs	885 (38)	1,113 (41)	25.8	1,207 (40)	8.4	1,451 (48)	20.2
2. Scheduled Commercial Banks	1,004 (43)	1,029 (37)	2.5	1,093 (36)	6.2	841 (27)	-23.0
3. Regional Rural Banks	302 (13)	358 (13)	18.5	441 (15)	23.2	492 (16)	11.6
4. State Co-operative Banks	168 (7)	245 (9)	45.8	270 (9)	10.0	280 (9)	3.8
Total	**2,359 (100)**	**2,745 (100)**	**16.4**	**3,011 (100)**	**9.7**	**3,064 (100)**	**1.8**

Figures in brackets are the percentage share of the respective institution in total

SCARDBs : State Co-operative Agricultural and Rural Development Banks.

Source : NABARD.

Table V-20 : Purpose-wise Disbursements of Refinance by NABARD (April-March)

(Rs. Crore)

Purpose	1992-93	1993-94	Annual % Variation	1994-95	Annual % Variation	1995-96	Annual % Variation
1	2	3	4	5	6	7	8
Minor Irrigation	561.0 23.8	589.0 21.5	5.0	598.0 19.9	1.5	607.0 19.8	1.5
Land Development/CAD	13.0 0.6	18.0 0.7	38.5	17.0 0.6	–5.6	29.0 0.9	70.6
Farm Mechanisation	518.0 22.0	631.0 23.0	21.8	685.0 22.7	8.6	701.0 22.9	2.3
Plantation / Horticulture	105.0 4.5	122.0 4.4	16.2	129.0 4.3	5.7	138.0 4.5	7.0
Poultry / Sheep Breeding/Piggery	62.0 2.6	96.0 3.5	54.8	140.0 4.6	45.8	165.0 5.4	17.9
Fisheries	31.0 1.3	55.0 2.0	77.4	101.0 3.4	83.6	107.0 3.5	5.9
Dairy Development	102.0 4.3	148.0 5.4	45.1	171.0 5.7	15.5	183.0 6.0	7.0
Storage / Market Yards	15.0 0.6	16.0 0.6	6.7	18.0 0.6	12.7	21.0 0.7	16.5
IRDP	649.0 27.5	662.0 24.1	2.0	620.0 20.6	–6.3	461.0 15.0	–25.6
Others #	305.0 12.9	—	—	532.0 17.7	—	652.0 21.3	22.6
Total	**2,359.0 (100.0)**	**2,745.0 (100.0)**	**16.4**	**3,011.0 (100.0)**	**9.7**	**3,064.0 (100.0)**	**1.8**

Note : Figures in brackets are percentage share of the respective items in total

\# : Includes Bio-gas, Forestry, Non-Farm Sector, etc,.

CAD : Command Area Development

Source : NABARD.

Table V-21 : Region-wise Disbursements by NABARD (April-March)

(Rs. crore)

Region	1992-93	1993-94	Annual % Variation	1994-95	Annual % Variation	1995-96	Annual % Variation
1	2	3	4	5	6	7	8
Northern	368.0 15.6	453.0 16.5	23.1	519.9 17.3	14.8	566.2 18.5	8.9
North-Eastern	36.0 1.5	40.0 1.5	11.1	50.6 1.7	26.5	67.5 2.2	33.4
Eastern	249.0 10.6	256.0 9.3	2.8	273.6 9.1	6.9	284.8 9.3	4.1
Central	566.0 24.0	585.0 21.3	3.4	628.0 20.9	7.4	632.2 20.6	0.7
Western	402.0 17.0	499.0 18.2	24.1	554.3 18.4	11.1	535.6 17.5	-3.4
Southern	738.0 31.3	912.0 33.2	23.6	984.3 32.7	7.9	976.9 31.9	-0.8
All India	**2,359.0** **(100.0)**	**2,745.0** **(100.0)**	**16.4**	**3,011.0** **(100.0)**	**9.7**	**3,064.0** **(100.0)**	**1.8**

Figures in brackets represent the percentages to all-India figures.

Northern Region : Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu & Kashmir Punjab and Rajasthan.

North-Eastern Region : Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Arunachal Pradesh.

Eastern Region : Sikkim, Bihar, Orissa, West Bengal and Andaman & Nicobar Islands.

Central Region : Madhya Pradesh and Uttar Pradesh.

Western Region : Goa, Daman & Diu, Dadra & Nagar Haveli, Gujarat and Maharashtra.

Southern Region : Andhra Pradesh, Karnataka, Kerala, Pondicherry, Tamil Nadu and Lakshadweep.

Source : NABARD.

Table V-22 : NABARD's Refinance Assistance under IRDP (April-March)

(Rs. Crore)

Purpose	1993-94	1994-95	Annual % Variation	1995-96	Annual % Variation
1	2	3	4	5	6
Minor Irrigation	83 (13)	67 (11)	-19.2	49 (11)	-26.9
Dairy Development	160 (24)	142 (23)	-11.3	90 (19)	-36.6
Sheep/Goat/Piggery	56 (8)	55 (9)	-1.8	33 (7)	-40.0
Livestock*	58 (9)	38 (6)	-34.5	47 (10)	23.7
ISB	253 (38)	263 (42)	4.0	224 (49)	-14.8
Others+	52 (8)	55 (9)	5.8	18 (4)	-67.3
Total	**662** **(100.0)**	**620** **(100.0)**	**-6.3**	**461** **(100.0)**	**-25.6**

Notes : Figures in brackets indicated percentage to total.

* : Includes bullocks, bullock-carts, camel, etc.

\+ : Includes Land Development, Poultry, Fisheries and other unclassified items.

ISB : Industries, Services and Business.

Source : NABARD.

Table V-23 : State-wise and Purpose-wise Sanctions and Disbursements from RIDF during 1995-96

(Rs. Crore)

State	Amount Sanctioned						Disbursement
	Irrigation				Watershed Management Scheme	Total	
	Major	Medium	Minor	Total			
1	2	3	4	5	6	7	8
Andhra Pradesh	6.40	161.57	38.96	206.93	—	206.93	39.21
Madhya Pradesh	—	138.53	61.09	199.62	—	199.62	36.68
Himachal Pradesh	—	4.75	9.48	14.23	—	14.23	3.61
Uttar Pradesh	129.86	29.60	125.33	284.79	—	292.35*	30.66
Karnataka	—	106.98	36.94	143.92	—	143.92	23.05
Kerala	—	80.27	14.44	94.71	5.01	99.72	7.87
Orissa	—	46.47	67.41	113.88	—	136.99**	50.71
Bihar	—	138.60	42.37	180.97	—	180.97	—
Maharashtra	—	140.43	66.79	207.22	—	207.22	82.00
Jammu & Kashmir	—	—	6.22	6.22	—	6.22	0.62
Rajasthan	63.22	24.56	22.37	110.15	—	110.15	43.23
Gujarat	—	86.96	54.53	141.49	—	141.49	31.00
West Bengal	—	12.97	85.53	98.5	14.86	113.36	14.52
Goa	36.84	—	—	36.84	—	36.84	4.18
Punjab	—	—	—	—	60.50	60.5	20.00
Haryana	18.28	—	—	18.28	—	18.28	—
Assam	4.17	7.28	—	11.45	—	11.45	—
Nagaland	—	—	1.38	1.38	—	1.38	—
Mizoram	—	—	2.38	2.38	—	2.38	—
Total	**258.77**	**978.97**	**635.22**	**1872.96**	**80.37**	**1984.00**	**387.34**

* : Includes Rs.7.56 crore sanctioned for flood protection.

** : Includes Rs.23.71 crore sanctioned for rural bridges.

— : Nil.

Source : NABARD.

Table V-24 : NCDC's Financial Assistance (Disbursements) from 1993-94 to 1995-96 (April-March)

(Rs. crore)

Schemes / Purposes	1993-94	1994-95	Annual % Variations	1995-96	Annual % Variations
1	2	3	4	5	6
I. Central Schemes	**197.0**	**250.6**	**27.2**	**171.0**	**-31.8**
a) Co-operative Storage Porgrammes with International aid	7.0	12.1	72.9	5.1	-57.9
b) Co-operative Marketing, Processing and Storage programmes in under-developed states/Union Territories	24.0	31.9	32.9	27.6	-13.5
c) Finance for Co-operative Sugar Factories, Co-operatives Spinning Mills, NAFED, etc.	129.0	190.6	47.8	130.4	-31.6
d) Miscellaneous	37.0	16.0	-56.8	7.9	-50.6
II. Corporation Sponsored Schemes	**90.0**	**135.7**	**50.8**	**192.0**	**41.5**
a) Storage	4.0	5.7	42.5	7.6	33.3
b) Agro-processing	26.0	61.2	135.4	75.5	23.4
c) Weaker Sections	42.0	42.9	2.1	52.2	21.7
d) Agricultural Marketing	16.0	18.5	15.6	22.1	19.5
e) Rural Consumer Activity	—	1.4		1.3	
f) Agro-Services and Promotional and Developmental Programmes, etc.	2.0	6.0	200.0	33.3	455.0
III. Total (I + II)	**287.0**	**386.3**	**34.6**	**363.0**	**-6.0**

— : Nil.

Source : National Co-operative Development Corporation.

Table V-25 : Progress of Crop Insurance Scheme

Season	No. of States & UTs implementing	No. of farmers covered (lakh)	Area covered (lakh hectares)	Sum insured (Rs. crore)	Total insurance charges (Rs. crore)	Claims paid (Rs. crore)
1	2	3	4	5	6	7
Kharif 1986	18	39.56	77.40	856.20	14.99	169.37
Rabi 1986-87	17	11.28	21.00	242.37	4.52	4.59
Kharif 1987	21	46.32	84.11	1,140.68	19.10	277.40
Rabi 1987-88	19	21.28	32.36	475.44	8.85	12.08
Kharif 1988	13	29.64	52.35	547.89	8.82	29.19
Rabi 1988-89	9	8.73	10.13	164.10	3.12	3.87
Kharif 1989	17	42.27	66.46	873.89	14.48	34.41
Rabi 1989-90	17	6.60	9.59	151.56	2.77	2.88
Kharif 1990	17	19.43	34.09	515.15	7.66	81.56
Rabi 1990-91	16	7.94	10.70	196.28	3.50	4.04
Kharif 1991	17	37.61	68.61	931.41	14.43	195.27
Rabi 1991-92	15	7.76	10.95	199.94	3.55	6.03
Kharif 1992	17	41.16	72.27	1,154.66	18.12	41.30
Rabi 1992-93	16	7.41	10.16	228.35	4.10	4.77
Kharif 1993	17	42.30	72.08	1,309.38	20.65	28.94
Rabi 1993-94	16	8.18	11.24	277.84	4.89	11.44
Kharif 1994	17	43.38	71.43	1,507.79	23.12	48.97
Rabi 1994-95	16	8.50	11.01	311.08	5.43	4.34
Kharif 1995	17	46.24	75.02	1,723.81	26.21	0.35
Rabi 1995-96	16	4.62	7.88	191.81	3.27	N.A.

N.A. : Not Available.

Source : General Insurance Corporation of India.

CHAPTER VI

FINANCIAL MARKETS*

Overview

One of the major objectives of the financial sector reforms in India has been to integrate various segments of the financial markets. There has been noticeable progress in achieving this objective through a package of well sequenced financial sector reforms over the past several years. In order to reduce the market imperfection further and also to tackle the transitional problems, sustained efforts have been made during the year under review which seem to have strengthened the links among various segments of the financial markets. The major policy decisions during 1995-96 and in 1996-97 (up to September), which have a bearing on the development of financial markets, include, *inter alia,* reduction in CRR, exemption/reduction of reserve requirements on certain external deposits, liberalisation of interest rate on domestic term deposits with a maturity over one year, rationalisation of lending norms, particularly, in terms of having a larger component of demand loans as against cash credits, liberalisation of guidelines for setting up of money market mutual funds (MMMFs), setting up of primary dealers and bringing non-bank financial companies closer into the organised financial system (details in Annexure). As a result, the relative rates of returns on various instruments have moved within a comparatively narrow range, reflecting the increasing movement towards integration of financial markets. The organised credit market dominated by commercial banks has been discussed in Chapter V of this Report on Monetary and Banking Developments. This Chapter analyses the major developments relating to other major segments of the financial markets, *viz,* the money market, the capital market, the government securities market and the foreign exchange market during 1995-96 and also in the first half of 1996-97.

Money Market

The major segments of the money market in India are call (over night) money, short notice (up to 14 days) money, certificates of deposit, commercial papers, commercial bills and money market mutual funds. The activities in most of the segments other than call money market and to some extent, certificates of deposit were few and far between. During the first half of 1995-96, call money market witnessed a mixed trend with average fortnightly call rates of DFHI moving between 9.2 and 15.0 per cent. In the second half of 1995-96, the call rates were highly volatile and ruled at significantly higher levels mainly because of strong pick up in the demand for non-food credit in the face of sluggish deposit growth. The Reserve Bank's intervention in the forex market, the temporary withdrawal of Reserve Bank's support to the money market and also the massive borrowing programme of the Central Government contributed to the volatility in call rates. As the money market was extremely tight, commercial banks mobilised sizeable amount of funds through certificates of deposit from cash rich companies at relatively high rates of interest. During the first half of 1996-97, the call money market was remarkably stable with average call rates hovering around 10 per cent. This could be attributed to a significant pick up in the deposit growth of the commercial banks, the phased reduction of CRR and also the steady inflow of capital.

(a) Call / Notice Money Market

The call/notice money market witnessed a mixed trend during the first half of 1995-96 with the fortnightly average lending rate of the Discount and Finance House of India (DFHI) ranging between 9.2 per cent and 15.0 per cent (Statement 122 of Vol.II). In the second half of 1995-96, the call money market turned extremely tight and the call money rates of banks rose sharply touching a peak level of 85 per cent on November 3, 1995. The major factors behind the overall tightness of call/notice money market in the second half of 1995-96 were: (i) the mismatch between assets and liabilities of commercial banks arising out of massive demand for non-food credit as against sluggish growth of bank deposits; (ii) the Reserve Bank's intervention in the forex market to prevent the unusual depreciation of rupee; and (iii) above

* This Chapter is based on data / information available up to end-September 1996.

all, the temporary withdrawal of money market support so as to first stabilise the forex market. Once the spot forex market was stabilised, the Reserve Bank resumed its money market support which reached a peak of Rs.5,555 crore on November 8, 1995. This, coupled with the series of measures taken by the Reserve Bank to augment the resources of banks by way of reduction in reserve requirements from the fortnight beginning November 11, 1995 and the increase effected in refinance limits of banks under the Government Securities Refinance facility helped moderate the call money rates. Consequently, the DFHI's fortnightly average lending rates ruled in the range of 11.5 - 19.0 per cent between January 1996 and the middle of February 1996. Call money rates once again firmed up between mid-February 1996 and the middle of March 1996. The Reserve Bank's money market support during this period, however, was minimal, since large injection of liquidity would have been counter to the efforts to maintain exchange rate stability and since there has been a steady inflow of funds into the banking system, with the foreign exchange purchases being made by the Reserve Bank in the spot market. The call money rates, as a result, once again ruled easy from the middle of March 1996. During 1996-97 (up to September 30, 1996) in the context of further reduction in the average CRR (effected in three phases; 0.5 per cent each on April 27, 1996, May 11, 1996 and 1 per cent on July 6,1996) and relaxation of CRR and SLR on NRE deposits (effected in April 13, 1996) which augmented the lendable resources of banks, call money rates remained easy. However, from a low of 1.56 per cent in the fortnight ended July 19, 1996, the average (middle) lending rate of DFHI picked up to 10 per cent in the fortnight ended September 27, 1996.

Discount and Finance House of India Ltd. (DFHI)

DFHI's cumulative turnover in 1995-96 in the call and notice money market at Rs.5,53,995 crore was higher than that of Rs.5,29,183 crore in the previous year (Table VI-1). DFHI's daily average turnover of call money funds in 1995-96 was higher at Rs.1,500 crore as against Rs.1,431 crore in 1994-95. The turnover in Central Government dated securities in the secondary market was markedly higher at Rs.60,077 crore as compared with that of Rs.12,488 crore in 1994-95. There was no turnover in certificates of deposit (CDs) and commercial paper (CP) segments during the financial year 1995-96.

During 1996-97 (up to September 27, 1996), DFHI's cumulative turnover in all the segments of money market instruments was lower as compared with the turnover in the corresponding period of the previous year.

(b) Certificates of Deposit (CDs)

The stringent conditions in the money market in 1995-96 induced banks to mobilise resources on a large scale through Certificates of Deposit (CDs). The outstanding amount of CDs issued by scheduled commercial banks more than doubled from Rs.8,017 crore as at the end of March 1995 to Rs.16,316 crore as on March 29, 1996 (Statement 81 of Vol. II). Reflecting the tight money market conditions, the interest rates on CDs increased sharply during 1995-96. The typical interest rates on CDs with a maturity of 3 months which ruled in the range of 12.0-13.5 per cent in March 1995 increased to 16-19 per cent in March 1996 and subsequently declined to 12-16 per cent during the fortnight ended July 5, 1996 with the easing of the liquidity conditions. The typical interest rates on CDs with a one-year maturity also increased from the range of 9-15 per cent in March 1995 to 17.5-19.0 per cent in March 1996 before declining to 14.5-15.0 per cent during the fortnight ended July 5, 1996. The effective interest rates on CDs (all maturities) remained in the range of 9.00-15.25 per cent in the fortnight ended September 27, 1996.

(c) Commercial Papers (CPs)

Consequent upon the withdrawal of the stand-by arrangement facility with banks in October 1994, the introduction of the loan system of delivery of bank credit and the successive increases of the loan component to 60 per cent in April 1996 for borrowers with the maximum permissible bank finance (MPBF) of Rs.20 crore and above, and stringent money market conditions, the activity in the commercial paper market was moderate during 1995-96. Accordingly, the outstanding amount of CPs showed a sharp decline of Rs.527 crore during 1995-96 to Rs.76 crore as at the end of March 1996 (Statement 82 of Vol II). The typical effective rates of discount offered on CP rose sharply and ruled in the range of 19.10-20.15 per cent per annum during March 1996 compared with 14.00-15.50 per cent in March 1995. With the softening of liquidity conditions during 1996-97, the discount rates eased somewhat during April-September and the activity in the CP market picked up; the outstanding amount of CPs stood at Rs.371.50 crore as on September 30, 1996 and the effective rates of discount ranged between 12.41 and 14.75 per cent (in 10 out of 11 issues) during September 1996.

*(d) **Bills Rediscounting***

The activity in the bills rediscounting market was subdued during the financial year 1995-96 and 1996-97 up to end-August 1996. The outstanding amount of commercial bills rediscounted by scheduled commercial banks with various financial institutions was at a much lower level of Rs.374 crore at the end of March 1996 compared with Rs.1,226 crore as at the end of March 1995; it increased marginally to Rs.614 crore (provisional) as at the end of August 1996.

*(e) **Money Market Mutual Funds***

In order to provide an additional short-term avenue to the individual investors, a Scheme of Money Market Mutual Funds (MMMFs) was introduced by the Reserve Bank in April 1992. As the initial guidelines were not attractive, the Scheme did not make any headway. With a view to making the Scheme more flexible and providing greater depth and liquidity to the money market, RBI permitted certain relaxations in November 1995. As per the extant guidelines, institutions in the private sectors have been allowed to set up MMMFs in addition to the banks and public financial institutions. The ceiling of Rs.50 crore on the size of MMMFs, stipulated earlier, has been withdrawn. The prescription of limits on investments in individual instruments by MMMFs has been deregulated except the exposure on commercial paper issued by an individual company which is not to exceed 3 per cent of the resources mobilised by the concerned MMMF. Since April 1996, MMMFs are allowed to issue units to corporates and others on par with other mutual funds. The minimum lock-in period for investment in MMMFs has been reduced from 46 days to 30 days since July 1996.

Capital Market

Indian capital market is currently at a critical stage of development. There is a wide net work of institutions involved in channelising savings for the long-term financing of the corporate sector through a variety of instruments. While the overall regulatory power is vested with the Securities and Exchange Board of India (SEBI), the corporate sector's long-term requirement of funds is met by a number of term-lending institutions, mutual funds, specialised institutions and also directly by the market through primary issues like bonds, debentures and equity shares. The day-to-day pulse of the capital market is observed from the operations of the various stock exchanges. During 1995-96, both the primary and secondary segments of the capital market experienced subdued conditions. New capital issues by the Government and non-Government companies (including banks and financial institutions in the public sector) amounted to Rs.23,057 crore showing a decline of 25.1 per cent over the previous year. The year average of RBI Index of Ordinary Share Prices at 1189.6 recorded a decline of 22.6 per cent over the preceding year. The aggregate sanctions of all financial institutions (net of inter-institutional flows) during 1995-96 at Rs.66,291 crore (provisional) registered a rise of 13.5 per cent over the previous year. Disbursements of these institutions at Rs.37,327 crore also showed an increase of 12.7 per cent over the year.

Policy Initiatives and Developments

During 1995-96 and also in the current financial year up to September 1996, several policy measures were announced by the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and Government of India with the objective of making capital market efficient and vibrant.

The following guidelines were issued by the SEBI during the review period.

On October 25, 1995, with a view to preventing fraudulent and unfair trade practices in securities market, SEBI notified the regulation on Prohibition of Fraudulent and Unfair Trade Practices relating to securities markets. The new regulation has imposed prohibition against market manipulation, misleading statements to induce sale or purchase of securities and unfair practices relating to securities and laid down procedures for investigation into alleged contravention.

A series of measures to control the rigging up of prices and to check other malpractices on the stock exchanges were announced by SEBI on December 21, 1995. These measures included imposition of penal margin on net undelivered portion at the end of the settlement, special margin on buyers in case of rise in share prices, joint suspension of trading by stock exchanges in case of price stipulation, etc.

The clarification No. XIV relating to guidelines for disclosure and investor protection announced by SEBI on March 1, 1996 removed the vetting requirement for exclusive non-convertible debenture issues with certain conditions. The lock-in-period provision for preferential allotment was removed for all categories except for the promoters. The disclosure norms in offer documents were tightened further and revised guidelines were issued for employees stock option scheme.

Guidelines for tightening the entry norms for companies accessing capital market were issued by SEBI on April 16, 1996. Accordingly, a company should have a track record of dividend payment for a minimum 3 years out of the immediate preceding 5 years. If a manufacturing company does not have such a track record, it can access the public issue market provided their projects have been appraised by a public financial institution or a scheduled commercial bank and such appraising entity is also participating in the project fund.

On May 15, 1996, SEBI communicated to the stock exchanges to amend the listing agreement. Accordingly, the body corporate will be required to complete the allotments of securities in pursuance to the public issue within 30 days of the closure of the issue. Thereafter, they will be required to pay interest at the rate of 15 per cent per annum, if refund of application money and allotment is not made within the aforesaid period. Further, it will be necessary for a body corporate making a public issue to have at least five public shareholders for every Rupees one lakh of net capital offer made to the public.

SEBI notified Custodians of Securities Regulations 1996 on May 16, 1996. These regulations provide for registration of custodians and specify capital and other requirements for the grant of certificate. The regulations delineate the general obligations and responsibilities of custodians besides, audit of custodians and procedures to be followed in case of default.

SEBI notified Depositories and Participants Regulations 1996 on June 19, 1996. These regulations contain prudential norms for setting up depositories and formalities to be adhered to by the participants.

SEBI broadened the definition of foreign institutional operators to include funds such as university funds, endowments, foundations and charitable trusts/societies with a track record to invest in the Indian capital market by amending SEBI (Foreign Institutional Investors) Regulations, 1995 on July 24, 1996.

In August 1996, exemptions were given by SEBI for bought out deals or offers for sale of companies listed on the OTCEI from the requirement of having a three-year dividend track record in order to make a public issue subject to the fact that these deals were registered with the OTCEI on or before April 16, 1996.

The Reserve Bank of India took the following policy decisions which have a bearing on the development of India's capital market. On November 1, 1995, the RBI exempted Overseas Corporate Bodies (OCBs) from the requirement of prior approval from it for transferring securities of Indian companies obtained under portfolio investment scheme with repatriation benefits, provided the transfer was made through stock exchanges in India. On November 23, 1995, private sector mutual funds were permitted to set up Money Market Mutual Funds (MMMF); hitherto it was restricted to banks and financial institutions. In the credit policy for the first half of 1996-97, the RBI announced that SEBI approved mutual funds dedicated to Government securities will get liquidity support from RBI to the extent of 20 per cent of the outstanding investments in Government dated securities. In the credit policy announcement on April 3, 1996, the Reserve Bank made the MMMF scheme flexible by making it available for corporates and others, in addition to individuals, on par with all other mutual funds.

In order to enthuse the capital market, the Government of India took a number of decisions such as the following :

The Depositories Act to provide for regulation of depositories in securities and for matters connected therewith or incidental thereto received the assent of the President on August 10, 1996. The Government of India modified the guidelines on Euro-issues making them more flexible for corporates for making such issues. In July 1996, the Government proposed the following measures pertaining to capital market activities in their budget: (i) the level of a FII maximum investments has been raised to 10 per cent from 5 per cent; (ii) allowing FIIs to invest in the stock of unlisted companies; (iii) allowing companies to issue non-voting shares up to 25 per cent of the issued equity capital; (iv) permission to vote in holding companies, mutual funds and venture capital funds; (v) reducing surcharge on corporate income tax from 15 per cent to 7.5 per cent; and (vi) making eligible for tax rebate all investments that are made in approved debentures or equity shares of private companies meant for infrastructure creation.

In addition to the above policy measures, Bhagwati Committee, set up by SEBI on Acquisition of Shares and Takeovers, gave wide-ranging recommendations in their report submitted in November 1995 (Box VI-1).

Box VI-1

Summary of Recommendations of the Committee on Takeovers

SEBI notified in November 1994 Regulations for Substantial Acquisition of Shares and Takeovers besides clause 40 (A and B) of listing agreement (amended in 1990) indicating the regulations to be adhered for takeovers. As a fall out of the changing corporate scenario due to economic reforms, the process of substantial acquisition of shares and takeovers is becoming more complex and is posing difficulties in regulating such activities. Hence, SEBI felt the need to address the issues involved and make the regulatory framework more comprehensive. A Committee was set up by SEBI under the Chairmanship of Justice P.N.Bhagwati in November 1995 to review the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1994. The Committee presented its Report in August 1996 in two parts. While Part I contained the recommendations of the Committee, Part II covered the draft regulations.

The major recommendations of the Committee are as follows :

1) The Committee reviewed the existing definitions in the Regulations and suggested re-definition/ modifications of definitions of concepts, viz. 'acquirer', 'persons acting in concert', 'offer period', 'promoter', 'public shareholding' and 'charged company'.

2) The Committee suggested for setting up of a panel consisting of experts and officers of SEBI to consider cases of exemptions which would not be covered by the circumstances delineated in the regulations.

3) Preferential offers made by corporates in order to consolidate the stock of existing Indian or foreign promoter, induction of foreign collaborator with foreign technology, etc. are at present governed by existing Regulations on Takeover (Regulation 4). The Committee recommended that acquisition of shares covered under Section 81(1A) of the Companies Act may be exempted from applicability as the acquisition by above modes would not fall under the route of primary and secondary markets. But, these are subject to full disclosures in the notice for the Extra-ordinary General Meeting called for consideration of preferential offer including identity of the acquirer, consequent changes in the shareholding pattern and controlling management, etc.

4) The Committee recommended that apart from individual holding, disclosures on persons who have control over management and their shareholding interest in the company should also be called for.

5) In order to ensure transparency in operations, all the exempt transactions should be subject to reporting requirements to the stock exchanges for the purpose of notifying it to the public by exchange authorities and also to SEBI for facilitating monitoring of such transactions.

6) Relating to threshold limit for mandatory public offer, the Committee decided, the present threshold of 10 per cent for public offer be retained.

Box VI-1 (Concld.)

7) In regard to consolidation of holdings, the Committee suggested that person(s) holding not less than 10 per cent but not more than 25 per cent may be allowed to acquire up to 2 per cent shares in any period of 12 months without attracting the mandatory public offer requirement. Person(s) holding not less than 25 per cent but not more than 50 per cent may be allowed to acquire up to 5 per cent in any period of 12 months without attracting the mandatory public offer requirement.

8) The Committee recommended that only Category I Merchant Banker, not being a group company or associate of the acquirer or the target company may be appointed for exercising due diligence in the discharge of its responsibilities.

9) The Committee recommended that the public announcement of offer should be made not later than 4 working days of the agreement. In case of acquisition of security (including GDRs) entitling the acquirer to voting rights by a later date, the public announcement should be made not later than 4 working days of acquisition of voting rights upon conversion or exercise of option as the case may be.

10) The Committee recommended that certain norms to be adhered to by the acquirer while making public announcement of offer: (i) the highest and the average price paid by the acquirer of shares in a target company in the open market during the 12 months prior to public offer will have to be published; (ii) public offer should contain statement on financial arrangements; (iii) the acquirer mandatorily will have to accept a minimum proportion of 20 per cent irrespective of whether the conditional offer has elicited response to the level of acceptances desired by the offeror.

11) The Committee recommended that the period of fixation of record date should be reduced to complete formalities in a short time- frame and make even unregistered shareholders eligible for participation in the offer. Hence, in the views of the Committee, the 'record date' concept be changed to 'specified date' and it should not be later than the 30th day from the date of public announcement.

12) The Committee recommended the following in case of minimum offer and minimum holding of shares after the offer :

(a) The present stipulation of 20 per cent minimum offer would continue;

(b) As a result of the minimum offer, if the public shareholding falls below 10 per cent, the acquirer would be allowed to buy the rest;

(c) The acquirer can undertake to bring the public shareholding to a level of 25 per cent through an offer for sale, with suitable disclosure in the offer document. In other words, an offer may be made for 100 per cent of the share capital.

13) The Committee specified the time-frame for filing of documents with SEBI, opening up of an offer to public, closing the same and mailing of consideration.

14) In order to discharge their obligations by acquirer, the Committee has recommended that an 'Escrow' account may be opened wherein a deposit of 10 per cent of the value of the public offer be deposited in it. The 'Escrow' may be opened in cash/bank guarantees/ or approved securities with appropriate margin.

15) The Committee recommended that in case an acquirer has withdrawn his offer or allowed it to lapse, he should not be allowed to make a bid within a period of six months from the date of withdrawal or closure of the offer.

16) The Committee recommended that any induction of person belonging to the acquirer in the board of target company during the offer period should not take place;

Box VI-1 (Concld.)

17) The Committee indicated what constitutes a competitive bid, the time frame for competitive bidding and closing and also the right to revise prices.

18) In respect of bail-out take-overs, the Committee recommended that there is no minimum price and minimum amount for public offer. Additionally, competitive bid would not be cleared for bail-out takeovers as the selection of the incumbent in the management is made through a process of competitive bidding.

19) Finally, the Committee recommended amendments to the SEBI Act to expand the scope of adjudication to all violations of the Regulations, to increase the amount of monetary penalties so to make the penalties meaningful, and to have a provision for auction of shares acquired in violation of Regulations, etc.

Disinvestment by Public Sector Enterprises

During 1995-96, through divestment of shares of Public Sector Enterprises only a marginal amount of Rs.357 crore could be mobilised against a target of Rs.7,000 crore (Table A). One of the main reasons for such a low achievement of target was the prevalence of depressed conditions in the capital market. For the year 1996-97, a target of Rs.5,000 crore has been fixed for disinvestment.

Table A : Disinvestment by Public Sector Enterprises

(Rs. crore)

Year	Amount
1991-92	3,038
1992-93	1,866
1993-94	2,292
1994-95	2,618
1995-96	357

Euro-issues through Foreign Currency Convertible Bonds (FCCBs) and Global Depository Receipts (GDRs)

In view of prolonged sluggish conditions in the domestic stock market and lack of demand for Indian paper in international markets, the Indian corporates experienced difficulties in mobilising resources from the Euro-market through FCCBs and GDRs during the year under review. As a result, only 4 issues could be floated for an amount aggregating Rs.1,297 crore as compared with 31 issues for Rs.6,743 crore in the preceding year. According, to available data for the period April-September 1996, 8 issues amounting to Rs.2,348 crore were floated in the Euro-market. The Government of India substantially relaxed the guidelines for Euro-issues in June 1996.

Foreign Institutional Investors (FIIs)

FIIs have become important players in the Indian capital market and investment by them has become a crucial factor in movements of stock prices in India. The number of FIIs registered with RBI rose to 389 at end-March 1996 from 308 at end-March 1995. The net aggregate investments by the FIIs during the year 1995-96 at Rs.6,864 crore, registered a substantial rise of 43.7 per cent over the previous year's net investments of Rs.4,777 crore. The FIIs made large investments of Rs.5,605 crore during July to September, 1995 and December 1995 to March 1996. During the first six months of 1996-97, the FIIs' net investments amounted to Rs.4,974 crore. The cumulative net investments at end-September 1996 stood at Rs.22,064 crore.

Primary Market

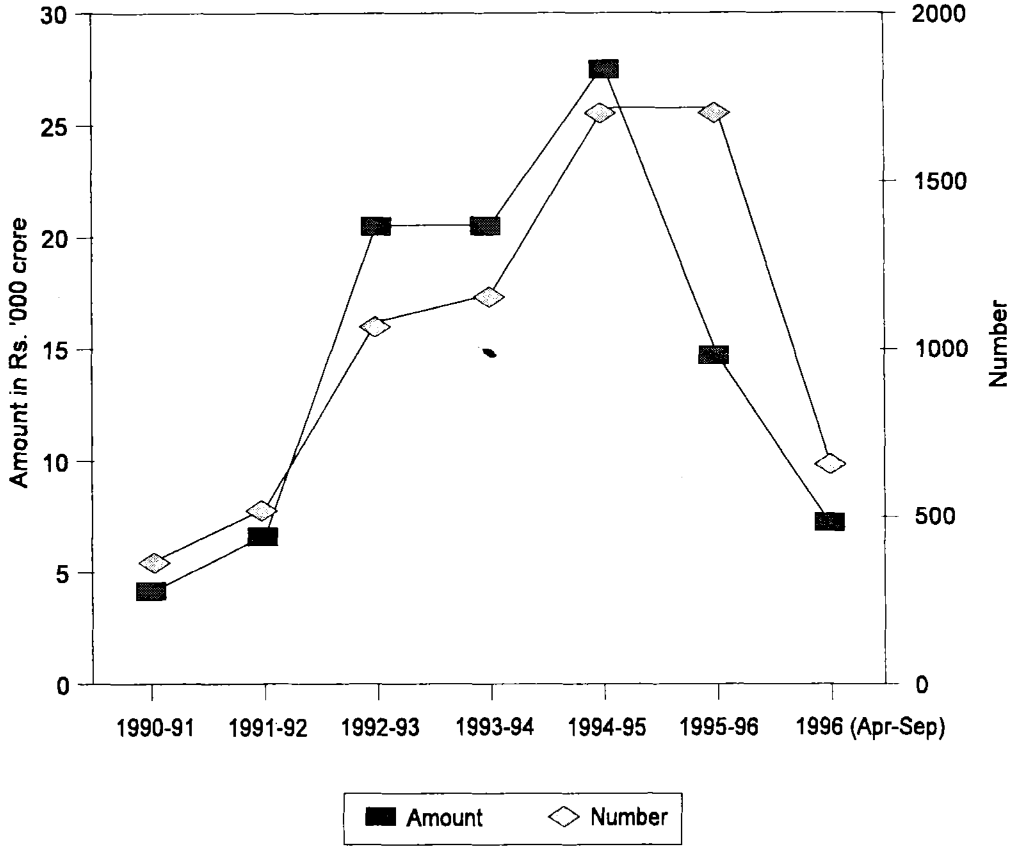
Clearance of offer documents by the SEBI

a) Clearance to Non-Government Companies

During 1995-96, the vetting of prospectuses of private sector companies for raising capital in the form of equities and debentures/bonds at Rs.21,098 crore (through 1975 issues) showed a significant decline of 33.6 per cent over the previous year (Statement No. 132 of Vol. II). In respect of equity shares, clearance (including

Graph VI-1

New Capital Issues by Non-Government Public Limited Companies



premium issues but excluding bonus issues) amounted to Rs.15,536 crore (through 1904 issues) registering a decline of 27.9 per cent over the year. During the year, clearance for debentures/bonds by SEBI at Rs.5,562 crore, witnessed a perceptible decline of 45.6 per cent.

b) Clearance to Government Companies

The clearance given by SEBI to Government companies for issuing capital (by way of shares and debentures/bonds) amounted to Rs.3,724 crore during 1995-96 indicating a marginal increase of 6.0 per cent over the year.

New Issues Market

The market for new capital issues remained sluggish during the year under review which can be attributed to the prolonged bearish trend in the stock market since September 1994. Capital issues floated by Government and non-Government companies (private sector), banks and financial institutions amounted to Rs.23,057 crore in 1995-96 showing a substantial decline of 25.1 per cent over the previous year (Table B and Graph VI-1). In terms of sectoral break-up, while there was a substantial decline in the case of private sector, capital issues floated by banks/financial institutions witnessed a sharp rise.

A noticeable phenomenon in the primary market during 1995-96 was charging of lower premium for equity issues by the private sector companies than those in 1994-95. The share of premium in the total equity value declined to 41.0 per cent during 1995-96 from 48.4 per cent in 1994-95. The proportion of equity issues in the aggregate capital issues by the non-Government companies at 74.7 per cent during 1995-96 was higher as compared with 65.9 per cent in the previous year. The share of prospectus issues in total capital issues declined to 64.3 per cent in 1995-96 as compared with 74.5 per cent in 1994-95.

The average size of new issues at Rs.9.7 crore in 1995-96 was much lower compared to that of Rs.15.7 crore in 1994-95 (Statements 133 and 134 of Vol. II). There were 19 mega issues (of Rs.100 crore each and above) amounting to Rs.4,038 crore during the year as against 39 such issues for Rs.10,305 crore in the preceding year.

Table B : Mobilisation of resources from the Primary Market

(Rs. crore)

Institution	1995-96 (April-September)	1996-97 (April-September)	1995-96*	1994-95*	1993-94*
1	2	3	4	5	6
Private Sector Companies	5,676.5	7,233.0	16,300.5	26,416.7	19,355.4
Government Sector Companies (Including PSU Bonds)	482.1	—	3,291.2	3,957.5	6,404.4
Banks and Financial Institutions	2,184.0	1,200.0	3,465.4	425.3	3,743.0
Total	**8,342.6**	**8,433.0**	**23,057.1**	**30,799.5**	**29,502.8**

Figures are provisional.

* Period : April-March.

During the year, a hybrid instrument in the name of Convertible Premium Note was issued by a non-Government public limited company in addition to the existing innovative/hybrid instruments. New issues with some novel features were floated to the tune of Rs.4,151 crore during the year, indicating an increase of 31.9 per cent over the previous year.

Public Sector Bonds

During 1995-96, according to available data, nine Public Sector Undertakings (PSUs) floated PSU bonds aggregating Rs.2,291 crore (Statement 135 of Vol.II). Of these, tax free bonds carrying 9.25-10.5 per cent interest rate accounted for Rs.547 crore and the rest were taxable bonds with interest rates in the band of 14 to 18 per cent.

Mutual Funds

During the year 1995-96, four new mutual funds (MFs) were set up taking the total number of mutual funds in the country to 25 (including UTI). However, there was reverse flow of funds from the mutual funds during the year in view of sluggishness in the capital market. During 1995-96, the total funds raised by the MFs aggregated a negative amount of Rs.5,742 crore, mainly due to high level of repurchases coupled with inability on the part of mutual funds to float new schemes in a downward market. The amount mobilised by funds in the private sector and subsidiaries of banks and financial institutions aggregated Rs.240 crore and Rs.332 crore, respectively (Statement 102 of Vol. II).

Secondary Market

Industrial Security Market

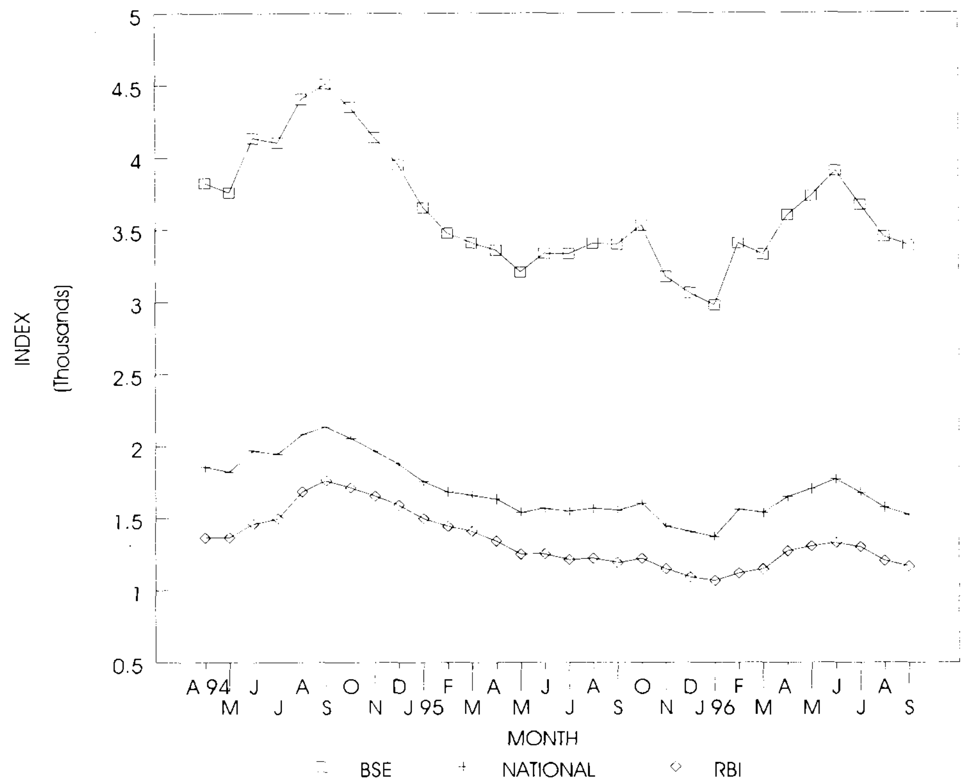
There was lack of sufficient investment support during most part of 1995-96 in the stock market. Reflecting this, the equity prices in securities market continued to remain bearish almost during the whole of 1995-96. It may be recalled that the downtrend has been in evidence since mid-September 1994. The sustained downfall in the prices of scrips on stock exchanges was accentuated by lack of buying support from domestic financial institutions and foreign institutional investors, high domestic interest rates, problems associated with reintroduction of carry-forward trading, etc. However, there was some recovery towards end of the financial year, accompanied by an upsurge in net investments by the FIIs.

The yearly average of RBI All-India (weekly) Index Number of Ordinary Share Prices (Base : 1980-81=100) for 1995-96 at 1189.6 recorded a decline of 22.6 per cent as compared with an increase of 46.2 per cent in 1994-95. On a point-to-point basis, the index, however, showed a lower order of decline of 18.3 per cent during 1995-96 as against the increase of 4.0 per cent in the previous year (Statement 139 of Vol.II). The average gross yield of scrips covered in the RBI index moved to 3.05 per cent (per annum) from 1.79 per cent in 1994-95 (Graph VI-2 and Table VI-2).

Graph VI-2

Monthly Averages of BSE Sensitive, BSE National, RBI Indices

(April 1994 to September 1996)



During the first-half of the financial year 1996-97 (April-September), the equity prices in the stock market indicated a mixed trend – buoyancy in the first quarter followed by subdued conditions in the subsequent quarter. The RBI index which stood at 1146.5 in March 1996 moved up to 1330.2 in June 1996, but declined to 1164.8 in September 1996, showing a marginal rise of 1.6 per cent during the period April-September, 1996.

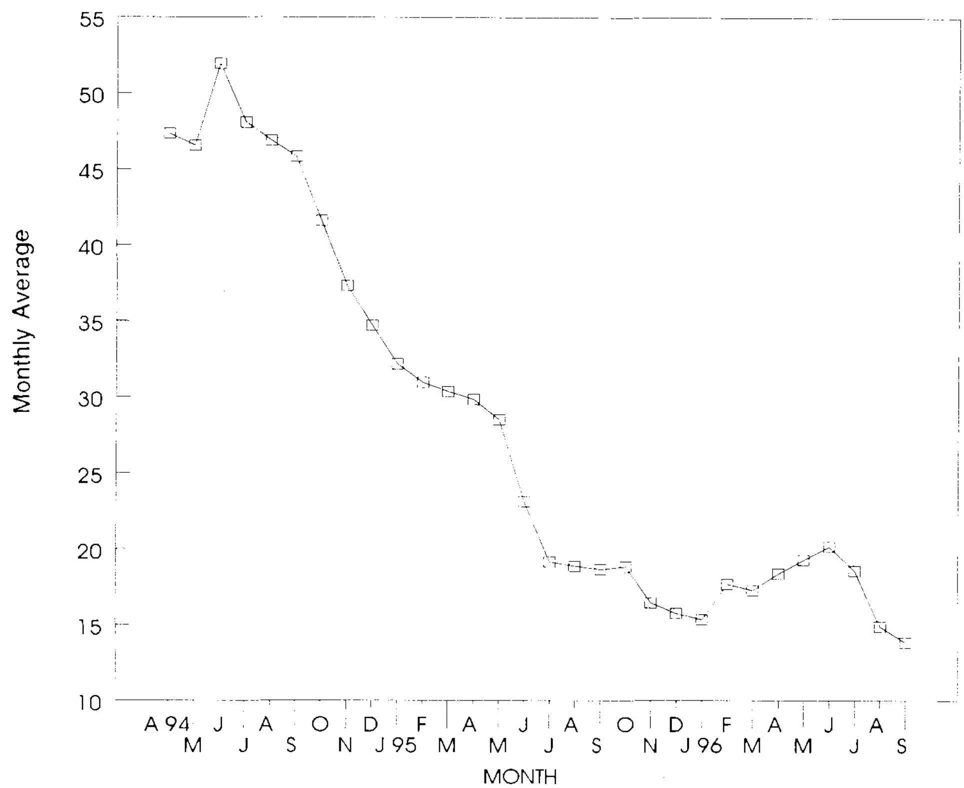
Industry-wise Trends

The analysis of industry-wise movements in scrips as reflected by the RBI All-India Index Numbers of Ordinary Share Prices indicated that excepting Aluminium and Automobile and Auto-ancillaries, all industry groups posted phenomenal losses during 1995-96. While Automobile and Auto-ancillaries recorded a significant rise of 11.4 per cent, Aluminium registered a marginal increase of 1.9 per cent (Statement 140 of Vol.II). Shipping industry group registered a steep decline of 63.9 per cent at the end of March 30, 1996, followed by Man-made Fibres 37.3 per cent, Tea Plantations 35.3 per cent, Cotton Textiles 30.3 per cent, etc.

Operations on the Mumbai Stock Exchange

The 30-scrip BSE Sensitive Index (SENSEX) (Base : 1978-79 = 100) more or less indicated the same trend as depicted by the RBI index. However, the index being more sensitive in nature, showed more volatile movements. The yearly average index witnessed a significant decline of 17.3 per cent during 1995-96 as against a rise of 37.1 per cent in the previous year. The SENSEX however, went up during the first quarter of 1996-97 but declined in the subsequent months and stood at 3390.1 in September 1996 (Statement 145 of Vol. II). The yearly average P/E Ratio of 30 scrips of BSE index declined to a low of 19.9 during 1995-96 from 41.2 for 1994-95, attributable to decline in equity prices and rise in earnings of the corporates (Graph VI-3). The turnover of scrips (A, B1, and

Graph VI-3
P/E Ratio – BSE Sensitive Index
(April 1994 to September 1996)



B2 groups put together) on the Stock Exchange, Mumbai during 1995-96 at Rs.50,064 crore showed a substantial decline of 26.1 per cent over the preceding year (Rs.67,749 crore). The market capitalisation of BSE, as a percentage of gross domestic product, however, went up to 52.0 per cent at end-March 1996 as compared with 49.6 per cent at end-March 1995.

National Stock Exchange (NSE)

The National Stock Exchange of India Ltd. (NSE) commenced its automated exchange with the introduction of Wholesale Debt Market (WDM) segment on June 30, 1994. The operations of the Exchange have so far been extended to as much as 33 cities, of which 18 cities did not have any stock exchanges. The WDM segment covers a variety of debt instruments like Central Government securities, State Government securities, treasury bills, floating rate bonds, commercial papers, certificates of deposit, corporate debentures, PSU bonds, institutional SLR bonds/Non-SLR bonds, etc. Subsequently, instruments like government floating rate bonds, PSU zero coupon bonds, and institutional zero coupon bonds have been added for trading.

The number of securities available for trading in WDM increased to 464 at the end of March 1995 from 224 securities on June 30, 1994. During 1995-96, the gross traded volume on the WDM segment of the NSE amounted to Rs.11,868 crore as against Rs.6,781 crore in the previous 9 months of 1994-95. The average daily volume in WDM which was around Rs.75 crore in April 1995, however, declined to Rs.41 crore in March 1996. In the WDM segment, NSE provided facilities to eligible banks to transact repo trades in selected securities, effective June 24, 1995. During June 1995- March 1996, the gross traded volume of repo transactions (included in the total) amounted to Rs.744 crore.

The capital market segment of NSE which provides facility for trading of equity instruments, warrants, debentures, preference shares, etc., has grown phenomenally since its inception in November 1994.

During 1995-96, the total turnover of capital market segment of NSE was higher at Rs.67,287 crore as compared with Rs.50,064 crore of The Stock Exchange, Mumbai. The number of trading days in NSE was also higher at 248 days during the year as against 232 days in BSE.

NSE-50 Index Trend

During 1995-96, the NSE Index (Base: November 3, 1995 = 1000) declined marginally from 990.4 on March 31, 1995 to 985.3 on March 29, 1996. The equity prices moved up during the first quarter of 1996-97, but the downswing started from July 1996. At end-September 1996, the NSE Index stood at 944.0 indicating a decline of 4.2 per cent over end-March 1996.

The market capitalisation of NSE during 1995-96 was Rs.4,01,458 crore at end-March 1996. Till end-April 1996, around 1226 scrips were traded on the Exchange. There were 1400 securities available for trading, out of which 450 were in the listed category and the remaining belonged to permitted category.

To expedite settlement and clearance of transactions in NSE, the National Securities Clearing Corporation Limited (NSCCL) was set up by NSE which started operation with effect from June 5, 1996 by giving counter guarantee to all the Exchanges. A corpus fund of Rs.300 crore to meet any claims arising out of members' default has been created.

Over the Counter Exchange of India (OTCEI)

During the year, OTCEI members and dealers network was extended further, covering 42 cities in the country. The number of companies listed on OTCEI went up to 89 as of end-March 1996 from 49 companies at end-March 1995. Additionally, 9 initiated debentures were also traded on the exchange at end-March 1996. About 82 equities and 24 debentures were traded under the permitted securities category as compared with 40 equities and 17 debentures in such category at end-March 1995. Despite the improvement in the listing of securities, the turnover of the exchange during 1995-96 aggregated only Rs.218 crore, indicating a substantial downfall of 40.2 per cent over the year.

Operations of All Financial Institutions[1]

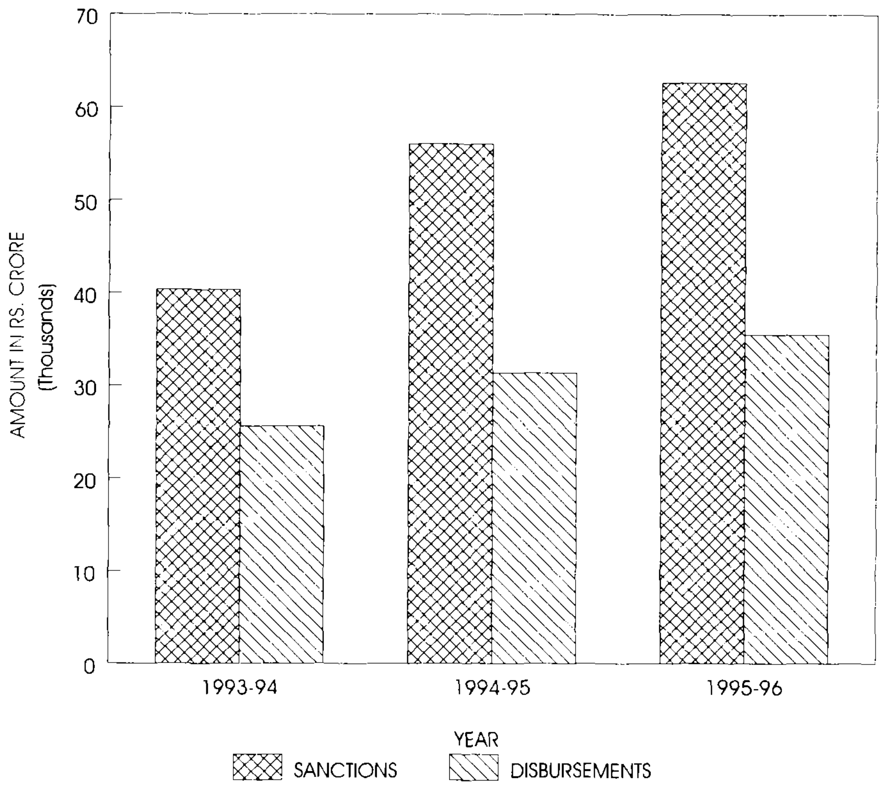
During 1995-96, the aggregate assistance sanctioned and disbursed by All Financial Institutions (AFIs) (net of inter-institutional flows) amounted to Rs.66,291 crore and Rs.37,327 crore, respectively. During the year, there was deceleration in the growth of financial assistance; both sanctions and disbursements grew by 13.5 per cent and 12.7 per cent, respectively (in 1994-95 sanctions rose by 41.3 per cent and disbursements by 24.5 per cent) (Table VI-3 and Graph 4). The sanctions and disbursements by All-India Financial Institutions aggregated Rs.62,629 crore and Rs.35,504 crore, respectively, during the year recording a rise of 11.8 per cent in sanctions and 13.1 per cent in disbursements as compared with those of 38.9 per cent and 22.6 per cent, respectively, in 1994-95.

During 1995-96, sanctions and disbursements by the All India Development Banks (AIDBs) aggregated Rs.56,986 crore and Rs.30,109 crore, respectively, showing a growth rate of 18.6 per cent in sanctions and 17.8 per cent in disbursements. Financial assistance extended by the three specialised financial institutions comprising RCTC, TDICI and TFCI indicated divergent performance during 1995-96. While sanctions rose by 2.3 per cent, disbursements declined by 5.9 per cent. The assistance sanctioned by three Investment Institutions, i.e., UTI, LIC and GIC and its subsidiaries registered a decline of 30.7 per cent over the year. Disbursements by these Investment Institutions, also declined by 7.7 per cent. During the year, State-level financial institutions comprising

1. All Financial Institutions comprise All-India Development Banks, *viz.*, Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India Ltd. (IFCI), Industrial Credit and Investment Corporation of India Ltd. (ICICI), Small Industries Development Bank of India (SIDBI), Industrial Reconstruction Bank of India (IRBI), SCICI Ltd. (formerly known as Shipping Credit and Investment Company of India Ltd.), Specialised Financial Institutions *viz.*, Risk Capital and Technology Finance Corporation Ltd. (RCTC), TDICI Ltd. (formerly known as Technology Development and Information Company of India Ltd.); Tourism Finance Corporation of India Ltd. (TFCI), Investment Institutions *viz.*, Unit Trust of India (UTI), Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC) and its subsidiaries and State-level institutions, *viz.*, State Financial Corporations (SFCs) and State Industrial Development Corporations (SIDCs).

Graph VI-4

Operations of All-India Financial Institutions



18 SFCs and 28 SIDCs, registered a phenomenal increase of 51.7 per cent in sanctions and 32.3 per cent in disbursements.

1. Development Banks

(i) Industrial Development Bank of India (IDBI)

During the year 1995-96, the financial assistance sanctioned and disbursed by IDBI amounted to Rs.19,469 crore and Rs.10,636 crore, respectively, showing an increase of 4.6 per cent in sanctions and 0.1 per cent in disbursements. As of end-March 1996, the amount outstanding totalled Rs.37,308 crore (Statement 87 of Vol. II). Rupee loans continued to account for a major share in both sanctions and disbursements. The bridge/short term loans (a component of rupee loans) which accounted for a larger share both in sanctions and disbursements during 1994-95 in view of buoyant primary market, had only a marginal share in 1995-96. They formed around 20.6 per cent of sanctions and 33.0 per cent of disbursements in 1994-95 as against only 0.2 per cent of sanctions and 2.1 per cent of disbursements in 1995-96, mainly due to the ban on bridge loans.

The industry-wise distribution of IDBI's assistance comprised mainly core industries such as power and telecom which accounted for 15.2 per cent of total sanctions during the year, followed by iron and steel and oil exploration and refining (12.2 per cent), chemicals and chemical products (10.9 per cent), fertilisers (9.5 per cent), and textiles (9.1 per cent).

IDBI raised resources to the extent of RS.10,495 crore during the year, which included Rs.1,942 crore through public issue and Rs.8,553 crore through borrowings; borrowings from the domestic market aggregated Rs.6,061 crore, while foreign currency borrowings amounted to Rs.2,492 crore.

(ii) Industrial Finance Corporation of India Ltd. (IFCI)

During 1995-96, the financial assistance sanctioned by IFCI aggregated Rs.10,300 crore, recording a substantial growth of 80.1 per cent over the year (Rs.5,719 crore). Disbursements at Rs.4,563 crore also showed a sharp increase of 60.8 per cent over those in 1994-95 (Rs.2,839 crore) (Statement 90 of Vol. II.). As of end-March 1996, the cumulative sanctions and disbursements stood at Rs.33,695 crore and Rs.19,950 crore, respectively.

During the year, the private sector accounted for a major share of the total sanctions at Rs.9,679 crore (94.0 per cent) followed by joint sector at Rs.401 crore (4.0 per cent) and public sector at Rs.220 crore (2.0 per cent). IFCI started providing short to medium term finance for construction of Business Centres, Commercial and Housing Complex, etc., from 1995-96.

During 1995-96, the Merchant Banking and Allied Services Department (MBAD) of IFCI handled 79 Merchant Banking assignments. Cumulatively, MBAD has handled 884 assignments including 375 public issues, helping in mobilisation of funds to the extent of Rs.10,097 crore.

In 1995-96, IFCI raised rupee funds amounting to Rs.5,812 crore comprising Rs.1,686 crore through private placement of bonds, Rs.225 crore from insurance, and other investment institutions and Rs.3,901 crore by way of deposits, etc.

(iii) Industrial Credit and Investment Corporation of India Ltd. (ICICI)

During 1995-96, ICICI recorded a decelerated growth in the financial assistance provided for various corporate activities. While the sanctions at Rs.15,215 crore, recorded an increase of 4.7 per cent (71.1 per cent in 1994-95) disbursements at Rs.7,120 crore registered a rise of 3.5 per cent (55.9 per cent in 1994-95). As of end-March 1996, the cumulative sanctions and disbursements of the Corporation amounted to Rs.66,169 crore and Rs.36,591 crore, respectively (Statement 91 of Vol. II). While there was a substantial decline in disbursements of rupee loans, there was a sharp rise in disbursements of foreign currency loans. The financial services segment is emerging as one accounting for a larger proportion of financial assistance by ICICI.

Of the total assistance by way of project finance (Rs. 12,474 crore) sanctioned by ICICI during the year, private sector accounted for Rs.10,414 crore (83.5 per cent) followed by public sector – Rs.895 crore (7.2 per cent), co-operative sector – Rs.625 crore (5.0 per cent) and joint sector Rs.540 crore (4.3 per cent).

During 1995-96, Rs.5,824 crore were raised by ICICI in rupees as well as in foreign currencies to fund its operations through floating instruments including preference shares, bonds and borrowings from banks, institutions, foreign currency loans, etc.

(iv) Small Industries Development Bank of India (SIDBI)

During the year 1995-96, SIDBI's financial assistance in terms of sanctions aggregated Rs.6,056 crore and that of disbursements Rs.4,796 crore, recording growth of 28.9 per cent and 41.7 per cent, respectively (Statement 114 of Vol.II). Cumulatively, as at end-March 1996, the sanctions and disbursements stood at Rs.22,272 crore and Rs.16,864 crore, respectively.

SIDBI raised resources during the year under review to the extent of Rs.1,205 crore. This is inclusive of (a) loans equivalent to Rs.674 crore from the Overseas Economic Co-operation Fund (OECF), Japan and Kreditanstalt- fur-Wiederaufbau (KfW), Germany ; (b) Rs.150 crore raised by way of SLR Market Borrowings; (c) a sum of Rs.124 crore from foreign banks representing shortfall in their priority sector lending targets; (d) an allocation of Rs.224 crore from RBI out of repayments of {NIC (LTO) Fund} borrowings by IDBI; and (e) Rs.33 crore from other sources.

(v) Industrial Reconstruction Bank of India (IRBI)

The sanctions of IRBI amounting to Rs.897 crore during the year 1995-96, indicated a growth of 15.3 per cent (Statement 118 of Vol. II). The disbursements at Rs.529 crore registered a growth of 32.9 per cent. Cumulatively, as of end-March 1996, sanctions and disbursements aggregated Rs.3,521 crore and Rs.2,404 crore, respectively.

In the financial assistance provided during the year, term loans accounted for a major share of 74.2 per cent in terms of sanctions and 83.4 per cent in terms of disbursements. Other types of assistance including leasing finance, underwriting and guarantee accounted for the remaining portion. During the year, Rs.154 crore were sanctioned and Rs.120 crore disbursed by IRBI to various industrial units located in the notified backward areas.

The portfolio of sanctions of IRBI indicated that a major proportion of the total term loan sanctioned amounting to Rs.636 crore (95.5 per cent) was accounted by private sector, while joint sector accounted for only Rs.30 crore (4.5 per cent).

Total resources mobilised by IRBI during the year 1995-96, amounted to Rs.297 crore, as against Rs.155 crore last year. Of these, Rs.88 crore were raised from the market through the issue of SLR Bonds. Also, two tranches of unsecured bonds aggregating Rs.190 crore were privately placed. Besides Government of India sanctioned a loan of Rs.20 crore to IRBI during the year.

(vi) SCICI Ltd.

During the year 1995-96, the financial assistance sanctioned and disbursed by SCICI Ltd. aggregated Rs.5,049 crore and Rs.2,465 crore, respectively, marking an increase of 35.7 per cent in sanctions and 71.0 per cent in disbursements over those in the previous year (Statement 119 of Vol. II). Cumulatively, as at end-March 1996, total sanctions and disbursements amounted to Rs.12,746 crore and Rs.6,160 crore, respectively.

Resources raised by SCICI during the year aggregated Rs.1,009 crore in the domestic market apart from Rs.687 crore in foreign currencies. The resources raised by SCICI, among others, consisted of floating of innovative instruments like medium-term notes (MTN) (privately placed) and a 5-year bond issue for Rs.165 crore. Further, subscriptions for rights issue amounted to Rs.866 crore. In October 1995, SCICI issued a 7-year floating rate note (FRN) in the Euro market to augment its foreign resources to the tune of US $150 million. In January 1996, SCICI floated promissory notes for mobilising around Rs.121 crore. Besides in March 1996, it raised a syndicated loan of US $ 50 million of 7-year maturity.

2. Specialised Financial Institutions

The major operations of three specialised financial institutions *viz.*, Risk Capital and Technology Finance Corporation Ltd. (RCTC), TDICI Ltd. (TDICI) and Tourism Finance Corporation of India Ltd. (TFCI), are indicated in Table C below. RCTC provides assistance for development and commercialisation of new technologies, TFCI caters to the financial requirements of the tourism industry, allied activities, facilities and services, and TDICI operates through venture capital funds (VECAUS I and VECAUS II schemes).

Table C : Financial Assistance by Specialised Institutions

(Year : April-March)

(Rs. crore)

Sr. No. Institutions	1994-95		1995-96*	
	S	D	S	D
1	2	3	4	5
1. RCTC	13.9	13.0	42.0	15.3
2. TDICI	118.1	95.3	55.9	48.8
3. TFCI	229.3	137.2	271.6	166.9

Note : S - Sanctions
D - Disbursements
* = Provisional

3. Investment Institutions

During the financial year 1995-96, the Institution-wise operations of investment institutions are analysed below :

(i) Unit Trust of India (UTI)

During 1995-96, financial assistance provided by UTI recorded substantial decline. Aggregate sanctions at Rs.3,179 crore and disbursements at Rs.2,994 crore, declined by 49.4 per cent and 31.1 per cent, respectively, over the year (Statement 100 of Vol. II).

The investible funds of UTI as on June 30, 1996, came down to Rs.56,620 crore from the level of Rs.59,619 crore as at end-June 1995 (Statement 101 of Vol. II). Of the total corpus of investible funds with UTI, the share of investments in the corporate sector through various instruments like equity and preference shares, debentures, term loans, special deposits, etc., moved up to 85.2 per cent (Rs.48,253 crore) as of end-June 1996. UTI's investments in Government securities amounted to Rs.6,262 crore, accounting for 11.1 per cent in total as compared with 16.4 per cent in the preceding year.

The sale of units of UTI under all schemes aggregated Rs.6,373 crore during 1995-96 (July-June) indicating a steep decline of 50.5 per cent over the year. The repurchases of units at Rs.7,643 crore during 1995-96 (July-June) were marginally higher by 3.5 per cent than those in the preceding year (Statement 103 of Vol. II). Besides, total repurchases exceeded the total sale of units by Rs.1,270 crore during the year under review as against net sales of Rs.5,487 crore in the previous year.

(ii) Life Insurance Corporation of India (LIC)

The financial assistance sanctioned by LIC during the year 1995-96 through term loans and underwriting of shares and debentures of corporate sector amounted to Rs.2,242 crore while disbursements aggregated Rs.2,380 crore, registering a significant growth of 45.6 per cent in sanctions and 108.1 per cent in disbursements. Cumulatively, the sanctions and disbursements as of end-March 1996 stood at Rs.11,299 crore and Rs.8,956 crore, respectively (Statement 106 of Vol. II).

The investments of LIC during 1995-96 at Rs.11,577 crore recorded a rise of 24.2 per cent as compared with an increase of 18.9 per cent during the preceding year (Statement 107 of Vol. II). Investments in securities accounted for 84.7 per cent of total investments during the year under review.

(iii) General Insurance Corporation of India (GIC)

The General Insurance Corporation of India provides financial assistance to industrial units through term-loans, underwriting and direct subscription, etc. The financial assistance sanctioned and disbursed by GIC and its subsidiaries[1], during the year 1995-96, amounted to Rs.835 crore and Rs.588 crore, respectively (Statement 105 of Vol.II). While the sanctions rose by 21.2 per cent (Rs.689 crore in 1994-95), the disbursements went up substantially by 55.0 per cent (Rs.379 crore in 1994-95).

The available data on sector-wise assistance indicated that most of the projects financed by GIC during the year were in the private sector.

4. State Level Institutions

(i) State Financial Corporations (SFCs)

During the year 1995-96, the total assistance sanctioned and disbursed by the 18 State Financial Corporations amounted to Rs.3,991 crore and Rs.2,572 crore, respectively, recording an increase of 44.6 per cent in sanctions and 28.3 per cent in disbursements over those in the previous year.

(ii) State Industrial Development Corporations (SIDCs)

The total financial assistance sanctioned and disbursed by the 28 State Industrial Development Corporations during the year 1995-96 aggregated Rs.2,488 crore and Rs.1,383 crore, respectively, indicating an increase of 64.6 per cent in sanctions and 40.5 per cent in disbursements over the year (Statement 108 of Vol. II).

5. Credit Rating Agencies

(i) The Credit Rating Information Services of India Ltd. (CRISIL)

During 1995-96, CRISIL performed a record rating of 427 debt instruments equivalent to Rs.43,086 crore (Statement 109 of Vol. II). Cumulatively, as at end-March 1996 CRISIL has rated 1736 debt instruments covering a debt volume of Rs.1,14,873 crore. CRISIL has rated the first Municipal Bond of Ahmedabad Municipal Corporation. It introduced CRISIL-500 Equity Index during the year.

(ii) ICRA Ltd. [Formerly known as Investment Information and Credit Rating Agency of India Ltd.]

During the year under review, ICRA registered a phenomenal increase in the rating business. ICRA completed rating of 293 debt instruments of manufacturing companies, finance companies and financial institutions equivalent to Rs.75,742 crore as against 212 instruments for a volume of Rs.5,343 crore in 1994-95 (Statement 110 of Vol. II). While

1. National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd. and The United India Insurance Company Ltd.

the number of instruments under fixed deposits went up to 192 from 87 in 1994-95, the amount involved at Rs.50,507 crore was about 93 times more than in the preceding year (Rs.540 crore). Cumulatively, as at end-March 1996, ICRA had rated 778 debt instruments aggregating Rs.93,380 crore. ICRA launched a new service viz., Earning Prospects and Risk Analysis (EPRA) in April 1995 exclusively dedicated to new equity issues.

(iii) Credit Analysis & Research Ltd. (CARE)

During 1995-96, CARE rated a variety of debt instruments numbering 217 valued at Rs.13,909 crore (Statement 95 of Vol. II). It also completed 18 assignments of Credit Analysis Ratings, aggregating 235. Cumulatively, as on March 31, 1996, the number of assignments completed stood at 484, of which 445 related to debt instruments for a total debt volume of Rs.23,638 crore.

6. Other Institutions

(i) Export-Import Bank of India (Exim Bank)

Exim Bank sanctioned Rs.2,466 crore (15.1 per cent decline over 1994-95) and disbursed Rs.2,130 crore (increase of 36.9 per cent over 1994-95) under various lending projects during the year (Statement 96 of Vol. II). At end-March 1996, the cumulative outstandings of the Exim Bank aggregated Rs.2,888 crore, an increase of 11.2 per cent over the year.

Region-wise analysis of the operations of Exim Bank showed that West Asia accounted for the largest share of sanctions and disbursements at Rs.99 crore (32.2 per cent) and Rs.54 crore (30.5 per cent), respectively, during 1995-96 (Statement 98 of Vol. II).

Industry-wise distribution of the assistance by Exim Bank during the year indicated that chemicals, drugs and pharmaceuticals accounted for the largest share of sanctions at Rs.257 crore (21.6 per cent) followed by textiles and garments at Rs.240 crore (20.2 per cent) and other capital and engineering goods at Rs.142 crore (11.9 per cent) (Statement 99 of Vol. II).

Exim Bank's resources as on March 31, 1996 aggregated Rs.3,969 crore, inclusive of paid-up capital of Rs.500 crore and reserves of Rs.400 crore. Exim Bank raised Rs.173 crore through private placement of bonds for the first time in the Indian capital market besides mobilising funds by way of rupee fixed deposits, certificates of Deposits, etc.

(ii) Stock Holding Corporation of India Ltd. (SHCIL)

The Stock Holding Corporation of India Ltd. (SHCIL) promoted by seven All-India financial institutions, *viz.*, IDBI, ICICI, IFCI, IRBI, UTI, LIC and GIC and its subsidiaries was incorporated in 1986 with the objectives of providing services which include market operations, corporate actions, safe-keeping, custody management, registration, transfer and reporting, etc. The Corporation processed business valued at Rs.8,257 crore during the year as compared with Rs.14,274 crore in 1994-95, indicating a decline of business by 42.2 per cent over the year.

(iii) Infrastructure Leasing & Financial Services Ltd. (IL & FS)

IL & FS has been providing wide range of financial services to corporate and Government sectors apart from implementing infrastructure project on commercial lines. IL & FS obtained SEBI's approval for establishing Asset Management Company (AMC) to start mutual fund activities.

During the year, IL&FS obtained the approval of the World Bank for US $ 200 million line of credit with guarantee from Government of India. The World Bank has also sanctioned IDA loan of US $ 5 million to Government of India for on-lending to counter-parties dealing with IL&FS on specific projects. Besides IL & FS obtained resources from the Asian Development Bank and the US EXIM Bank for augmenting resources.

Housing Finance

Housing Finance – Policy Measures

The overall minimum target during 1995-96 for housing finance by banks continued to be 1.5 per cent of the incremental deposits of the previous year. Accordingly, the overall allocation for housing finance for the year worked out to be Rs.1,010.5 crore as against Rs.723.8 crore, a year ago. With the objective of encouraging housing intermediary agencies to sanction more individual loans not exceeding Rs.3 lakh and Rs.10 lakh, respectively, in rural / semi-urban and urban/metropolitan areas, banks were advised that credit provided to such agencies at a concessional rate of 1.5 percentage point below their individual prime lending rate would be only against such loans, and individual loans sanctioned by such agencies in excess of the above limits will not be eligible for finance by banks.

(i) National Housing Bank (NHB)

During the year under review, NHB revised the interest rates on its refinance for all eligible primary lenders by 25 basis points (0.25 per cent) in the loan slabs up to Rs.1 lakh with effect from January 1, 1996. Besides, NHB revised the ceiling on interest rates on deposits offered by Housing Finance Company from 14 per cent to 15 per cent with effect from November 1, 1995. NHB announced a "Direct Financing Scheme for Housing for Women" of Economically Weaker Sections and Lower Income Group categories, under which NHB will directly finance the projects of public agencies and local bodies. NHB formulated a refinance scheme for RRBs in consultation with RBI and NABARD to augment flow of credit for housing activities. NHB subscribed up to 20 per cent of the initial paid-up capital of Rs.6 crore and Rs.10 crore of VI Bank Housing Finance Ltd. and All Bank Housing Finance Ltd.

(ii) Housing and Urban Development Corporation Ltd. (HUDCO)

With the main objective of financing housing and urban development projects, HUDCO sanctioned financial assistance of Rs.1,967 crore during the year 1995-96 and disbursed Rs.1,242 crore (both inclusive of assistance provided to infrastructure work). Sanctions and disbursements showed an increase of 11.6 per cent and 10.7 per cent, respectively, over the previous year. Cumulatively, till end-March 1996, HUDCO has financed 11,813 projects with a total project cost of about Rs.20,114 crore and total cumulative disbursements of Rs.8,583 crore.

The sources of finance of HUDCO include term loans from GIC and its subsidiaries and the National Housing Bank, Government loans under various schemes like Kreditanstalt-fur-Wiederaufbau (KfW), a German Line of Credit and Overseas Economic Co-operation Fund, a Japanese Line of Credit, Government guaranteed bonds, borrowings from banks, HUDCO bonds, public deposit schemes, interest bearing cash securities from borrowing agencies, etc. Borrowings from these sources during 1995-96 aggregated Rs.874 crore.

(iii) Housing Development Finance Corporation Ltd. (HDFC)

During the year 1995-96, the operations of HDFC showed approvals of Rs.2,072 crore and disbursements worth Rs.1,684 crore, recording an increase of 38.6 per cent and 38.9 per cent, respectively, over those during the preceding year (Statement 121 of Vol. II). Cumulatively, as at end-March 1996, HDFC's approvals aggregated Rs.9,065 crore and disbursements stood at Rs.7,379 crore. HDFC has signed a joint venture agreement with The Standard Life Assurance Company of the United Kingdom to establish an insurance company in India.

Non-banking Financial Companies

The aggregate deposits of non-banking companies (NBCs) rose sharply by Rs 34,232 crore (18.1 per cent) during 1994-95 to Rs.2,23,388 crore. Of this, the deposits of 2,146 non-financial companies accounted for 66.2 per cent and those of 8,679 financial companies accounted for 31.1 per cent. During 1994-95, the aggregate regulated deposits increased by Rs.7,832 crore to Rs.34,406 crore, of which 65.8 per cent was held by financial companies. The regulated deposits constituted 9.2 per cent of aggregate deposits of all scheduled commercial banks at the end of March 1995 as against 8.2 per cent as at the end of March 1994.

Government Securities Market

Primary Market

According to the Reserve Bank records, market borrowings of the Government Sector through primary issues amounted to Rs.47,802 crore (gross) and Rs.33,525 crore (net) during the financial year 1995-96. The Central Government mobilised Rs.40,509 crore (gross) and Rs.26,790 crore (net) as against the budget estimates of Rs.40,806 crore (gross) and Rs.27,087 crore (net) (Table VIII-10 of Chapter VIII). The borrowings of the Central Government included conversion of maturing 364 day Treasury bills (Rs.1,585 crore), issue of zero coupon bonds (Rs.3,000 crore, face value), partly paid stocks (Rs.4,483 crore) and floating rate bonds (Rs.3,554 crore) in addition to fresh issues of dated stocks.The details of issues of Government dated securities are set out below (Table D).

During the first quarter of 1995-96, the Central Government entered the market on five different occasions and raised an amount aggregating Rs.6,794 crore through fresh issues and conversion of Government dated stocks. Due to tight liquidity conditions in the market, the devolvement on the Reserve Bank was to the extent of Rs.1,752.5 crore or 26 per cent of the amount raised during the quarter. This is also reflected in upward pressure on coupon rates e.g.. coupon rate on a 10 year stock issued on June 8, 1995 was raised to 14.00 per cent (pre-announced) from 13.75 per cent on a stock of similar maturity issued on May 5, 1995. Due to the persistence of a high level of *ad hoc* Treasury bills during the quarter July-September 1995 (the fortnightly average of net issue of *ad hocs* was Rs.12,445 crore), the Government of India entered the market on as many as six occasions and mobilised Rs.13,840 crore with no devolvement on

Table D: Issues of Central Government Dated Securities, 1995-96

(Rs. crore)

Date of Issue	Type of Security	Amount Issued	Maturity (in years)	Subscrip-tion by RBI	Cut-off yield/ coupon rate (per cent)
1	2	3	4	5	6
27-04-1995	Government (Conversion) Stock, 2000	1584.56	5	—	13.25
05-05-1995	Government Stock 2005	1000.00	10	40.90	13.75
30-05-1995	Government Stock 2002	1500.00	7	805.50	13.80
08-06-1995	Government Stock 2005	1000.00	10	—	14.00
22-06-1995	Government Stock 2005	1709.66	10	906.05	14.00
14-07-1995	Government Stock 1997	803.08	2	—	13.25
27-07-1995	Zero Coupon Bond 2000	3000.00	5	—	13.85
18-08-1995	Government Stock 1998	2000.00	3	—	13.65
01-09-1995	Government Stock 1997	2000.00	2	—	13.50
11-09-1995	Government Stock (Partly Paid) 2005	4482.63	10	—	14.00
29-09-1995	Floating Rate Bond 1999	1554.31	4	—	13.73
14-10-1995	Government Stock 1997	3000.00	2	—	13.50
27-11-1995	Government Stock 2005	1500.00	10	712.67	14.00
05-12-1995	Floating Rate Bond 1999	2000.00	4	982.93	14.26
27-12-1995	Government Stock 2000	2000.00	5	953.05	13.85
07-02-1996	Government Stock 1999	2000.00	3	997.17	13.65
01-03-1996	Government Stock 1997	2000.00	2	1757.07	13.50
25-03-1996	Government Stock 1998	1000.00	2	1000.00	13.50
25-03-1996	Government Stock 2001	1500.00	5	1500.00	13.85
25-03-1996	Government Stock 2006	3000.00	10	3000.00	14.00
Total		**38634.24**		**12655.34**	

the Reserve Bank. Government, however, issued dated stocks of shorter maturities as compared with the preceding quarter and also pegged up coupon rates e.g., the coupon rate on 5-year paper was raised from 13.25 per cent to 13.85 per cent and maximum coupon rate on 2-year paper was also pegged up at 13.50 per cent with the issue of dated stock on September 1, 1995. The Government was successful in placing a 2-year paper for Rs.3,000 crore in October 1995 without any devolvement on the Reserve Bank. However, the Government faced difficulties in placing the borrowings in markets right from the issue floated on November 27, 1995 till March 1, 1996. Except for one issue of floating rate bonds, all issues of Government dated stocks were fixed coupon issues with the coupon rates between 13.50 per cent and 14.00 per cent for 2 to 10 years maturities. Inspite of higher rates of interest, the devolvement on the Reserve Bank was Rs.5,403 crore out of the total amount of Rs.9,500 crore mobilised during the period November 27, 1995 to March 1, 1996. Keeping in view the stringent liquidity conditions prevailing in the markets, the Central Government on March 25, 1996 privately placed with the Reserve Bank three issues of dated stocks for an amount aggregating Rs.5,500 crore in order to complete the market borrowing programme budgeted for fiscal 1995-96. Thus, at the end of the fiscal year, the total devolvement on the Reserve Bank in auctions of dated securities was to the extent of at Rs.12,655 crore (32.8 per cent of gross market loans) as against Rs.157 crore (0.7 per cent) during the fiscal 1994-95. The lower absorption of Government paper in the market was on account of lack of excess liquidity with the banking system, lower growth of bank deposits, higher demand for credit in response to buoyant economic activity and large stock of Government paper in excess of SLR stipulations in the investment portfolio of commercial banks.

The market borrowings of the Central Government for the fiscal year 1996-97 are budgeted lower at Rs.35,294 crore (gross) and Rs.25,498 crore (net) than that of Rs.40,509 crore (gross) and Rs.26,790 crore (net) in the previous year (Table VIII-10 of Chapter VIII). During fiscal 1996-97 so far (up to end-September 1996), the Central Government mobilised Rs.24,867 crore (gross) and Rs.16,247 crore (net). During the first half of the financial year (April 1996 to September 1996), the Central Government entered the market on eight occasions and mobilised Rs.20,911 crore through fresh issue of dated stocks (Rs.10,000 crore), conversion of dated stocks into fresh stocks (Rs.2,911 crore), partly paid stocks (Rs.5,000 crore), and zero coupon bonds (Rs.3,000 crore). The details are set out in Table below (Table E).

Table E : Issues of Central Government Dated Securities, 1996-97 (April-September)

(Rs. crore)

Date of Issue	Type of Security	Amount Issued	Maturity (in years)	Subscription by RBI	Subscription by PDs	Cut-off yield/ coupon rate (per cent)
1	2	3	4	5	6	7
18-04-1996	Government (Conversion) Stock 1998	2911.05	2	—	—	13.50
25-05-1995	Government Stock 2000	2000.00	5	632.46	26.35	13.75
07-06-1995	Government Stock 1998	2000.00	3	396.29	20.86	13.70
24-06-1995	Government Stock (Partly Paid) 2006	5000.00	10	—	—	13.85
13-07-1995	Zero Coupon Bond 2000	3000.00	4	—	—	13.72
31-07-1995	Government Stock 1997	2000.00	2	—	—	13.62
26-08-1995	Government Stock 2005	2000.00	10	1031.62	—	13.85
18-09-1995	Government Stock 2001	2000.00	6	872.61	101.29	13.82
Total		**20911.1**		**2932.98**	**148.50**	

PDs – Primary Dealers.

The easy liquidity conditions witnessed in money market since April 1996 led the Government to mobilise Rs.11,911 crore during April-June as against Rs.6,794 crore during the corresponding period of the previous fiscal year. The moderation in the yield on a 5-year stock from 13.85 to 13.75 per cent, however, resulted in 32 per cent devolvement on the Reserve Bank on the stock issued on May 25, 1996. The Government could, however, successfully place a partly paid stock of 10 year maturity at a lower coupon rate of 13.85 per cent with no devolvement on RBI and Primary Dealers; this trend continued till July 1996. The floatation of two issues of 10 year and 6 year maturity in August 1996 and September 1996, respectively, however, resulted in a large devolvement on the Reserve Bank and Primary Dealers, thus indicating the problem faced in placing longer maturity loans in the market in view of expectations of higher interest rates by the market. The Government borrowings towards the shorter end of maturity was a reflection of the rising interest rates in the market and hence, the debt management policy has to focus on issues of shorter maturity loans in order to minimise interest cost.

According to the Reserve Bank records, the gross market borrowings of the State Governments during 1995-96 were budgeted at Rs.6,275 crore (Rs.5,932 crore net). On May 22, 1995, 25 State Governments entered the market and raised Rs.2,955 crore. Subsequently, in the second tranche on November 6, 1995, the State Governments raised Rs.2,419 crore. With the third tranche of loans on January 22, 1996 aggregating Rs.900 crore, the State Governments completed their market borrowings programme for the fiscal 1995-96 with a gross amount of Rs.6,274 crore (net Rs.5,931 crore) as budgeted (Table VIII-10 of Chapter VIII). During fiscal 1996-97, the first tranche of the 13.85 per cent 10 year State Development Loans was opened for subscription by 25 State Governments on May 15, 1996 for a notified amount of Rs.1,500 crore. The issue was oversubscribed and State Governments retained the subscriptions amounting to Rs.2,390.4 crore. The second issue of 13.85 per cent 10 year State Development Loans in respect of 16 State Governments opened for subscription on August 12, 1996 for a notified amount of Rs.1,500 crore. This issue was also oversubscribed and subscriptions amounting to Rs.2,526.5 crore were received.

Yield Structure in Primary Market

Since 1992-93, there has been an upward shift in the yield curve in the primary market, except for some moderation in the financial year 1995-96. During the year, interest rates on normal market borrowings and other medium and long-term borrowings firmed up in the range of 13.50 – 14.00 per cent for 2-10 year maturities with a weighted average of 13.75 per cent (Graph VI-5); the interest rate during fiscal 1994-95 moved in the range of 11.00 per cent to 12.71 per cent for 3-10 year maturities with a weighted average interest rate of 11.90 per cent (Table VIII-12 of Chapter VIII). The term structure of interest rates on Government securities exhibited frequent shifts due to varying liquidity conditions and absence of active secondary market trading in Government paper. During the first half of 1996-97, the interest rate on market loans remained in a narrow band of 13.50 per cent to 13.85 per cent for maturities varying between 2 to 10 years, thus reflecting a flattening of the yield curve in the primary market.

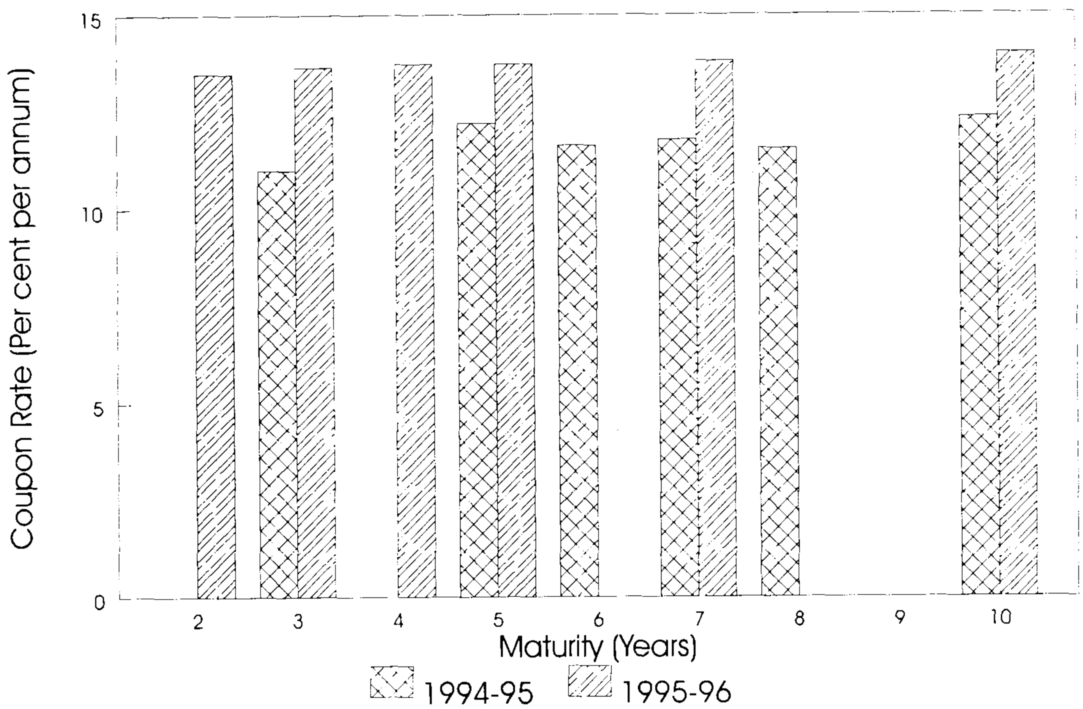
The State Government market loans issued for 10 year maturity carried fixed coupon rate of 14.00 per cent – 150 basis points higher than that offered on a similar maturity in 1994-95 (Table VIII-12 of Chapter VIII). The coupon rate on a 10 year loan, however, declined to 13.85 per cent in 1996-97 so far (up to end-September 1996).

(a) 91-Day Treasury Bills

During the financial year 1995-96, the Central Government raised Rs.24,050 crore (gross) from the market as against Rs.12,450 crore in 1994-95 (Statement 195 of Vol. II). The stringent liquidity conditions in money and credit markets, however, forced the Reserve Bank to participate in primary auctions on 30 different occasions. Consequently, the Reserve Bank subscribed to Rs.7,789 crore accounting for 32.4 per cent of gross amount raised as against 19.3 per cent during the previous financial year. There was increased response from non-competitive bidders, essentially State Governments; about 50 per cent of the amount notified was subscribed by non-competitive bidders as against only 11.4 per cent in 1994-95. The pressure on yield offered on 91 day Treasury bills continued during 1995-96. The implicit yield rose from 11.98 per cent at the beginning of the financial year to a peak of 12.97 per cent in mid-July 1995.

Graph VI-5

Term Structure of Interest Rates on Government Dated Securities



Note : Weighted average interest rates have been taken in case of multiple issues of same maturity during a year.

There was, however, some moderation till mid-September 1995 when the implicit yield declined to 12.54 per cent. Since the beginning November 1995, the implicit yield remained steady at a higher level of 12.97 per cent for the rest of 1995-96 (Statement 195 of Vol. II and Graph VI-6).

During 1996-97 (till end-September 1996), the amount mobilised through 91 day Treasury bills aggregated to Rs.13,000 crore with negligible devolvement on the Reserve Bank.The easy conditions in short-term money market made investment in 91 day Treasury bills attractive to banks and financial institutions; as a result the cut-off yield on this instrument which was 12.97 per cent at the beginning of the financial year consistently declined to 8.46 per cent in mid-August 1996. Since then, however, the yield on this instrument has shown upward trend.

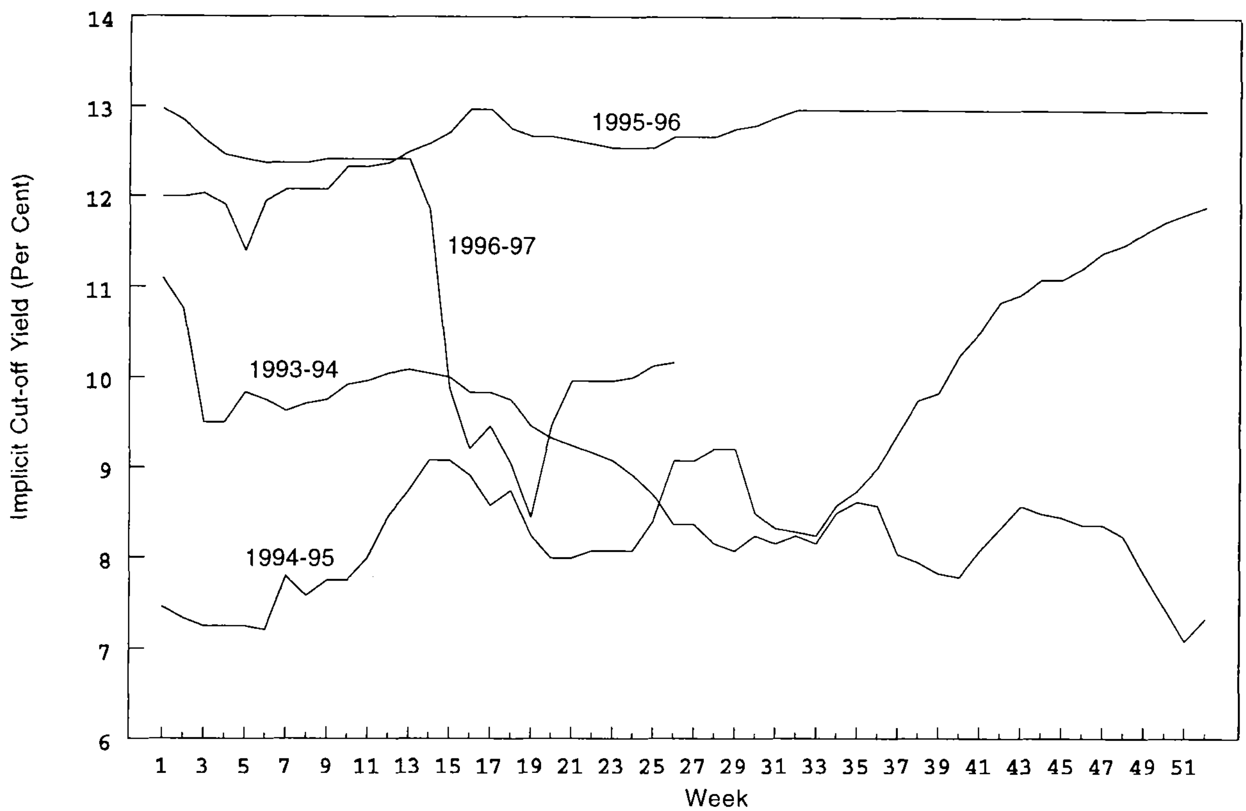
(b) 364-Day Treasury Bills

During 1995-96, the total amount mobilised through 364 day Treasury bills amounted to Rs.1,375 crore (gross) (the net amount was minus Rs.6,288 crore) as against the budget estimates of Rs.12,550 crore (gross) and Rs.4,387 crore (net) (Statement 196 of Vol. II). During 1996-97 (up to end-September 1996), the gross amount raised aggregated Rs.3,956 crore. The implicit yield rose from 12.08 per cent at the beginning of April 1995 to a high of 13.16 per cent at end July 1995. Since end September 1995, there was again upward movement in implicit yield. The fiscal 1996-97, however, witnessed softening trend in implicit yield on account of easy liquidity conditions; the implicit yield declined from 13.12 per cent at the beginning of April 1996 to 12.97 per cent in the second fortnight of June and remained steady at that level up to end-September 1996 (Statement 196, Vol. II and Graph VI-7).

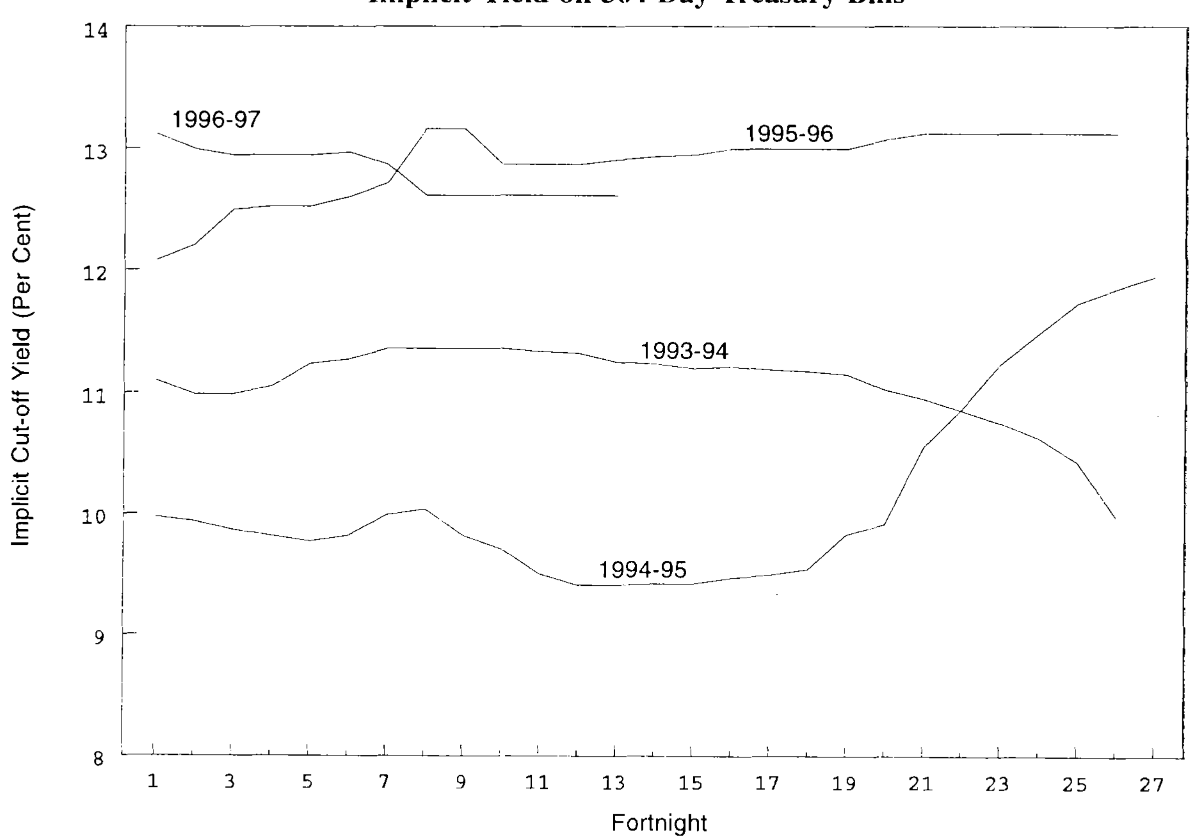
(c) Open Market Operations

The open market operations of the Reserve Bank remained subdued during the fiscal 1995-96 on account of large and frequent recourse of the Central Government to primary market, higher demand for commercial credit and subdued capital inflows. In 1995-96, there were net purchases of securities to the tune of Rs.514 crore by the Reserve Bank as against

Graph VI-6
Implicit Yield on Auction 91-Day Treasury Bills



Graph VI-7
Implicit Yield on 364-Day Treasury Bills



net sales of Rs.748 crore in 1994-95 and Rs.9,837 crore in 1993-94 (Table VI-4). With improvement in the liquidity conditions in the market during the first half of 1996-97, net sales of securities up to end-September 1996 amounted to Rs 1,280 crore.

Liquidity Support to STCI and DFHI

Liquidity support in the form of reverse repo facility with the Reserve Bank in Government dated securities was extended to DFHI and STCI along with refinance facility against Treasury Bills especially in periods of tight liquidity situations. The outstanding liquidity support to DFHI and STCI peaked to Rs.5,554.6 crore in the fortnight ended November 10, 1995 during 1995-96 (Statement 122 of Vol. II). During 1995-96, the support on a product basis peaked to Rs.56,601 crore for the fortnight ended November 24, 1995. The repo rates moved in the narrow range of 12.0 – 13.0 per cent in 1994-95. During 1995-96, due to upward pressure on call money rates particularly in the month of November 1995, the rates varied in a higher range of 14 – 25 per cent. With the softening of call rates since mid-March 1996, no liquidity support was provided to STCI and DFHI since April 9, 1996.

Securities Trading Corporation of India Ltd. (STCI)

During 1995-96, the STCI's turnover in Government dated securities in the secondary market amounted to Rs.1,70,281 crore up from Rs.39,631 crore in 1994-95 (June 15, 1994 to March 31, 1995). This included both outright and repo transactions. Other liquidity management measures included turnover in Treasury bills segment of Rs.2,674 crore (Rs.310 crore last year) and participation in the call money market of Rs.1,49,900 crore (Rs.26,418 crore last year) (Table VI-5).

Secondary Market Transactions in Government Securities

During the financial year 1995-96, the aggregate turnover in Government securities and Treasury bills transacted through the Subsidiary General Ledger (SGL) amounted to Rs.1,27,179 crore, comprising outright transactions as well as repos in eligible securities and Treasury bills (Statement 197, Vol. II); the aggregate turnover in Central Government securities and Treasury bills during the financial year 1994-95 (September 1994 to March 1995) being of the order of Rs.50,569 crore. The average monthly turnover in Government securities at Rs.10,598 crore was, thus, higher than that of Rs.7,224 crore recorded during 1994-95. The transactions in Central Government dated securities during 1995-96, amounted to Rs.1,10,387 crore accounting for 86.8 per cent of total turnover in the secondary market. During the year, the monthly turnover in Central Government securities reached an unprecedented peak of Rs.31,735 crore in November 1995 (Graph VI-8) reflecting tight money market condition and the turnover in Treasury bills peaked to Rs.2,779 crore in May 1995 (Graph VI-9). The turnover in State Government securities was, however, relatively small. The repo transactions in Central Government dated securities which constituted only 45.6 per cent of the total turnover in Central Government dated securities in April 1995 rose to a peak of 96.6 per cent in November 1995, reflecting the importance of repos in raising the turnover in the Government securities and Treasury bills in the secondary market. By March 1996, this ratio, however, came down to 83.0 per cent.

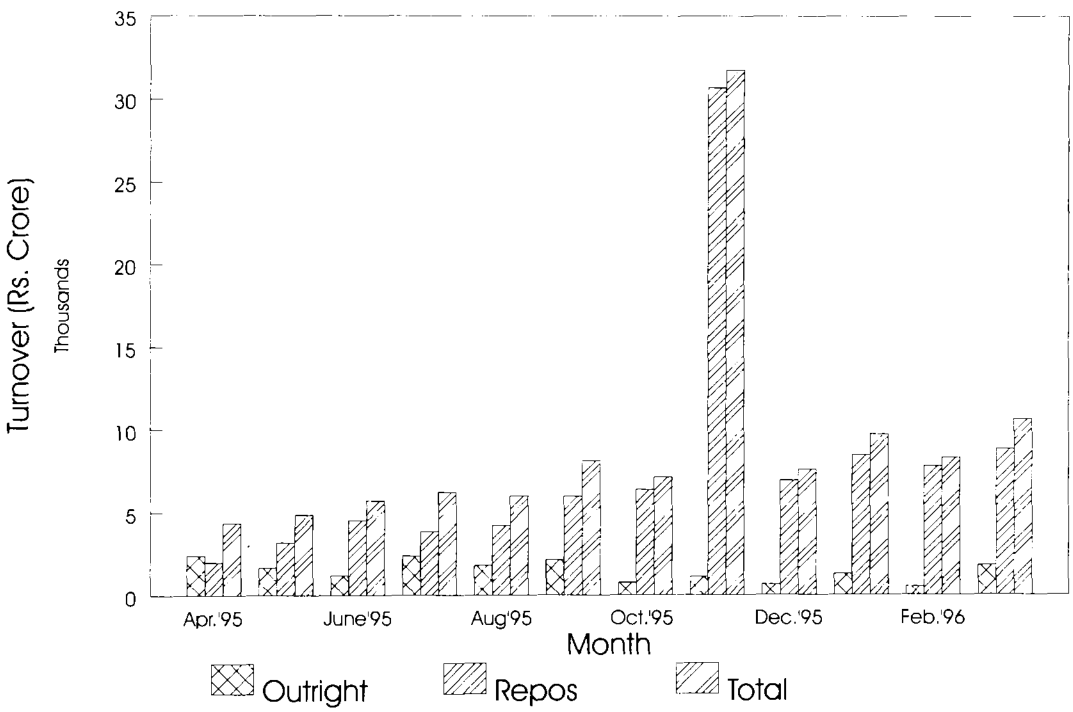
During the financial year 1996-97 (upto September 1996), the aggregate turnover in Central and State Governments securities and Treasury bills (outright as well as repos) amounted to Rs.46,765 crore, of which turnover in Central Government securities was Rs.30,865 crore i.e. 66.0 per cent. The average monthly turnover in Government securities was lower at Rs.7,794 crore mainly on account of a rapid slowdown in repo transactions following comfortable liquidity position.

Institutional and Policy Developments

The efforts to develop and strengthen the institutional set up for a vibrant and active secondary market in Government securities were further initiated during the financial years 1995-96 and 1996-97 (upto end September 1996). A significant development was the introduction of a system of Delivery Versus Payment (DVP) in Government securities on July 17,1995 at Mumbai to syncronise the transfer of securities with the cash payment thereby reducing the settlement risk in securities transactions and also preventing diversion of funds in the case of transactions through Subsidiary General Ledger (SGL). The DVP system was further extended to auction Treasury bills on February 14, 1996. With a view to widening and deepening the

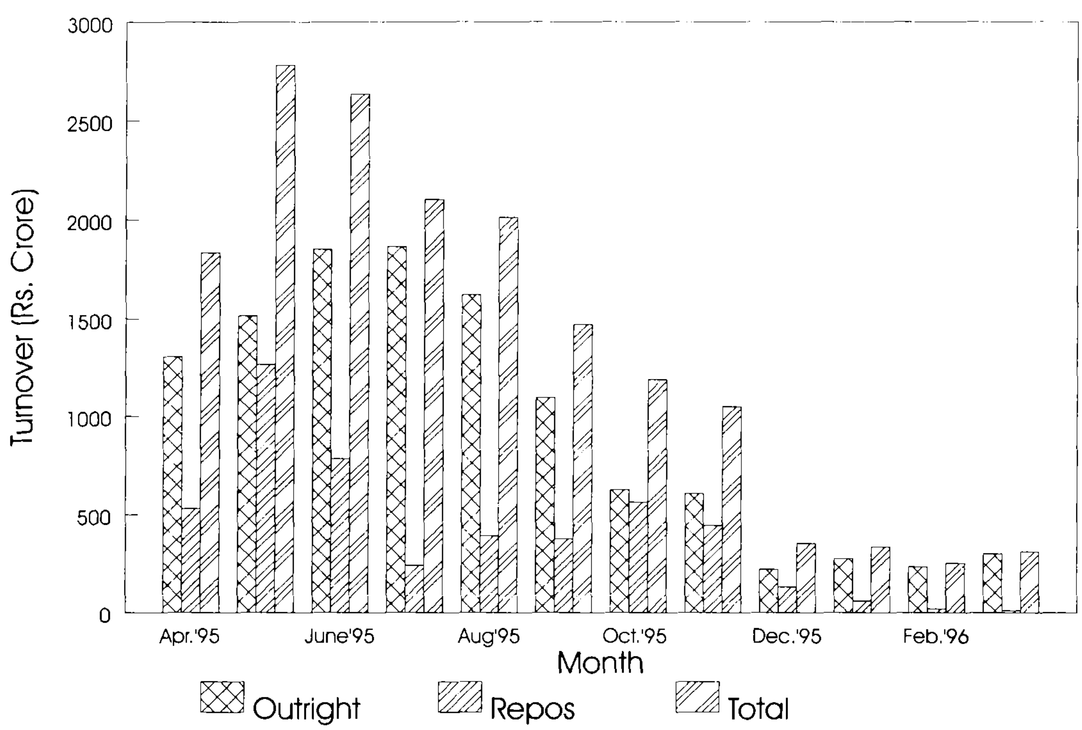
Graph VI-8

Secondary Market Transactions in Government of India Dated Securities, April 1995 to March 1996



Graph VI-9

Secondary Market Transactions in Government of India, Treasury Bills, April 1995 to March 1996



Government securities market, the Reserve Bank granted on November 13, 1995, 'in principle' approval to six Primary Dealers. DFHI and STCI started functioning in the primary Government dated securities market since March 1,1996 and since June 1, 1996 four more primary dealers viz. SBI Gilts Ltd., PNB Gilts Ltd., Gilts Securities Trading Corporation Ltd. and ICICI Securities became operational. With a view to providing incentives to Primary Dealers to develop secondary market in Government Securities, the Reserve Bank decided to pay commission on primary purchases (including underwriting commitment) of Central Government securities made by Primary Dealers, effective July 10,1996.

With a view to encouraging schemes of mutual funds dedicated to Government securities and creating a wider investor base for Government securities, the Reserve Bank on April 20, 1996, announced liquidity support to mutual funds dedicated exclusively to investments in Government securities either by way of outright purchases or reverse repos in Central Government securities up to 20 per cent of outstanding investment.

In addition to the above mentioned measures initiated to develop Government securities market, the Government also went for diversification of instruments viz., introduction of Floating Rate Bonds (FRB) indexed to yield on 364 day Treasury bills. The Reserve Bank reissued Securities 2 year, 3 year, 5 year and 10 year maturities at fixed coupon. Furthermore, the Reserve Bank permitted commercial banks for retailing of Government securities with non-bank clients.

It is, however, vital that for emergence of a market with adequate depth and liquidity, players with different perceptions and liquidity requirements should emerge; this is also essential in order to avoid unidirectional movements in the market. It is towards this objective that further steps are needed to develop the Government securities market. A well developed Government securities market would, in turn, enable other segments of debt market to develop.

Foreign Exchange Market

The foreign exchange market in India experienced considerable turbulence during the second half of 1995-96. The unidirectional fall of the rupee in the face of persistent mismatches in the demand and supply conditions in the foreign exchange market was exacerbated by speculative factors, affecting all segments of the market. Intense bouts of downward pressures on the exchange rate in October 1995, January and February 1996 were amplified by the thinness of the market and perverse expectations, as importers rushed for cover and exporters stalled the repatriation of export proceeds. Forward premia rose steeply and deviated considerably from the levels warranted by inflation differentials.

The Reserve Bank intervened both in the spot and forward segments of the market in October 1995 to dampen the volatility in the exchange rate of the rupee and to prevent misalignment in relation to the fundamentals. The Reserve Bank's intervention was supported by a series of institutional measures undertaken during 1995-96 to widen and deepen the foreign exchange market and to remove market imperfections. Debt service payments on Government of India account were increasingly routed through the market since July 1995 in an effort to augment the volume of market transactions. The Reserve Bank of India discontinued quoting its buying and selling rates with effect from October 4, 1995 with a view to minimising its influence on the process of rate formation in the market. In keeping with the recommendations of the Expert Group on Foreign Exchange Markets, the ceiling of Rs.15 crores on net overnight open position of Authorised Dealers (ADs) was removed effective January 1996 and ADs were allowed to frame their own limits based on the capital base, volume of transactions, dealing expertise and infrastructure available with them subject to their meeting the 5 per cent capital adequacy requirements for credit risks. The PSCFC scheme, which enabled the exporters to earn a positive rate of return over the cost of funds, was terminated in February 1996. Cancellation of forward contracts for amounts of US $ 100,000 and above were required to be reported to the Reserve Bank on a weekly basis. In retrospect, the Reserve Bank cast a decisive influence on market developments during 1995-96.

In continuance of the efforts to strengthen the foreign exchange market, the Reserve Bank undertook further measures in the first quarter of 1996-97. In April 1996, the Aggregate Gap Limit (AGL) which was previously limited to US $ 100 million or six times the net owned funds of the ADs, was left to be fixed by the individual ADs depending upon their foreign exchange operations, risk taking capacity, balance sheet size and other relevant parameters. Banks seeking approval from the Reserve Bank for higher limits were required to be in a position to continuously monitor their exposures by marking to market the maturity mismatches. This measure is expected to enhance the liquidity position in the swap market and ensure better management of foreign currency assets and liabilities by the banks. All liabilities under NRER accounts were exempted from CRR requirements. Earlier , in October 1995, liabilities under NR (NR) RD and FCNR (B) schemes were exempted from CRR requirements. ADs having requisite infrastructure and risk control mechanism and satisfying capital adequacy norms were permitted to initiate cross currency positions in the overseas market effective April 11, 1996. ADs mobilising deposits under FCNR(B), EEFC, FCON and RFC were permitted earlier to invest such funds in short term deposits with banks abroad rated high by international rating agencies. The rating stipulation was dispensed with from April 1996 onwards for investments by ADs in their own branches abroad. A Foreign Exchange Market Technical Advisory Committee was constituted to make recommendations to the Reserve Bank and prepare policy papers on issues specific to the exchange market.

The foreign exchange market is in an evolutionary phase of development. Transactions in the market are miniscule in comparison with international foreign exchange markets which record daily turnover of over US$ 1000 billion as recorded by the Bank for International Settlement (BIS) in April 1995. In the recent period, the foreign exchange market has exhibited a significant increase in the total turnover which has risen from US $ 3 billion on a daily basis in 1994-95 to US $ 3.6 billion on a daily basis in 1995-96. Inter bank transactions constitute the bulk of transactions accounting for over 80 per cent of transactions. The share of merchant transactions has, however, been on the rise, averaging between 15 per cent to 20 per cent during the period December 1995 and June 1996.

Relative Rates of Return

Nominal rates of return in different segments of the domestic financial market increased between end-March 1995 and end-March 1996 indicating hardening of liquidity conditions in the financial market (Table VI-6). This was despite the fact that the annual inflation rate as measured by WPI on a point-to-point basis declined to 5.0 per cent by the end of March 1996 from 10.4 per cent in 1995, implying that real rates have tended to move up during 1995-96. However, since April 1996, the liquidity position in the financial markets eased considerably; this was particularly evident in DFHI's fortnightly average call money lending rates which eased to 1.56 per cent by the end of July 1996 and remained in the range of 1.56 – 10.35 per cent in April – September 1996 as compared with the range of 9.25 – 14.97 per cent in the comparable period of the previous year.

Annexure : Progress of Financial Sector Reforms

Issues / Year	1995-96	1996-97 (upto end-September 1996)
1	2	3
I. Overall Monetary Policy		
1. **Reserve Requirements**		
a) **Cash Reserve Ratio (CRR) on domestic net demand and time liabilities (NDTL)**	i) CRR was reduced from 15.0 per cent to 14.5 per cent from the fortnight beginning November 11, 1995 and further to 14 per cent from the fortnight beginning December 9, 1995.	i) CRR was reduced in two stages to 13.5 per cent from the fortnight beginning April 27, 1996 and to 13.0 per cent from the fortnight beginning May 11, 1996. It was further reduced to 12.0 per cent from the fortnight beginning July 6, 1996.
	ii) From the fortnight beginning September 30, 1995 banks were required to maintain a minimum level of 85 per cent of the CRR requirement only from the first working day of the reporting fortnight. The 85 per cent stipulation would not be applicable on the last working day of the reporting fortnight. For this purpose, banks should reckon the holidays with reference to the centre where they have their principal account for maintenance of CRR.	
b) **Statutory Liquidity Ratio (SLR)**	i) With a lower stipulation of SLR on incremental NDTL and zero SLR on certain specific external liabilities, the overall effective SLR was estimated to have declined to 28.0 per cent by the end of March 1996.	
	ii) Effective October 14, 1995 scheduled commercial banks were required to adopt for purpose of SLR the same system of valuation of securities as for the balance sheet.	
c) **Inclusion/Exemption of certain liabilities from Reserve Requirements**	i) The increase in liabilities under Non-Resident External (Rupee) (NRE) Accounts over the level outstanding as on October 27, 1995 was exempted from maintenance of average CRR with effect from the fortnight beginning October 28, 1995 and average CRR on outstanding liabilities as on October 27, 1995 was reduced to 10 per cent with effect from the fortnight beginning January 6, 1996.	i) All liabilities under NRE Scheme were exempted from CRR, effective fortnight beginning April 13, 1996.
	ii) The increase in liabilities under NRNR accounts over the level outstanding as on October 27, 1995 was exempted from maintenance of CRR with effect from the fortnight beginning October 28, 1995 and with effect from fortnight beginning January 6, 1996 all liabilities under NRNR Scheme were exempted from CRR.	ii) Effective fortnight beginning April 13, 1996, SLR on outstanding liabilities under the NRE Scheme was reduced from 3[illegible] per cent to 25 per cent.
	iii) The increase in liabilities under Foreign Currency Non-Resident	

Issues / Year	1995-96	1996-97 (upto end-September 1996)
1	2	3
	Accounts (Banks) [FCNR(B)] Scheme over the level outstanding as on November 24, 1995 was exempted from CRR with effect from the fortnight beginning November 25, 1995. Average CRR on the outstanding liabilities as on November 24, 1995 was reduced to 7.5 per cent with effect from December 9, 1995. With effect from January 6, 1996 all liabilities under FCNR(B) Scheme were exempted from CRR.	
2. Interest Rates		
a) Lending Rate	i) Effective October 1, 1995 banks were allowed to fix their own interest rate on advances over Rs. 2 lakh against term deposits. ii) Effective October 31, 1995 interest rate on Post-Shipment Export Credit denominated in US Dollars(PSCFC) in respect of usance bills for periods beyond 90 days and upto six months from the date of shipment was enhanced from 7.5 per cent to 9.5 per cent per annum before PSCFC's termination on February 8, 1996; interest rate on export credit not otherwise specified for PSCFC, which was 9.5 per cent per annum, was freed. iii) Effective January 16, 1996, a rate of interest of 9.5 per cent per annum was prescribed on PSCFC for a total period of upto 90 days as against 7.5 per cent per annum earlier. On credit over 90 days and on export credit not otherwise specified for PSCFC, banks were free to fix their own interest rates. iv) Effective February 8, 1996 the interest rate on Post-Shipment Export Rupee Credit for over 90 days and upto 180 days was deregulated.	i) Effective July 3, 1996, it has been decided to free the rate of interest on post shipment export credit on medium and long term basis i.e., beyond 180 days.
b) Deposit Rate	i) Effective April 18, 1995 the maximum term deposit rate was increased to 'not exceeding 12 per cent' from 'not exceeding 11.0 per cent' per annum earlier. ii) Effective October 1, 1995 banks were given freedom to fix their own interest rates on domestic term deposits with a maturity of over two years. iii) Effective October 1, 1995 the maximum term deposit rate for NRE	i) Banks were given freedom to fix their own interest rates on domestic term deposits with a maturity of over one year effective July 2, 1996. Further, to provide some outlet for management of short-term surplus funds, owing to the developments in the money market and the progressive move from the cash credit system to a loan system, the minimum period of term deposits was reduced from 46 days to 30 days. Accordingly, effective July 2, 1996, the interest rate on

Issues / Year	1995-96	1996-97 (upto end-September 1996)
1	2	3
	accounts for maturity of 6 months to 3 years and above was increased from 8 per cent to 10 per cent and further to 12 per cent effective October 31, 1995.	domestic term deposits of 30 days and up to one year was prescribed at 'not exceeding 11.0 per cent per annum. ii) With a view to bringing about an alignment of the maturity structure of NRE term deposits with that on domestic term deposits,interest rate on NRE term deposits of over two years was freed, effective April 4, 1996.
3. Institutional / Other Developments	i) Private sector mutual funds, approved by SEBI, were allowed to operate only as lenders in the call/notice money/bill rediscounting market, as announced in April 17, 1995. ii) Effective September 30, 1995 the minimum period for Repos in Treasury Bills and Government dated securities was stipulated to be 3 days. iii) The private sector was allowed to set up Money Market Mutual Funds (MMMFs) in November 1995. The size of MMMFs and limits on investments by MMMFs were deregulated. iv) Effective January 1, 1996, banks were free to decide their own foreign exchange overnight open position limits subject to the approval by the Reserve Bank as against the earlier uniform limit of Rs.15 crore for each bank.	i) Effective July 6, 1996, the refinance facility against the collateral of Treasury Bills and Government dated and other approved securities was terminated. With this, refinance facility remains only in respect of export credit extended by banks. ii) The scheme of Money Market Mutual Funds (MMMFs) was made attractive to investors, by reducing the minimum lock-in period from 46 days to 30 days, effective July 3, 1996. iii) The scheme of MMMFs was made more flexible by bringing it on par with all other mutual funds by allowing investment by corporates and others.
4. Internal Debt Management Policies	i) Net issue of ad hoc Treasury Bills was decided not to exceed Rs 5,000 crore at the end of the financial year 1995-96 and not to exceed Rs 9,000 crore for more than ten continuous working days at any time during the year 1995-96. ii) An auction system for conversion of Treasury Bills into dated Government of India securities was introduced in April 1995. iii) For the first time, Government of India converted a maturing two-year dated Government security into another dated security of the same maturity on July 14, 1995. iv) A system of Delivery versus Payment (DvP) in Government securities was introduced in Mumbai from July 17, 1995 to synchronise the transfer of securities with the	i) It was decided to continue with the previous year's limits on ad hoc Treasury Bills for fiscal 1996-97 i.e., the net issue not to exceed Rs.5,000 crore at the end of the financial year 1996-97 and not to exceed Rs.9,000 crore for more than ten consecutive working days at any time during the year 1996-97. ii) With a view to encouraging schemes of mutual funds dedicated to Government securities and creating a wider investor base for Government securities, the Reserve Bank announced in April 1996 a provision for liquidity support to mutual funds dedicated exclusively to investements in Government securities either by way of outright purchases or reverse repos in Central Government securities up to 20 per cent of outstanding investment. iii) In addition to DFHI and STCI, four more

Issues / Year	1995-96	1996-97 (upto end-September 1996)
1	2	3
	cash payment thereby reducing the settlement risk in securities transaction and also preventing diversion of funds in the case of transactions through Subsidiary General Ledger (SGL). v) New instrument of Floating Rate Bonds was introduced on September 20, 1995. vi) With effect from February 29, 1996 DFHI and STCI have started functioning as Primary Dealer in government securities market out of the six 'in principle' approvals granted in November 1995.	Primary Dealers, *viz.*, SBI Gilts Ltd., PNB Gilts Ltd., Gilt Securities Trading Corporation Ltd., and ICICI Securities and Finance Ltd. became operational. iv) As a part of measures to develop secondary market in Government securities and making the market deep and broad based, the Reserve Bank issued guidelines to banks on June 8, 1996 for retailing of Government securities with non-bank clients. v) With a view to providing incentives to Primary Dealers to develop the secondary market in Government securities, the Reserve Bank decided to pay commission on their primary purchases (including the underwriting commitment) of Central Government securities, effective July 10, 1996. vi) With a view to enabling the State Governments to meet temporary mismatches between receipts and expenditure, effective August 1, 1996, the level of Ways and Means Advances provided by the Reserve Bank to each State Government was doubled; the aggregate limits of the State Governments were increased from Rs.1,542.8 crore to Rs.3,085.6 crore.
II In-House Issues		
a) **Capital Adequacy Norms**	i) The Government released a sum of Rs.850 crore towards recapitalisation of nationalised banks during 1995-96. ii) Banks were required to maintain Tier I capital funds of 5 per cent of the foreign exchange open position limit besides the existing capital adequacy requirements.	
b) **Capital Restructuring**	iii) The Government of India provided Rs.1,506.21 crore during 1995-96 towards writing down of the capital base of two banks for adjustment of their losses. A further provision of Rs.1,532 crore was made in the Union Budget (Interim) of 1996-97 for similar writing down of investments in three banks.	i) A provision of Rs 909 crore was made in the Union Budget for recapitalisation of public sector banks in 1996-97.
c) **Income Recognition and Provisioning**	i) The ratio of 'permanent' and 'current' investments in approved securities was prescribed to be 60:40 for the year ending March 1996 as against 70:30 earlier. ii) Banks were advised on April 3, 1995 that interest accrued and	i) The ratio for investments in the permanent category for scheduled commercial banks was reduced from 'not exceeding 60 per cent' in 1995-96 to 'not exceeding 50 per cent' in 1996-97.

Issues / Year	1995-96	1996-97 (upto end-September 1996)
1	2	3
	credited to income account during the year ended March 1994 in respect of accounts identified as NPA for the first time during the year ended March 31, 1995 should be reversed or provided for as on that date.	
	iii) Banks were advised in April 1995 that provision need not be made for a period of one year from the date of disbursement in respect of additional facilities sanctioned under the rehabilitation package approved by BIFR/term lending institutions.	
	iv) Banks were advised that from 1995-96 onwards, for arriving at the provision required to be made in respect of doubtful assets, the realisable value of the securities should be deducted from the outstanding balance in respect of advances guaranteed by ECGC/DICGC.	
d) **Recovery of Bank Loans**	i) Banks were required to have loan recovery policy delineating, *inter-alia,* norms for write-off.	
	ii) The Supreme Court stayed the operation of the Delhi High Court judgement in April 1995 and admitted special leave petition filed on behalf of the Government.	
e) **Lending Norms**	i) A 'Loan System' for Delivery of Bank Credit for working capital purpose was introduced effective April 17, 1995 to bring about greater discipline in credit utilisation and better control over credit flow. The cash credit component was fixed at 75 per cent of the Maximum Permissible Bank Finance (MPBF), while loan component was fixed at 25 per cent.	i) In order to further strengthen the discipline in the utilisation of bank credit by borrowers with assessed MPBF of Rs.20 crore or above, the cash credit component under the 'Loan System' was reduced to 40 per cent of MPBF and the loan component was increased to 60 per cent effective April 18, 1996. With a view to extending the Loan System in respect of borrowers with assessed MPBF between Rs.10 crore and Rs.20 crore, the cash credit component was restricted to 60 per cent while the loan component fixed at 40 per cent.
	ii) Banks were advised to reduce the cash credit component from 75 per cent to 60 per cent of the MPBF and to increase the loan component from 25 per cent to 40 per cent effective October 5, 1995.	ii) Consequent on restricting the cash credit component to 40 per cent of the MPBF in the case of borrowers with MPBF of Rs.20 crore and above, such borrowers were permitted to issue commercial paper to the entire extent of cash credit component, as against 75 per cent earlier. In the case of borrowers with MPBF of Rs.10 crore or above but less than Rs.20 crore, the amount of issuable commercial paper was restricted to 75 per cent of the cash credit component.
	iii) Effective April 17, 1995 bridge loan by banks/financial institutions to all companies was banned. In October 1995, subject to the compliance of certain conditions, banks were allowed to sanction bridge loans against the commitment of financial institutions and/ or other banks where the lending	

Issues / Year	1995-96	1996-97 (upto end-September 1996)
1	2	3
	institution was faced with temporary liquidity constraint. iv) Bank credit limit to loan and investment companies and residuary non-banking companies was reduced to the NOF from twice the NOF of the company effective April 21, 1995. For comapanies having not less than 75 per cent of their assets in equipment leasing and hire purchase and 75 per cent of their gross income from these two types of activities as per their last audited balance sheets, the limit was brought down to thrice the NOF; for other equipment leasing/hire purchase companies the limit was prescribed to twice the NOF. v) Effective April 21, 1995 the extent of Commercial Paper was restricted to 75 per cent of the cash credit component of the working capital limit instead of 75 per cent of the working capital (fund based) limit as hitherto. vi) Effective July 25, 1995, banks were advised to scrupulously follow the guidelines in the Accounting Standard (AS7) prescribed/issued by the Institute of Chartered Accountants of India (ICAI) for the construction companies. (vii) Effective December 22, 1995, banks were allowed to sanction term finance upto Rs. 1,000 crore for each power generation project, subject to certain terms and conditions.	iii) The mandatory requirement of levy of commitment charge on the unutilised portion of the working capital credit limits of Rs.1 crore and above was withdrawn effective July 1, 1996, and banks were advised to evolve their own guidelines for ensuring credit discipline and levy of commitment charge. iv) The mandatory requirement of levy of additional interest of two percentage points above the relevant cash credit interest rate on the portion of the book-debt finance in excess of 75 per cent of the limits sanctioned to borrowers with fund-based credit limits of Rs.5 crore and above was withdrawn effective July 1, 1996.
f) Investment Norm	i) Banks were advised in April 1995 to desist from acquiring shares/debentures etc. in the secondary market.	i) Effective June 13, 1996, banks were permitted to enter into agreements with mutual funds for marketing the mutual fund units subject to certain terms and conditions.
g) Computerisation	i) The recommendations of the Saraf Committee were at various stages of implementation. ii) The Committee (Chairperson: Ms.K.S. Shere) set up by the Reserve Bank to study all aspects of Electronic Funds Transfer (EFT) for instituting an EFT system in India, submitted its report in January 1996.	

Issues / Year	1995-96	1996-97 (upto end-September 1996)
1	2	3
	iii) Under the World Bank's Financial Sector Development Project, the participating banks would obtain a modernisation and institutional development loan of US $ 150 mn for extending inter alia automation and computerisation of banking operations.	
III. Other Issues		
a) **Supervision System**	i) Effective April 1995,the BFS started supervising the all-India financial institutions and non-banking financial companies from July 1995.	
	ii) An audit sub-committee, comprising the Vice Chairman and two members of the BFS was examining the system of auditing of banks, financial institutions and non-banking financial companies.	
	iii) The Expert group headed by Shri S.Padmanabhan, constituted to review the on-site supervision function, submitted its report in November 1995.	
b) **Bank Branch License**	i) In line with the Bhandari Committee's recommendation, the branch licensing policy for RRBs was modified: (a) 70 RRBs, freed from the Service Area obligations, were given freedom to relocate their loss making branches preferably within the same block or convert them into satellite/mobile offices. Two loss making branches of the same RRB within five kms were permitted to merge. (b) RRBs with Service Area obligations were free to relocate loss-making branches at 'specified centres' within their Service Area. Their loss making branches could be converted into satellite/mobile offices, provided such conversion would not impair the performance of SAA obligations. Two branches of the same RRB within five kms in a geographically contiguous Service Area could be merged. New branches at 'specified centres' were allowed to be opened within their area of operation.	
	ii) Banks were asked to set up 100 specialised branches in 85 identified districts to meet the requirements of Small Scale Industries.	
c) **Private Sector Banks**	i) With four more private banks *viz.*, Times Bank Ltd., Bank of	i) As proposed in the Union Budget for 1996-97, guidelines were issued in

Issues / Year	1995-96	1996-97 (upto end-September 1996)
1	2	3
	Punjab Ltd., Development Credit Bank Ltd., and IDBI Bank Ltd., ten private sector banks became operational out of 12 'in principle' approvals.	August 24, 1996 for setting up of new private local area banks with jurisdiction over two or three contiguous districts. A minimum paid-up capital of Rs.5 crore was stipulated for such banks.
d) Priority Sector Lending	i) Banks were required to contribute to the Rural Infrastructural Development Fund, newly set up within NABARD, an amount equavilent to shortfall in the priority target for agricultural lending, subject to a maximum of 1.5 per cent of the bank's net credit. Such contributions, expected to provide Rs. 2,000 crore during 1995-96, would also be treated as priority sector lending.	i) As per the Union Budget 1996-97 proposal, an additional amount of Rs.2,500 crore would be made available for financing rural infrastructure through the RIDF during 1996-97.
	ii) Banks, falling short of the priority sector target, were required to provide Rs. 1,000 crore on a consortium basis to the Khadi and Village Industries Commission on top of lending to the Handloom co-operatives which would be reckoned as priority sector lending.	
	iii) Entire amounts of refinance granted by sponsor banks to the RRBs would be reckoned as priority sector lending.	
e) Customer Services	i) For expeditious and inexpensive resolution of customer complaints against deficiency in banking services, the Banking Ombudsman Scheme, 1995 was introduced in June 1995. So far 8 ombudsmen were appointed, one each at New Delhi, Mumbai, Bhopal, Bangalore, Chandigarh, Hyderabad, Patna and Jaipur.	i) Stand alone ATMs at places other than branches and extension counters were allowed to provide functional facilities such as : i) Pin changes ii) Requisition for cheque books iii) Statement of accounts iv) Balance enquiry and v) Inter-account transfer (at same centre).
	ii) a) For local and outstation cheques upto Rs. 5000, banks were required to provide immediate credit. b) For local cheques, customers were allowed to use the credited funds latest by the third working day from the date of acceptance of the cheque. c) Banks were advised to constitute a committee under a General Manager to identify the areas and factors for delays in collection of outstation instruments.	
f) Frauds and Malpractices in Banks	i) Banks were required to devise a system of close watch on new deposit accounts, and cash deposits and withdrawals for Rs.10 lakh and above.	i) Banks were advised to introduce the practice of informing the employer bank whenever an employee of a bank opens an account with a branch other than that of his

Issues / Year	1995-96	1996-97 (upto end-September 1996)
1	2	3
		posting.
g) **Export/Import Credit**	i) Effective October 31, 1995, outstandings under the import credit sublimit of the cash credit would be subject to a 15 per cent interest rate surcharge which was raised to 25 per cent effective February 8, 1996. ii) Effective February 8, 1996 the scheme of Post-Shipment Export Credit denominated in US Dollars (PSCFC) was terminated.	i) The refinance formula for export credit was rationalised from the fortnight beginning April 13, 1996, whereby scheduled commercial banks would be provided export credit refinance to the extent of 45 per cent of the total outstanding export credit eligible for refinance as on February 16, 1996 plus 100 per cent refinance of the increase in such export credit over the outstanding level as on February 16, 1996. This would initially reduce the total export credit refinance limits of banks by around Rs.1,200 crore. ii) In the context of recent developments in the foreign exchange market and the overall monetary and credit situation, the interest rate surcharge on import finance was withdrawn effective July 23, 1996.
h) **Dividend Declaration by commercial banks**	i) Public sector banks were made subject to prior approval for payment of interim dividend, dividend higher than 25 per cent and in cases of non-fulfillment of four stipulated conditions: (*i*) compliance with the provisions of Section 15 of the Banking Regulation Act, 1949, (ii) proposed dividend out of current year's profit being not more than 25 per cent, (iii) compliance with the extant regulations on transfer of profits to statutory reserves and setting up of required provisions and (iv) observance of prudential norms and capital adequacy requirements.	
i) **Bank Restructuring**	i) The Kashinath Seth Bank Ltd., was amalgamated with the State Bank of India on January 1, 1996.	
j) **RRBs**	i) The Basu Committee set up by NABARD recommended in December 1995 for selection of 68 RRBs for comprehensive restructuring under phase II. ii) The Government provided a sum of Rs.244.57 crore during 1995-96 for capital restructuring of the selected RRBs. iii) An Expert Group under the chairmanship of Dr. N.K. Thingalaya was set up to examine the issues concerning the managerial and financial restructuring of RRBs taken up during 1994-95 and continued in 1995-96 and to monitor the progress in this regard.	i) A provision of Rs.200 crore was made in the Union Budget 1996-97 for recapitalisation of RRBs in 1996-97.

Issues / Year	1995-96	1996-97* (upto end-September 1996)
1	2	3
	iv) RRBs were advised to adopt income recognition and asset classification norms from 1995-96 and provisioning norms from 1996-97 onwards.	
IV. Reforms in Co-operative Banking		
a) Co-operative Banks	i) Effective June 21, 1995 urban co-operative banks were free to fix their lending rates for all categories of loans subject to an MLR of 13 per cent.	i) Effective April 8, 1996 only scheduled urban co-operative banks were allowed to undertake hire purchase and equipment leasing activities.
	ii) Urban co-operative banks were allowed in April 1995 to invest their surplus funds in equity/bonds of all India Financial Institutions, in addition to their investment in PSU bonds, within the ceiling of 10 per cent of their deposits.	ii) Effective July 2, 1996, primary co-operative banks were free to fix their own interest rates on domestic term deposits of over one year.
	iii) For term deposits of over two years, urban co-operative banks were given freedom to fix their own interest rate, effective October 1, 1995.	iii) The prudential accounting norms were made applicable to state co-operative banks/central co-operative banks from the year 1996-97.
	iv) All scheduled primary co-operative banks have been brought under the perview of the provisions of the Banking Ombudsman Scheme, 1995.	
V. Reforms in Non-banking Financial Sector		
a) Non-banking Financial Companies (NBFCs)	i) As at the end of December 1995, 745 NBFCs having net owned fund of Rs.50 lakh and above have got themselves registered with the Bank.	i) An Expert Group headed by Shri P.R. Khanna constituted in April 1995 to frame a comprehensive supervisory system over the operations of NBFCs submitted its report.
	ii) Board for Financial Supervision with the assistance of the Bank's Department of Supervision started supervising the NBFCs effective, July 1995.	ii) A ceiling of 15 per cent interest rate on deposits was prescribed for Mutual Benefit Finance Companies, popularly known as Nidhi companies, effective July 8, 1996.
	iii) An expert group (Chairman: Shri P.R. Khanna) was set up for recommending a framework for supervision of the financial companies.	iii) The Reserve Bank took policy measures freeing the interest rate ceiling on deposits and removing the ceiling on the quantum of deposits for NBFCs subject to the condition that they fully comply with the Bank's directives and guidelines. In respect of registered equipment leasing and hire purchase finance companies (EL/HP) complying with credit rating requirement and prudential norms, the liberalisation measures include: (i) removal of ceiling on deposits, hitherto 10 times the NOF, (ii) reduction of liquid assets to deposits ratio from 15 per cent to 12.5 per cent, while continuing with the stipulation that at least 10 per cent of the deposits be maintained in securities of Government and Government guaranteed bodies, and
	iv) Maintenance of liquid assets was increased from 10 per cent to 15 per cent of deposit liabilities for the equipment leasing and hire purchase finance companies and other NBFCs registered with the Reserve Bank. For other NBFCs not registered with RBI,the requirement was raised from 5 per cent to 7.5 per cent of the deposit liabilities.	
	v) For better and effective regulation of the NBFCs, certain legislative changes were being considered.	

Issues / Year	1995-96	1996-97* (upto end-September 1996)
1	2	3
		(iii) freedom to determine interest rates on deposits of one year and up to 5 years.
		iv) As regards registered loan/investment companies complying with credit rating requirements and prudential norms, the overall ceiling on deposits, hitherto equal to NOF, has been increased to twice the NOF. The stipuation of 12.5 per cent of liquid assets ratio and the freedom to determine interest payable on deposits as in the case of EL/HP companies would also apply to these companies.
		v) For registered EL/HP as well as loan/ investment companies, which comply with either, credit rating or prudential norms, the ceiling interest rate of 15 per cent on deposits and overall ceiling on deposits alongside the stipulation of 15 per cent liquid assets ratio would continue. In the case of non-compliance of both the credit rating and the prudential norms, the overall ceiling on deposits has been reduced in relation to NOF from 10 times to 7 times for registered EL/HP companies, and for registered loan and investment companies, from equal to NOF to 15 and 25 per cent of NOF for deposits from shareholders and public, respectively.
b) Insurance Sector	i) As announced in the Union Budget for 1995-96, a three member board for the interim Insurance Regulatory Authority (IRA) was constituted in January 1996.	
c) Term Lending Institutions	i) Under the General Line of Credit (GLC) to NABARD, the Reserve Bank sanctioned in June 1995 an aggregate limit of Rs.4,950 crore which was enhanced to Rs.5,250 crore in January 1996.	i) The Union Budget 1996-97 proposed to raise the share capital of NABARD from Rs.500 crore in 1995-96 to Rs.1,000 crore in 1996-97 with a contribution of Rs.100 crore from the Government and Rs.400 crore from the Reserve Bank. The aggregate limit under GLC was enhanced to Rs.5,500 crore for the year 1996-97.
		ii) State level agricultural development finance institutions are proposed to be set up as per the Union Budget 1996-97, with NABARD as the chief promoter to promote investment in commercial or high technology agriculture and allied activities.
		iii) The Union Budget 1996-97 proposed the establishment of an Infrastructure Development Finance Company (IDFC) with an authorised share capital of Rs.5,000 crore.

Table VI-1 : The Cumulative Turnover Of The Discount And Finance House of India Ltd. (During the years 1994-95 to 1996-97)

(Rs. crore)

Instrument	1994-95	1995-96	During the year 1996-97 (April 1, to Sept. 27, 1996)	Corresponding Period of the Last Year (April 1, 1995 to Sept. 29, 1995)
1	2	3	4	5
Call Money Funds (Including Notice Money)	5,29,183	5,53,995	2,32,923	2,42,949
Treasury Bills	30,921	12,222	4,192	9,264
Commercial Bills	332	118	19	96
Certificates of Deposit	7	—	—	—
Commercial Paper	—	—	—	—
Term Deposits	22	18	—	—
Central Government Dated Securities	12,488	60,077	7,263	16,649
Daily Average Lending during the year in the Call Money Market	1,431	1,500	1,280	1,323

Table VI-2 : All-India Index Numbers of Ordinary Share Prices and Yield

(Base : 1980-81 = 100)

Year (April-March)	End of the Year (week ended Saturday)	Highest	Lowest	Annual Average of Weekly Index	Average Gross Yield (per cent per annum)
1	2	3	4	5	6
1987-88	189.3	227.1	189.3	207.3 (-10.1)	4.32
1988-89	308.2	308.2	187.1	247.5 (+19.4)	3.76
1989-90	400.0	411.4	317.7	359.4 (+45.2)	3.18
1990-91	527.9	654.2	395.6	500.3 (+39.2)	2.59
1991-92	1485.4	1485.4	536.9	776.2 (+55.1)	2.09
1992-93	892.1	1656.9	892.1	1142.1 (+47.1)	1.69
1993-94	1331.7	1461.1	799.5	1051.3 (-8.0)	2.19
1994-95	1384.5	1817.8	1331.8	1537.3 (+46.2)	1.79
1995-96	1130.8	1363.7	1032.5	1189.6 (-22.6)	3.05
1995-96 (April-Sept)	1211.2	1363.7	1172.0	1246.2	2.22
1996-97 (April-Sept)	1141.7	1367.3	1141.7	1263.2	3.75

Note : Figures in brackets are percentage variations over the year.

Table VI-3 : Assistance by All Financial Institutions
(Year : April-March)

(Rs. crore)

Institutions		1994-95		1995-96		Percentage change in 1995-96 over 1994-95	
		S	D	S	D	S	D
1		2	3	4	5	6	7
A. All India	@	**48,051.4**	**25,563.2**	**56,985.6**	**30,109.2**	**+ 18.6**	**+ 17.8**
Development Banks (1 to 6)	@@	**46,161.5**	**24,284.0**	**54,169.2**	**27,977.6**	**+ 17.3**	**+ 15.2**
1. IDBI		18,607.0	10,621.3	19,468.8	10,636.2	+ 4.6	+ 0.1
	@	18,607.0	10,621.3	19,468.8	10,636.2	+ 4.6	+ 0.1
	@@	18,101.7	10,249.0	18,862.9	10,118.6	+ 4.2	– 1.3
2. IFCI		5,719.5	2,838.7	10,300.3	4,563.3	+ 80.1	+ 60.8
3. ICICI		14,527.9	6,879.3	15,214.5	7,120.4	+ 4.7	+ 3.5
4. SIDBI	@	4,699.3	3,385.3	6,055.7	4,796.1	+ 28.9	+ 41.7
	@@	3,314.7	2,478.4	3,845.2	3,182.1	+ 16.0	+ 28.4
5. IRBI		777.9	397.6	897.3	528.6	+ 15.3	+ 32.9
6. SCICI		3,719.8	1,441.0	5,049.0	2,464.6	+ 35.7	+ 71.0
B. Specialised Financial Institutions (7 to 9)		**361.3**	**245.5**	**369.5**	**231.0**	**+ 2.3**	**– 5.9**
7. RCTC		13.9	13.0	42.0	15.3	+ 202.2	+ 17.7
8. TDICI		118.1	95.3	55.9	48.8	– 52.7	– 48.8
9. TFCI		229.3	137.2	271.6	166.9	+ 18.4	+ 21.6
C. Investment Institutions		**8,756.3**	**6,069.1**	**6,355.4**	**6,111.7**	**– 27.4**	**+ 0.7**
(10 to 12)	@	**7,606.3**	**5,594.1**	**5,273.8**	**5,163.4**	**– 30.7**	**– 7.7**
	@@	**7,606.3**	**5,594.1**	**5,273.8**	**5,163.4**	**– 30.7**	**– 7.7**
10. UTI		6,277.8	4,346.5	3,178.9	2,994.1	– 49.4	– 31.1
	@	5,377.8	4,071.5	2,197.3	2,195.8	– 59.1	– 46.1
	@@	5,377.8	4,071.5	2,197.3	2,195.8	– 59.1	– 46.1
11. LIC		1,790.0	1,343.4	2,341.9	2,529.7	+ 30.8	+ 88.3
	@	1,540.0	1,143.4	2,241.9	2,379.7	+ 45.6	+ 108.1
12. GIC		688.5	379.2	834.6	587.9	+ 21.2	+ 55.0
D. Total Assistance by All-India Financial Institutions (A@+B+C@)		**56,019.0**	**31,402.8**	**62,628.9**	**35,503.6**	**+ 11.8**	**+ 13.1**
E. State-level Institutions (13 and 14)		**4,271.5**	**2.989.8**	**6,478.8**	**3,955.4**	**+ 51.7**	**+ 32.3**
13. SFCs		2,760.2	2,005.4	3,991.2	2,572.3	+ 44.6	+ 28.3
14. SIDCs		1,511.3	984.4	2,487.6	1,383.1	+ 64.6	+ 40.5
F. Total Assistance by All Financial Institutions (A@@+B+C@@+E)		**58,400.6**	**33,113.4**	**66,291.3**	**37,327.4**	**+ 13.5**	**+ 12.7**

S - Sanctions. D - Disbursements.

@ Data are adjusted for inter-institutional (all-India) flows.

@@ Data are adjusted for inter-institutional (all-India and state-level) flows.

Note : 1. Data for 1995-96 are provisional for all institutions and estimated for SFCs/SIDCs.

2. Data have been adjusted for inter-institutional flows. This involves adjustment in regard to loans and subscription to shares and bonds of financial institutions by IDBI, IDBI/SIDBI's refinance to SFCs and SIDCs and seed capital assistance, term loans given by LIC and special deposits of UTI to IDBI, IFCI and ICICI.

3. SIDBI's assistance exclude short-term bills.

Source : IDBI and Respective Financial Institutions.

Table VI-4 : Reserve Bank's Open Market Operations in Central Government Securities

(Nominal Values in Rs. Crore)

Year	Purchases	Sales	Net Sales (-) / Net Purchases (+)
1	2	3	4
1989-90	3,551.8 (14,287.1)	4,739.0 (15,631.2)	(–) 1,187.2 (1,344.1)
1990-91	2,291.2 (14,287.1)	2,238.1 (13,725.2)	(+) 53.1 (431.8)
1991-92	3,244.8 (5,321.7)	7,327.1 (9,365.6)	(–) 4,082.3 (4,043.9)
1992-93	6,273.4	11,792.5	(–) 5,519.1
1993-94	967.6	10,804.6	(–) 9,837.0
1994-95	1,560.98	2,309.03	(–) 748.05
1995-96	1,645.24	1,130.89	(+) 514.35
April-September			
1995-96	453.17	1,392.32	(–) 939.15
1996-97	671.68	1,951.76	(–) 1,280.08

Note : Figures shown in brackets upto 1991-92 are inclusive of purchases / sales effected from time to time out of surplus funds of IDBI, EXIM Bank, NABARD and other institutions under a special buy-back arrangement.

Table VI-5 : Turnover of the Securities Trading Corporation of India

(Rs. crore)

	Instrument	1994-95 *	1995-96	1995-96 (upto Sept 21)	1996-97 (upto Sept 21)
1	2	3	4	5	
1.	Government Dated Securities	39,631	1,70,281	26,258	14,944
2.	Treasury Bills	310	2,674	1,614	4,381
3.	Borrowing in Call / Notice Money Market	18,825	1,07,687	45,971	75,701
4.	Lending in Call / Notice Money Market	7,593	42,213	6,427	35,875
Memorandum items : Daily average borrowing / lending in the call money market					
1.	Borrowing	61	237	NA	NA
2.	Lending	26	112	NA	NA

* From June 15, 1994 to March 31, 1995.

Table VI-6 : Relative Rates of Return in Major Financial Markets

(Per cent per annum)

Item	Last Week / Fortnight of March					Last Week / Fortnight of September	
	1992	1993	1994	1995	1996	1995	1996
1	2	3	4	5	6	7	8
1. Call Money Rate (Mumbai) (DFHI Average Lending Rate)	30.63	17.38	6.38	16.10	16.28	26.25	10.00
2. 91-day Treasury bills (Auction) (Cut-off yield)	—	10.97	7.46	11.90	12.97	12.67	10.17
3. 182-day/364 day Treasury bills (Cut-off yield)	9.27	11.10	9.97	11.94	13.12	12.91	12.61
4. Certificates of Deposit (Middle Rate)	14.50	14.50	9.60	12.50	17.13	12.37	12.12
5. Commercial Paper (Middle Rate)	16.50	15.88	11.50	14.50	20.15	14.25	13.21
6. 3-year Deposit Rate	12.00	11.00	10.00	11.00	Free	12.00	Free
7. Minimum Lending Rate @	19.00	17.00	15.00	15.00	16.50	15.50	15.5-16.5
8. Coupon Rate of 10-Year GOI Securities	11.00	12.75	12.50	12.35	14.00	14.00	13.85 @@
9. Capital Market (Ordinary Shares)							
a) Gross Yield (All Industries)	1.38	2.26	1.79	2.11	3.61	2.93	4.24
b) Change in RBI Index (All Industries)	181.37	-39.94	49.27	3.96	-18.32	-30.52	-5.74
Memo Item							
Inflation Rate (WPI on Point-to-Point Basis)	13.56	7.02	10.81	10.41	5.00	8.40	6.40

@ Data for March 1995 onwards pertain to 'Prime lending rate' of five major scheduled commercial banks :

@@ Issued on August 26, 1996.

CHAPTER VII

COMMODITY AND BULLION PRICES*

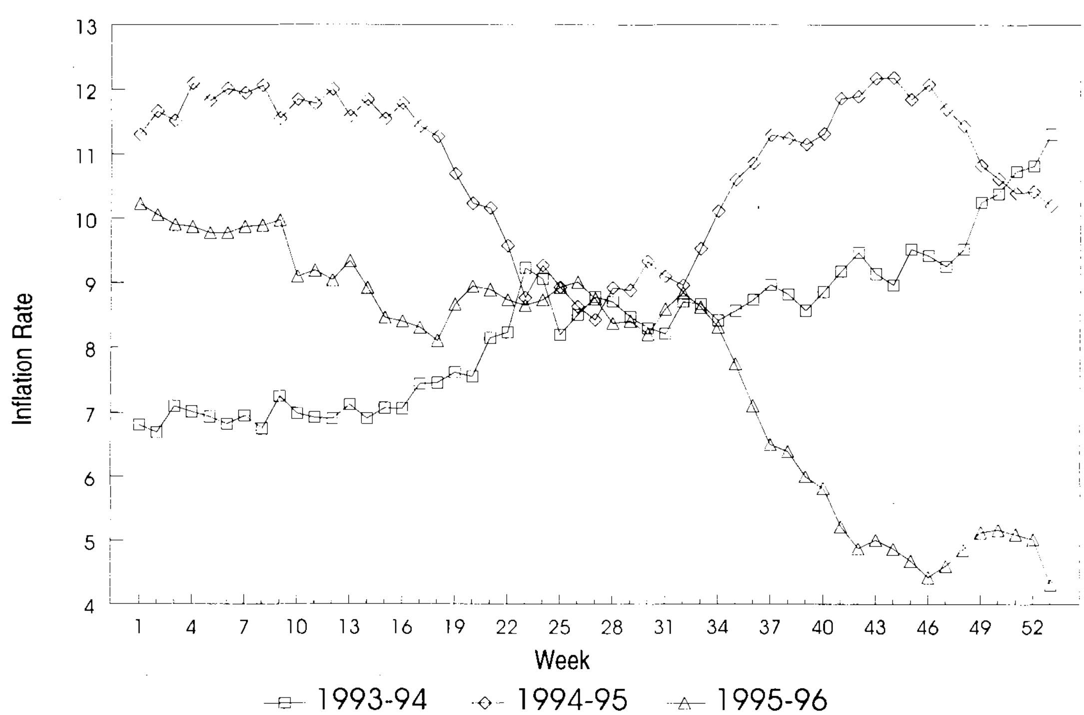
Commodity Prices

During 1995-96, there was a reversal of the strong inflationary trend witnessed during the first half of the 'nineties. The rate of inflation measured by the wholesale price index (WPI) came down to 7.8 per cent, on an average basis, as against 10.9 per cent in 1994-95. On a point-to-point basis, the decline was even sharper from 10.4 per cent in 1994-95 to 5.0 per cent in 1995-96 (Table VII-1).

Phase-wise movements in price behaviour in 1995-96 showed a different pattern in comparison to the previous two years. There was a sharp decline in WPI from 3.9 per cent in the first phase (end-March 1995 to end-August 1995) to 0.2 per cent in the second (end-August 1995 to end-December 1995) and 0.9 per cent in the third (end-December 1995 to end-March 1996) phase (Graph VII.1). In fact, the rate of inflation declined to a single digit level (9.9 per cent) for the week ended April 15, 1995 and this trend prevailed throughout the remaining period of the financial year except for the last week of May 1995 when it touched 10.0 per cent. Another notable feature was that the inflation rates throughout the year 1995-96 remained lower than those recorded in the corresponding weeks of the previous year except those for the weeks ended September 23 and September 30, 1995.

The strong inflationary tendencies during the first half of the 'nineties were underscored by the fact that inflation rate above nine per cent was noticed for as many as 41 months, constituting 68.3 per cent of the total number of 60 months. The situation changed drastically for the year 1995-96 with only 3 months recording a price rise of more than 9 per cent (Table VII-2). The moderation of

Graph VII-1
Annual Inflation Rate
(Week-to-Week)



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* This Chapter is based on information/data available upto September, 1996.

inflationary pressures during 1995-96 could be attributed to prudent demand management policies which were supported by a variety of supply management factors. On the supply side, a favourable real output situation, particularly industrial production, comfortable food stocks with the Food Corporation of India (FCI) and active supply management of essential food products were the important factors. On the demand side, the main contribution was from a marked moderation in the growth of money supply.

Commodity/Group-wise Trend

An analysis of group-wise behaviour of prices based on the WPI revealed the following trends in 1995-96. On a point-to-point basis, 'Primary Articles' group registered the highest price rise of 5.4 per cent (12.7 per cent during 1994-95) followed by 5.0 per cent (10.7 per cent during 1994-95) for the 'Manufactured Products' group and 3.7 per cent (2.4 per cent during 1994-95) for the 'Fuel' group (Table VII-3). On an average basis, the prices of the major groups, viz., 'Primary Articles', 'Manufactured Products' and 'Fuel, Power, Light and Lubricants' moved up by 7.5 per cent, 9.1 per cent and 1.8 per cent, respectively, as compared with increases of 12.8 per cent, 10.5 per cent and 6.9 per cent in the previous year (Graph VII-2).

a) Primary Articles

The primary articles group, on a point-to-point basis, exhibited a lower order of price increase at 5.4 per cent as compared with a rise of 12.7 per cent during 1994-95. Within this group, food articles witnessed a higher increase of 9.8 per cent compared to the non-food articles which, actually, registered a decline of 1.9 per cent. Prices of non-food articles reflected moderation after two years mainly due to a slackening in the prices of 'fibres' and 'oilseeds'. Amongst the food articles, pulses, fruits and vegetables, and tea registered increases in double digits, while eggs, fish and meat and coffee exhibited a decline. The prices of minerals increased by 5.6 per cent as compared with 6.5 per cent in 1994-95.

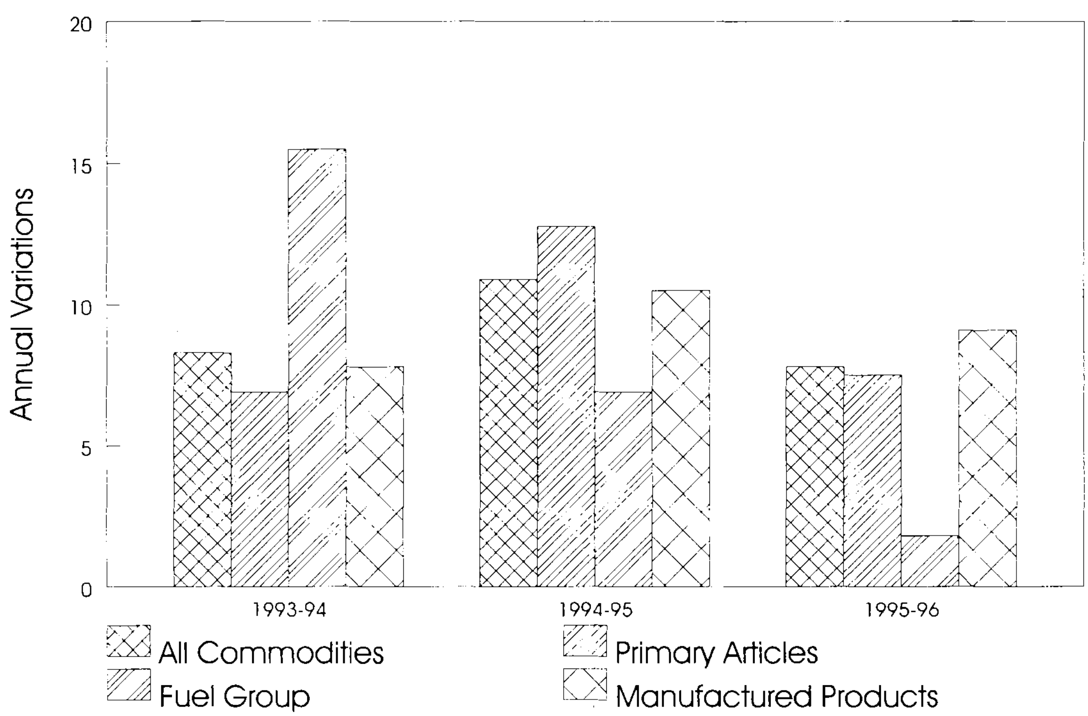
b) Fuel, Power, Light and Lubricants

As administered prices were not raised for the second year in succession, the 'Fuel, Power, Light

Graph VII-2

Annual Variations in WPI

(Average Basis)



and Lubricants' group which mostly includes administered items witnessed moderate price rise. The index of this group increased by 3.7 per cent during 1995-96 compared with an increase of 2.4 per cent in the previous year. Within this group, 'electricity' registered the highest rise of 9.6 per cent; 'mineral oils' saw a rise of 0.9 per cent as against a negative growth of 0.1 per cent during 1994-95.

c) Manufactured Products

The rise in the index for 'Manufactured Products' group in 1995-96 at 5.0 per cent was much lower than the rise of 10.7 per cent recorded in 1994-95. There was a definite deceleration in agriculture based items *viz.*, sugar, *khandsari* and *gur*, edible oils and cotton textiles in contrast to the trends of the previous year. However, items like cement continued to exhibit price acceleration with a rise of 10.2 per cent.

Weighted Contribution of Major Groups

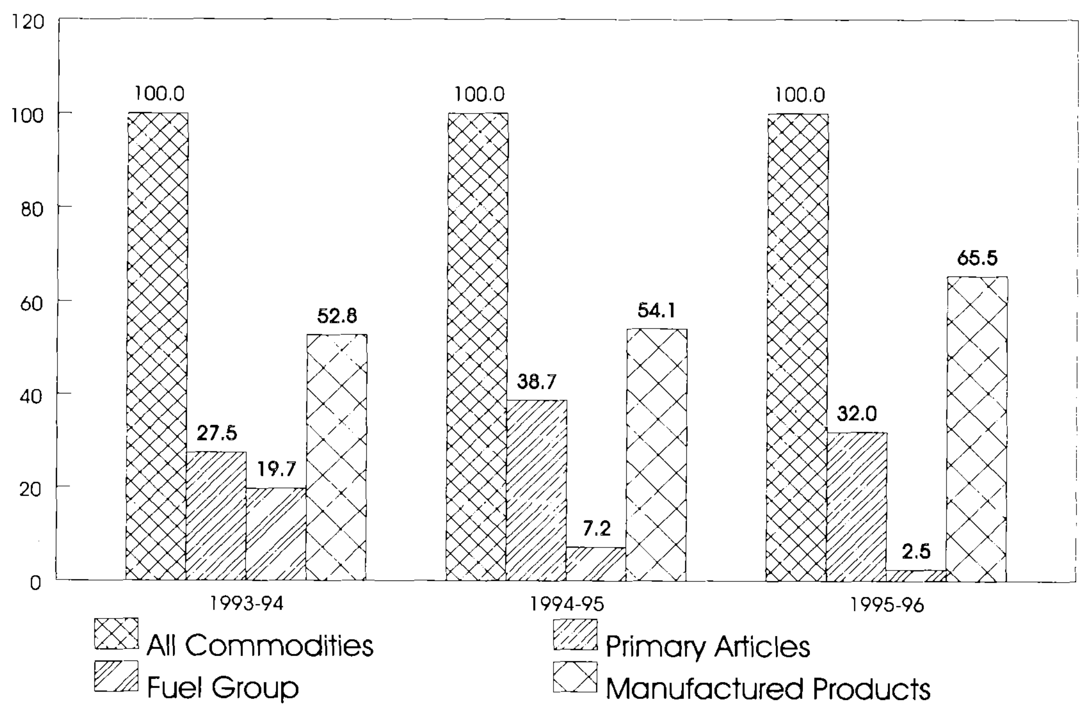
An analysis of weighted contribution of different groups/commodities to the increase in the general index of wholesale prices in 1995-96 reveals that, on an average basis, the 'Manufactured Products' group, with a weight of 57.0 per cent, contributed 65.6 per cent (54.1 per cent previous year) to the rise in the general index, followed by 32.0 per cent by the 'Primary Articles' group (38.7 per cent last year) with a weight of 32.3 per cent (Table VII-4 & Graph VII-3)[1]. The 'Fuel' group with a weight of 10.7 per cent had a relative contribution of 2.5 per cent during 1995-96 which was lower than that of 7.2 per cent registered in the previous year. On a point-to-point basis, the weighted contribution by the 'Manufactured Products' group turned out to be lower at 56.2 per cent, whereas those by 'Primary Articles' and 'Fuel' groups at 35.9 and 7.8 per cent, respectively, were higher than their contributions on an average basis.

1. The contribution of 'Manufactured Products', during 1994-95 and 1995-96, remained above the decadal average for the 'eighties (1980-81 to 1989-90) and the five year average for the 'nineties (1990-91 to 1994-95), whereas 'Primary Articles' group and 'Fuel' group made smaller contributions than their long-term average.

Graph VII-3

Weighted Contribution of Major Groups

(Average Basis)



Consumer Price Indices

The price situation with regard to the three measures of the Consumer Price Index (CPI), namely, CPI-Industrial Workers (CPI-IW), CPI-Urban Non-Manual Employees (CPI-UNME) and CPI-Agricultural Labourers (CPI-AL), indicate that the inflation rate measured in terms of any of the three variants of CPI was higher than that measured in terms of WPI. As methods of compilation, weighting diagrams and commodity coverages for the WPI and CPI are different, the inflation rates measured in terms of CPI and WPI tend to vary (Table VII-5).

The disaggregated analysis in terms of food and non-food groups reveals that the 'Food' group prices under both WPI and CPI have been rising, with the movement being particularly stronger since 'eighties at the CPI level. The differential behaviour of the sources of inflation in WPI and CPI are apparent from Table VII-6. The weighted contributions of 'Food' group under the WPI have been on the decline through 'eighties and the mid-'nineties, whereas those under the CPI experienced a steady rise since the 'eighties. It can be concluded that over this period, variations in WPI have been guided more by variations in 'Non-Food' prices, while those in CPI have been influenced primarily by variations in the prices of the 'Food' group.

During 1995-96, prices of 'Food' group under WPI (weight = 27.5), on an average basis, witnessed sharp rises and as such, its weighted contribution was substantially higher at 45.5 per cent. Significantly, sub-groups of the 'Food' group such as fruits and vegetables, condiments and spices and pulses which were principal contributors in WPI, exerted substantial pressure on the 'Food' group under the CPI as well. As a result, the 'Food' group contributed as much as 62.1 per cent to the general rise in CPI during the year, given its large weight of 60.9 per cent in the CPI index. Therefore, any variation in the prices of this group would have a divergent impact on the variations in CPI and WPI on account of its differential weight in these two indices.

The spatial distribution of the rise in retail prices in terms of CPI-IW across the major cities also indicates the persistence of inflationary pressure. Out of 70 centres for which CPI-IW is constructed, price increases of more than 9 per cent was recorded in as many as 46 centres as compared with only 36 centres in 1994-95 (Table VII-7).

Trends in Administered/Support Prices

During 1995-96, the hikes in prices of administered items comprising crude oil, coal mining, mineral oil, electricity and urea, were markedly lower at 1.7 per cent as against the rise of 9.7 per cent recorded during 1994-95. Item-wise also, the hikes were much lower than those recorded during the 'nineties (Table VII-8). During 1995-96, the highest increase was experienced by electricity (5.0 per cent) followed by urea (3.4 per cent), coal mining (1.1 per cent) and petroleum crude and natural gas (0.9 per cent). The mineral oil group witnessed a meagre rise of 0.1 per cent. In this context, it may be noted that the average price rise of 11.7 per cent for these items during 1990-91 to 1993-94 ruled higher than the overall average inflation rate of 10.6 per cent. However, as against this trend, the increases in these prices remained below the average inflation rate for both 1994-95 and 1995-96 contributing, to an extent, to the low overall inflation rate.

Measures influencing Prices

During 1995-96, the policies of the Government aimed at stabilising prices were oriented towards ensuring easy availability of key commodities in short supply like cotton, sugar and edible oil. Liberal imports of essential commodities were allowed to make up the shortfall in domestic supply. Moreover, open market sales from Central food stock helped in dampening the prices of foodgrains. During 1995-96, the FCI sold over 8 million tonnes of foodgrains, mostly wheat, in the open market which helped to keep market prices down.There was a renewed emphasis on strengthening the Public Distribution System (PDS) as also on an expansion of the Revamped Public Distribution System (RPDS). In October 1995 RPDS coverage was extended, in principle, to 2,446 blocks covered under the Employment Assurance Scheme.

The Government raised the minimum support price (MSP) of all the major *kharif* crops including fine and super fine varieties of rice, *jowar, bajra* and *ragi* in August 1995. The MSP for the *rabi* crops was also increased by 2.5 to 5.5 per cent

Box VII-1

Rationality of Inflation Targetting

There is a growing consensus that low and stable rate of inflation should constitute the core objective of monetary policy. Cross-country experiences show that higher inflation in the medium to long run has always been a monetary phenomenon and there does not exist any lasting beneficial exploitable relationship between inflation and economic growth (in essence, a vertical Phillips Curve). Moreover, the objective of price stability in a deregulated environment assumes special significance on account of its far reaching consequences for all segments of the economy, particularly for the financial and external sectors. In order, therefore, to avoid distortions in these sectors as also such other costs as net transfer of wealth from unindexed group of people to the indexed group and allocative inefficiencies arising from persistence of inflationary expectations, a time has now come whereby it becomes critical to attach more importance to containing inflationary pressures. Accordingly, effective tracking of future inflationary processes as well as inflationary expectations provide the Central bank valuable inputs for establishing appropriate forward looking monetary policies.

There are a number of advantages that can be obtained from inflation targetting (IT). One of the most important advantages is that it provides a clear nominal anchor to monetary policy thereby providing a transparent policy environment to the market. Since inflation forecasting, which constitutes an integral part of IT, provides early signal to future inflationary pressures, it could be considered as the intermediate target too. In fact, inflation forecasting has all the three attributes of an intermediate target viz. controllability, predictability and early leading indicator of final target i.e., price stability.

Another major advantage is that a joint public commitment of IT by both the Central bank and the Government will help in reducing inflationary expectations of economic agents thereby facilitating in lowering and stabilising the inflation rate. This makes the Central bank as well as the Government more accountable to public scrutiny. Following the rational expectation hypothesis, it also creates an environment whereby inflation surprises become costlier. In other words, the transient output gain from inflation surprises would be nullified eventually even in the short term and rather would cause loss of credibility for both the Central Bank and the Government thereby inflicting heavy costs on the economy. Another reason which also favours IT for being the appropriate intermediate target is the availability of price indices with a much shorter time lag.

For all these reasons, inflation targetting has been adopted in many countries in the recent past such as in New Zealand (1990), Canada (1991), Israel (1991), U.K. (1992), Finland (1993), Sweden(1993), Mexico (1994), Norway (1994) and Spain (1994).

References

a) Barro, Robert J. (1995), *"Inflation and Economic Growth"*, Bank of England Quarterly Bulletin, August.

b) Briault, Clive (1995), *"The Costs of Inflation"*, Bank of England Quarterly Bulletin, February.

c) Bryan, M.F. and S.C. Cecchetti (1993), *Measuring Core Inflation*, NBER Working Paper No.4303, March.

d) *"Inflation Targetting in Selected Countries"*, Bank of Japan Quarterly Bulletin, May 1995.

e) Bank of Finland Bulletin, Various Issues.

over the previous year with the maximum increase of 5.6 per cent in the case of wheat. In order to keep the mounting food subsidy bill under control, the Government decided to give due weightage to the cost of transportation while fixing the FCI open sale price. The open sale price of rice was raised on two occasions in November-December 1995.

The ex-mill prices of sugar were revised upwards following the increase in the statutory minimum sugarcane price from Rs.39.10 per quintal in 1994-95 to Rs.42.50 per quintal in 1995-96. In view of the comfortable stock position of sugar, the *ad-hoc* increase of 5 per cent in allocation of levy sugar quota was restored between September-December 1995. Since January 1, 1996 the Government has allowed levy sugar allotment to States/Union Territories for Public Distribution System on the basis of the 1991 census.

Import of edible oils, except coconut oil, Palm (Kernel, RBD & Stearin) oil, was allowed under OGL at a reduced duty of 30 per cent. In order to stabilise prices, 6.5 lakh tonnes of edible oils were imported during April-October 1995 which kept the prices under check even during the festival season.

The price of coffee powder was reduced by the Coffee Board with effect from July 15, 1995. The average price of tea ruled higher than that in the last year.

The run of mine (ROM) prices of coal were last revised by the Central Government in June 1994. However, on December 30, 1995 the premium on long flame coals, differentials between ROM coal, steam coal and slack coal and also some additional charges like transportation etc. were enhanced. Subsequently following the deregulation of the prices of coking coal and A, B and C grades of non-coking coal by the Government in March 1996, the prices of these coal were enhanced.

Fertiliser prices continued to be subsidised by the Government. Furthermore, a special concession of Rs.1,000 per tonne for indigenous DAP and imported MOP (Muriate of Potash) is admissible. Subsequently, in order to correct the existing imbalance in the ratio of application of nitrogen (N), phosphate (P) and potash (K), the Central Government announced a three-fold increase in the subsidies on phosphatic and potassic fertilisers in July 1996.

As regards mineral oil prices, there were no revisions during the year. In December 1995, prices of lubricants were increased by 14 to 15 per cent. This was the second hike since the Government lifted price and distribution control on lubricants in September 1993. In July 1996, the prices of petroleum products – LPG, Petrol and High Speed Diesel were hiked by 25 to 30 per cent, which was the steepest hike since 1980.

Bullion Prices

Gold

The monthly average price of gold in the Mumbai market recorded a sharp rise of 11.6 per cent to Rs.5,200 per 10 gms. in March 1996 as compared with only a modest rise of 1.4 per cent to Rs.4,661 per 10 gms. in March 1995. On an annual average basis, gold prices were, however, up by 6.2 per cent from Rs.4,667 during 1994-95 to Rs.4,958 in 1995-96 (Table VII-9 and Statement 35 of Vol. II). The rally which started in September 1995 continued until the first week of February 1996, when price peaked at Rs.5,713 per 10 gms. (on February 6, 1996). Thereafter, the year closed on a sluggish note as prices declined, on an average basis, to Rs.5,200 in March 1996. Subsequently, during April-September 1996, the softening trend by and large continued as gold price dropped by 1.3 per cent to Rs.5,133 in September 1996.

The London market also experienced a similar uptrend starting from November 1995. On a point-to-point basis, the London market witnessed a strong price rise of 3.9 per cent to $ 397 per troy oz. as at the end of March 1996 (1.6 per cent to $ 389 per troy oz. on average basis in 1995-96) in contrast to a decline of 0.5 per cent to $ 382 as at the end of March 1995 from March 1994. Subsequently, during April-September 1996, the price of gold exhibited a bearish trend as it declined markedly by 3.6 per cent to $ 383 in September 1996 (Statement 35 of Vol. II).

The rally in gold prices during the second half of 1995-96 in the national and international markets could be largely attributed to supply-demand imbalances. On the supply side, a deceleration in gold production in major gold producing countries and a virtual stoppage of sale of official gold holding by Central Banks reduced the supply in the market. On the demand side, investors' disappointment with global equity markets and apprehension regarding future inflation following the Federal Reserve's lowering of the short-term lending rate in January 1996 firmed up gold prices. On the domestic front, the depreciation of the rupee against the US dollar, particularly during late January 1996 through early February 1996, coupled with higher international prices and strong seasonal demand were the principal contributory factors for the price increase. The softening of prices witnessed since the second week of February 1996 was on account of a number of factors which included the fall in international prices of gold, a strong recovery of the rupee against the US dollar, a resumption of sales by the Customs Department and the resistance from buyers at higher prices. Subsequent sluggishness reflected a lack of seasonal demand which generally prevails during the early part of the year.

The spread between average gold prices in Mumbai and London markets has been declining continuously since 1990-91, with the exception of 1994-95 when it widened marginally to 20.8 per cent from 20.3 per cent in 1993-94. During 1995-

96, it declined further to 18.4 per cent reflecting greater integration of the two markets (Graph VII-4). The spread further declined to 16.5 per cent in September 1996. The increase in imports of gold through the official channel from 109.51 tonnes in 1993-94 to 186.80 tonnes in 1994-95 and further to 211.53 tonnes in 1995-96 contributed to the continuous decline in the spread (Table VII-10).

Silver

Silver prices in the domestic market in Mumbai fluctuated in a narrow range during April-December 1995, but soared during January through early February 1996. It declined thereafter and this trend continued until September 1996. In the process, it recorded, on a year-on-year basis, a strong rise of 20.7 per cent to Rs.7,472 per kg. in 1995-96 (7.9 per cent to Rs.7,221 on average basis) in contrast to a fall of 12.4 per cent to Rs.6,189 per kg. in 1994-95 (rise of 5.4 per cent to Rs.6,692 on average basis) (Table VII-9 and Statement 35 of Volume II). A similar trend was also observed in the New York market as silver prices increased sharply, on a year-on-year basis, by 18.8 per cent to 551 cents per troy oz. in 1995-96 (5.1 per cent to 540 cents on average basis). It, however, declined markedly during April-September 1996 by 7.4 per cent to 500 cents in September 1996.

The spread in the average price of silver between the Mumbai and the New York markets, which was as high as 162.2 per cent in 1990-91, declined for the fifth year in succession to reach 24.3 per cent in 1995-96. It had declined further to 23.6 per cent by September 1996 (Graph VII-4).

The upsurge in the domestic price of silver was mainly due to higher international prices and the downward pressure on the exchange rate of the rupee *vis-a-vis* the US dollar. Not surprisingly, the price of silver declined in March 1996 with the stabilisation of the rupee-US dollar exchange rate. The bearish price behaviour so far during 1996-97 can be attributed to a seasonal slackness in demand.

Graph VII-4

Spread in Gold & Silver Prices

(In Per cent)

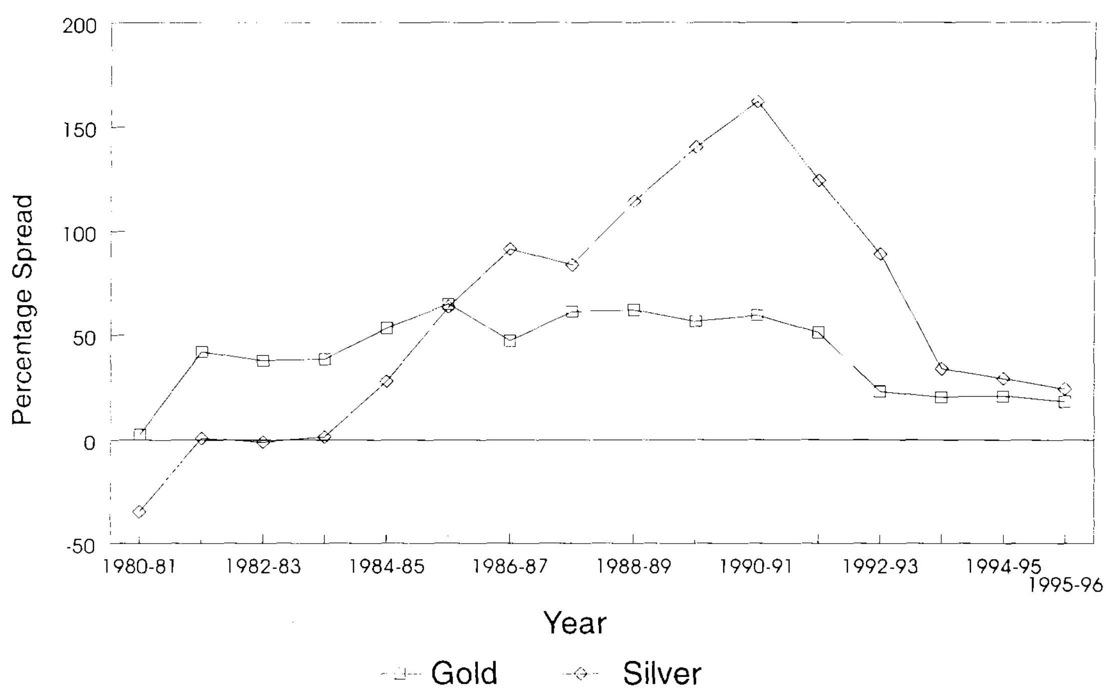


Table VII-1 Major Inflation Indicators

(Per cent)

Inflation	1994-95	1995-96	April - Sept.	
			1995-96	1996-97
1	2	3	4	5
1. WPI : All commodities				
a) Point-to-Point basis	10.4	5.0	4.5	5.8
b) Average basis	10.9	7.8	6.9	4.5
2 CPI : Industrial Workers				
a) Point-to-Point basis	9.7	8.9	8.2	7.8
b) Average basis	10.3	10.0	8.2	7.2

P : Provisional

Table VII-2 : Frequency Distribution of Annualised Inflation Rate (Month-wise)

(No. of months)

Range of Inflation in Per cent	Frequency Distribution of Months		
	Decadal Average 1980-81 to 1989-90	Five Year Average 1990-91 to 1994-95	1995-96
1	2	3	4
0.0-5.0	29 (24.2)	nil (-)	2 (16.7)
5.1-7.0	44 (36.7)	3 (5.0)	2 (16.7)
7.1-9.0	33 (27.5)	16 (26.7)	5 (41.7)
9.1-11.0	10 (8.3)	14 (23.3)	3 (25.0)
11.1-15.0	2 (1.7)	25 (41.7)	—
Over 15.0	2 (1.7)	2 (3.3)	—

Note : Figures in brackets represent percentage to the total number of months.

Table VII-3 : Major Group-wise Inflation Rate*

(Per cent)

Commodity Group	1994-95		1995-96	
	Point-to -Point	Average	Point-to -Point	Average
1	2	3	4	5
Primary Articles	12.7	12.8	5.4	7.5
'Fuel' Group	2.4	6.9	3.7	1.8
Manufactured Products	10.7	10.5	5.0	9.1
All Commodities	10.4	10.9	5.0	7.8

* Measured in terms of changes in the Index Number of Wholesale Prices.

Table VII-4 : Weighted Contributions to Inflation (major group-wise)

(Per cent)

Commodity Group	Decadal Average 1980-81 to 1989-90	Five Year Average 1990-91 to 1994-95	1994-95	1995-96
1	2	3	4	5
Point-to-Point basis				
Primary Articles	34.7	34.0	39.6	35.9
Fuel Group	15.8	12.3	2.7	7.8
Manufactured Products	49.5	53.7	57.7	56.2
All Commodities	100.0	100.0	100.0	100.0
Average basis				
Primary Articles	33.4	35.0	38.7	32.0
Fuel Group	12.5	12.6	7.2	2.5
Manufactured Products	54.1	52.4	54.1	65.6
All Commodities	100.0	100.0	100.0	100.0

Table VII-5 : Consumer Price Indices

Item	Indices				Percentage Variations (Per cent)			
	1994-95		1995-96		1994-95		1995-96	
	End-March	Average	End-March	Average	Point-to-Point	Average	Point-to-Point	Average
1	2	3	4	5	6	7	8	9
CPI – Industrial Workers (BASE: 1982 = 100)	293	284.4	319	312.8	9.7	10.3	8.9	10.0
CPI – Urban Non-Manual Employees (BASE: 1984-85 = 100)	244	236.5	262 *	257.6 *	9.9	9.5	7.4 *	8.9 *
CPI – Agricultural Labourers (BASE: 1960-61 = 100)	1300	1247.3	1396	1380.6	10.6	12.0	7.4	10.7

* Up to December, 1995

Table VII-6 : Weighted Contribution of WPI and CPI (Average basis)

(Per cent)

Period	WPI		CPI-IW	
	Food	Non-Food	Food	Non-Food
1	2	3	4	5
1980-89	32.4	67.6	58.3	41.7
1990-95	28.5	71.5	61.6	38.4
1995-96	45.5	54.5	62.1	37.9

Table VII-7 : Centre-wise Frequency Distribution of Inflation Rate(measured in terms of CPI-IW)

Range of Inflation Rate (%)	Number of Centres			
	1992-93	1993-94	1994-95	1995-96
1	2	3	4	5
2-5	1	7	—	—
6-9	35	53	34	24
10-13	32	10	31	42
14-17	2	—	4	4
18-21	—	—	1	—

Table VII-8 : Hike in the Administered Prices (Average Basis)

(Per cent)

Item	Weight	1990-91 to 1993-94	1994-95	1995-96
1	2	3	4	5
1. Petroleum crude & natural gas	4.274	7.3	7.0	0.9
2. Coal Mining	1.256	10.8	5.1	1.1
3. Mineral Oil	6.666	14.6	5.1	0.1
4. Electricity	2.741	14.4	10.8	5.0
5. Urea N content	0.992	6.9	17.4	3.4
Administerd Items	15.929	11.7	9.7	1.7
Memo Item : Inflation Rate (change in WPI)		10.6	10.9	7.8

Table VII.9 Average Prices of Gold and Silver

Year/Month	Gold (Rs. per 10 gms.)			Silver (Rs. per kg.)		
	Mumbai	London *	Spread @	Mumbai	New York **	Spread @
1	2	3	4	5	6	7
1993-94	4,532	3,766 (373)	766 (20.3)	6.348	4,741 (470)	1,607 (33.9)
1994-95	4,667	3,864 (383)	803 (20.8)	6,692	5,187 (514)	1,505 (29.0)
1995-96	4,958	4,189 (389)	769 (18.4)	7,221	5,811 (540)	1,410 (24.3)
March 1994	4,598	3,871 (384)	728 (18.8)	7,063	5,488 (544)	1,575 (28.7)
March 1995	4,661	3,888 (382)	773 (19.9)	6,189	4,723 (464)	1,466 (31.0)
March 1996	5,200	4,386 (397)	814 (18.6)	7,472	6,103 (551)	1,369 (22.4)

* Figures in brackets indicate average prices in US $ per troy oz.

@ Figures in brackets indicate percentage spread.

** Figures in brackets indicate average prices in cents per oz.

Sources : 1. Bombay Bullion Association.

2. Press Trust of India.

Table VII-10 : Imports of Gold through official channel

Year	Quantity of Imports (in tonnes)	Duty Collected (Rs. crore)
1	2	3
1992-93	132.35	298.72
1993-94	109.51	241.76
1994-95	186.80	410.98
1995-96	211.53	465.24
1996-97 (up to April 1996)	24.6	54.11

CHAPTER VIII

FISCAL DEVELOPMENTS[1]

This Chapter has four sections. Section I deals with the budgetary developments of the Central Government while Section II discusses the developments in the finances of State Governments. Section III presents an analysis of the combined budgetary position of the Central and State Governments. Section IV covers the finances of the Department of Posts, Department of Telecommunications and the financial performance of the Railways.

I. Budgetary Operations of the Central Government[2]

Major Developments during 1995-96

During 1995-96 the key deficit indicators, with the exception of revenue deficit, turned out to be higher in the revised estimates than the corresponding budget estimates (Table VIII-1). Revenue deficit in the revised estimates at Rs.33,331 crore was lower by Rs.2,210 crore (-6.2 per cent) than the budget estimates of Rs.35,541 crore. Despite the reduction in the revenue deficit however, the conventional deficit exceeded the budget estimates of Rs.5,000 crore by Rs.2,600 crore (52 per cent) and was placed at Rs.7,600 crore in the revised estimates mainly on account of the shortfall in capital surplus from Rs.30,541 crore to Rs.25,731 crore, a decline of Rs.4,810 crore (-15.7 per cent)[3]. The gross fiscal deficit (GFD) in the revised estimates at Rs.64,010 crore surpassed the budget estimates (Rs.57,634 crore) by Rs.6,376 crore (11.1 per cent). At this level GFD as a proportion of GDP amounted to 5.9 per cent in the revised estimates as against 5.5 per cent projected in the budget estimates for 1995-96. Apart from the rise in the GFD, the gross primary deficit (GPD) increased sharply - more than double the budget estimates of Rs.5,634 crore to Rs.12,010 crore in the revised estimates while the net primary deficit overshot by Rs.3,360 crore (35.2 per cent) to Rs.12,919 crore (Table VIII-1 and Graph VIII-1). There was also a sharp rise in both the monetised deficit and the conventional deficit during 1995-96 (Table VIII-2 and Graph VIII-2A and 2B). At the end of fiscal 1995-96, monetised deficit stood at Rs.19,855 crore accounting for 31.0 per cent of GFD as compared with a modest level of Rs.2,130 crore or 3.7 per cent of GFD in 1994-95. The monetised deficit, at this level, was higher than in any year since the introduction of fiscal correction in 1991-92. Reflecting the sharp surge in monetised deficit, the net issue of *ad hoc* Treasury bills, on a fortnightly average basis, amounted to Rs.10,280 crore during 1995-96 in marked contrast to the decline of Rs.3,249 crore during 1994-95. In fact, the net issue of *ad hocs* during 1995-96 exceeded on three occasions for extended periods, the within-the year ceiling of Rs.9,000 crore stipulated in the Supplemental Agreement of September 1994 between the Central Government and the Reserve Bank of India[4]. Nevertheless, at the end of 1995-96, the net issue of *ad hocs* amounted to Rs.5,965 crore (Table VIII-3).

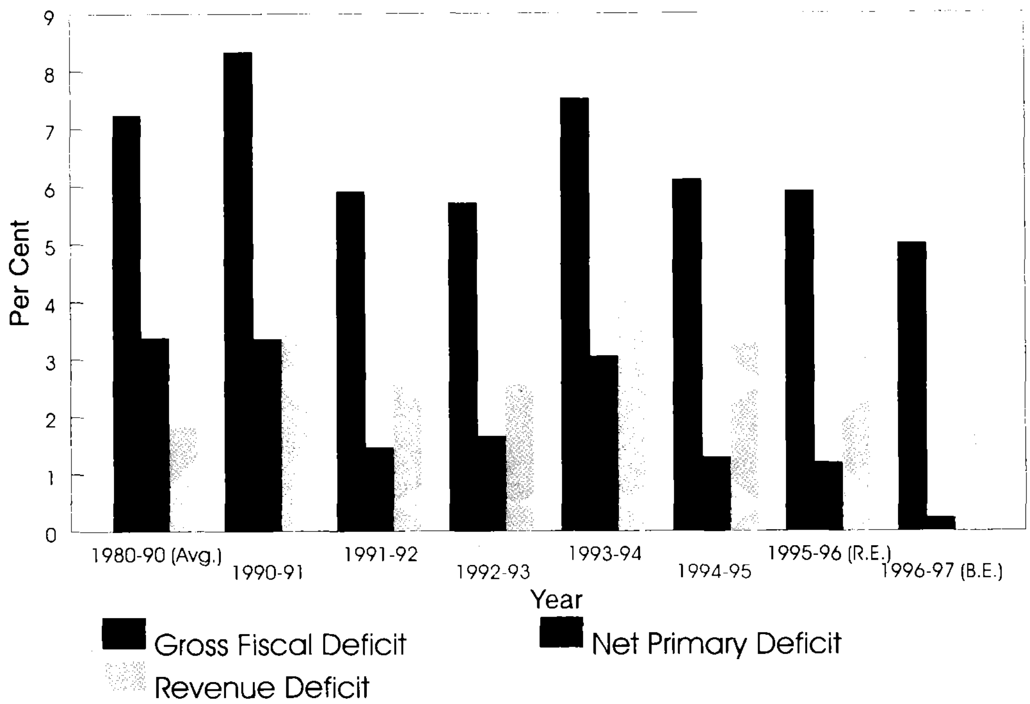
The developments in the deficit indicators need to be seen with reference to the trends in receipts and expenditures. Aggregate expenditures (RE) at Rs.1,88,492 crore exceeded the budget estimates by Rs.10,666 crore (6.0 per cent) whereas the aggregate receipts at Rs.1,80,892 crore recorded a relatively lower growth of Rs.8,066 crore (4.7 per cent) (Statement 148 of Volume II). Revenue receipts exceeded the budget estimates by Rs.9,217 crore (8.7 per cent) reflecting essentially the benefits of tax reform measures. Tax revenues at Rs.81,088 crore (RE) recorded a rise of Rs.6,714 crore (9.0 per cent) and accounted for almost 73 per cent of the growth in revenue receipts (Statement 149 of Volume II). Capital receipts, on

1. Based on material available upto September 1996. All references to the years in this Chapter relate to the fiscal years (April-March).
2. A detailed account of the budgetary operations of the Central Government during 1995-96 (Revised Estimates) and 1996-97 (Budget Estimates) was presented in an article on "Finances of the Central Government 1996-97" in the October 1996 issue of the Reserve Bank of India Bulletin.
3. As per the RBI records, the conventional budget deficit of the Central Government at end March 1996 stood at Rs.9,934 crore after the closure of the Government Accounts.
4. For details of the Supplemental Agreement of 1994, see Report on Currency and Finance, 1994-95.

Graph VIII-1

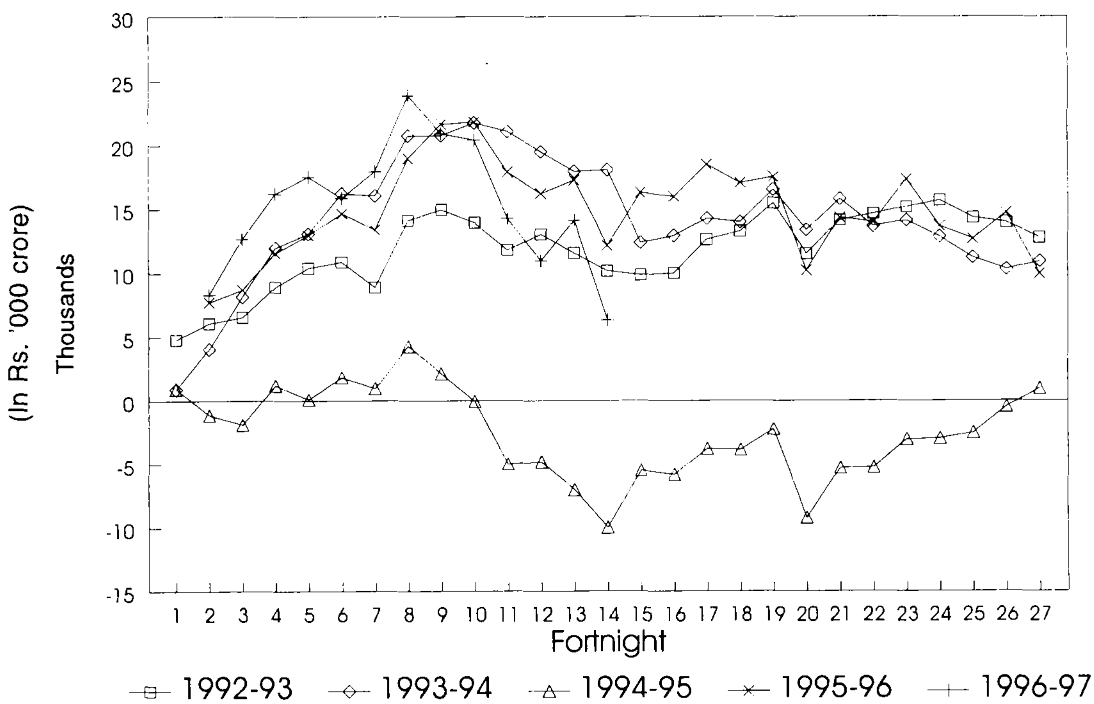
Central Government's Deficit Indicators

(as per cent of GDP)



Graph VIII-2A

Central Government's Budget Deficit, 1992-93 to 1996-97

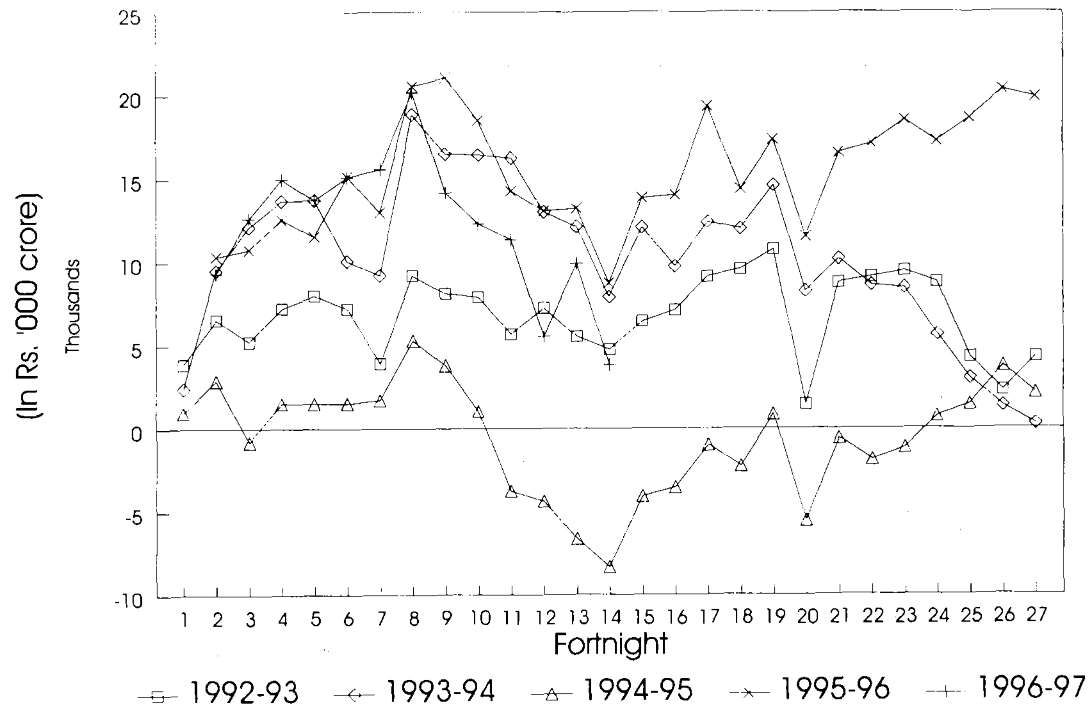


Note : Except for 1995-96, the 27th fortnight figure of each year indicates the end-March position after closure of the Government accounts.

Graph VIII-2B

Net RBI Credit to Central Government (Monetised Deficit)

1992-93 to 1996-97



Note : Except for 1995-96, the 27th fortnight figure of each year indicates the end-March position after closure of the Government accounts.

the other hand, recorded a negative growth of Rs.1,151 crore (-1.7 per cent), essentially due to the shortfall in receipts on account of disinvestment of equity holdings of the Public Sector Enterprises. The budget estimates had placed a target of Rs.7,000 crore from disinvestment whereas, the actual realisation was only Rs.357 crore. Realisation from market borrowings and small saving collections, however, exceeded the budget estimates. The net inflow from external borrowings also fell short of the budget estimates by Rs.2,487 crore (Statement 151 of Volume II).

In addition to the shortfall in disinvestment proceeds, the expenditure overrun itself was the major factor contributing to the excessive growth of GFD by Rs.6,376 crore during 1995-96. In the revenue account, the increase in developmental expenditure (Rs.4,438 crore or 8.5 per cent) was mainly due to the step up in expenditure on education, art, culture, scientific services and research (Rs.1,040 crore or 46.9 per cent), labour and employment (Rs.66 crore or 13.0 per cent) and other economic services (Rs.838 crore or 33 per cent). Non-interest non-developmental expenditure experienced an increase primarily on account of expenditure on currency, coinage, mint and other general services, technical and economic co-operation with other countries and postal services (Statement 150 of Volume II). The expenditure overrun in non-developmental capital outlay (Rs.677 crore or 8.9 per cent) was on account of increased provision for defence capital outlay (Rs.690 crore or 9.4 per cent) and loans to States and Union Territories (Rs.3,337 crore or 20.5 per cent) following larger mobilisation of small savings collections (Statement 152 of Volume II).

Budget Estimates : 1996-97

The regular budget for 1996-97[5] was formulated within the framework of a "Common Approach to Major Policy Matters and a Minimum Programme (CMP)" of the Government. The budget

5. The regular budget was presented to the Parliament on July 22, 1996. An Interim Budget was presented to the Parliament on February 28, 1996 for the purpose of a Vote-on-Account to enable the Government to meet expenditures during the first four months of fiscal 1996-97.

identified seven broad objectives viz. (i) to persevere with economic reforms and liberalisation to accelerate economic growth; (ii) to provide the basic minimum services to the poor in a time bound manner; (iii) to ensure broad-based growth in agriculture, industry and services to achieve high employment; (iv) to ensure fiscal prudence and macro-economic stability; (v) to enhance investment especially in the infrastructure sector; (vi) to promote human development and (vii) to ensure viability in the balance of payments through strong export performance and larger foreign investment flows.

As part of the economic reform programme and as an integral component of the fiscal consolidation process, the budget proposes to continue with tax reforms.[6] On the direct taxation side, specific concessions have been provided in respect of income and corporation taxes, besides introducing a Minimum Alternate Tax (MAT) to bring (hitherto) 'zero-tax' companies under the purview of taxation with the exception of power and infrastructure.[7] The indirect tax proposals in the budget are aimed at making the domestic industry globally competitive and providing it with reasonable levels of protection in the transitional period, essentially through further reductions in it and restructuring as well as rationalisation of rates. A levy of 2 per cent special customs duty has been proposed on a wide range of imports mainly to raise resources for infrastructure. Besides an across-the-board reduction in excise duties on a host of excisable goods, the budget has also extended the coverage of Modvat (Modified Value Added Tax) to the textile sector.

The budget aims at further reduction in the key deficit indicators relative to GDP from their past levels. Accordingly, revenue deficit and gross fiscal deficit as proportion of GDP are budgeted to decline respectively, to 2.5 per cent and 5.0 per cent of the GDP during 1996-97 from 3.1 per cent and 5.9 per cent during 1995-96. The proposed reduction in net primary deficit is even sharper being budgeted at 0.2 percent in 1996-97 as against 1.2 per cent of GDP in 1995-96 (Table VIII-1). The aggregate expenditure budgeted at Rs.2,10,577 crore represents a relatively lower increase (Rs.22,085 crore or 11.7 percent) than that of aggregate receipts at Rs.2,03,999 crore (Rs.23,107 crore or 12.8 per cent) [Statement 148 of Volume II].

Revenue receipts are estimated to register a 17.8 percent growth (Rs.20,583 crore) and contribute to almost 89 per cent of the increase in aggregate receipts anticipated in the budget (Statement 149 of Volume II). Tax revenue budgeted at Rs.97,310 crore would contribute about 79 per cent of the increase in revenue receipts reflecting the increased tax buoyancy as well as the impact of additional resource mobilisation measures envisaged in the budget. Taxation measures proposed in the budget are estimated to yield a net additional revenue of Rs.2,692 crore, of which, Rs.2,308 crore would add to Centre's receipts while the remaining Rs.384 crore would constitute the States' share. Additional resource mobilisation from custom duties is estimated at Rs.950 crore, corporation tax at Rs.912 crore, Union excise duties at Rs.760 crore and services tax at Rs.70 crore. The increased tax buoyancy attained during the reform period is a major revenue stimulant, especially in respect of direct taxes, with the buoyancy increasing from 1.13 per cent during the second half of 'eighties to 1.59 per cent during 1991-96. Disinvestment of equity holdings of public sector enterprises would fetch an additional revenue of Rs.4,643 crore as against Rs.357 crore realised in 1995-96 (Statement 151 of Volume II). Net market borrowings comprising normal market borrowings, medium and long term as well as short-term market borrowings are budgeted at Rs.25,498 crore which would, however, be lower by Rs.2,002 crore than Rs.27,500 crore mobilised in the previous year, the decline being mainly due to the reduction in medium and long-term and short-term borrowings. Small savings collections are estimated to be higher at Rs.12,354 crore during 1996-97 than Rs.11,110 crore in 1995-96, representing a rise of 11.2 per cent.

The expenditure reduction strategy envisaged in the budget is mainly based on moderation of non-interest non-developmental expenditure. Despite a larger outgo due to interest payments (+Rs.8,000 crore) and administrative services (+Rs.4,619 crore), total revenue expenditure is budgeted to register a lower growth rate of 12.6 per cent as compared

6. For a detailed version of tax proposals, see article on Finances of Central Government : 1996-97, October 1996 issue of RBI Bulletin.

7. Further exemption from MAT has subsequently been announced for sick units and industrial units in backward areas as post-budget concessions (September 1996).

with 17.7 per cent increase in 1995-96 (Statement 150, Volume II). Capital expenditure is budgeted to record an accelerated growth from 2.2 per cent in 1995-96 to 8.5 per cent during 1996-97, arising primarily from increased provision for loans and advances to States and Union Territories. The developmental components, both in respect of revenue and capital expenditures are, however, budgeted to show a decelerating trend (Statements 150 and 152 of Volume II). Consequently, the developmental expenditure as a proportion of aggregate expenditure would decline by nearly one percentage point from 46.5 per cent in 1995-96 to 45.6 per cent during 1996-97. Concurrently, the proportion of non-developmental expenditure would move up from 53.5 per cent to 54.4 per cent during 1996-97.

Notwithstanding the moderation in expenditure particularly the non-Plan components, the budget makes a larger provision for Central Plan outlay for 1996-97 at Rs.87,086 crore, representing an increase of Rs.12,492 crore (16.7 per cent) over Rs.74,594 crore during 1995-96. Almost 69 per cent of the rise in the Plan outlay would be financed by internal and extra budgetary resources (IEBR) of public sector enterprises, which include internal resources, bonds, internal commercial borrowings/ suppliers' credit and inter-corporate deposits. The share of IEBR in the budgeted Central Plan outlay, accordingly, would increase from 61.4 per cent in 1995-96 to 62.4 per cent in 1996-97 while the budget support would correspondingly decline from 38.6 per cent to 37.6 per cent. The budgetary support, however, is largely focussed on rural development, energy and social sectors. Energy sector continues to claim a major share at 27.9 per cent of the Central Plan outlay. Allocation for transport sector has been enhanced to 18.3 per cent during 1996-97 from 16.0 per cent in 1995-96 while that for irrigation and flood control has been increased more than four fold (by nearly Rs.1,000 crore) to Rs.1,248 crore in 1996-97.

The budget has earmarked a larger transfer of resources to State and Union Territory Governments, comprising sharable taxes, grants and loans. The gross transfer of resources for 1996-97 is budgeted at Rs.80,694 crore, an increase of Rs.9,823 crore (13.9 percent) on top of an increase of Rs.6,935 crore (10.8 per cent) in the previous year. The net transfer of resources to State and Union Territory Governments, after adjusting for recovery of loans and advances, is budgeted at Rs.75,334 crore in 1996-97 which would show a higher growth of 15.0 per cent than that of 10.2 per cent in the previous year. Component-wise, sharable taxes have been enhanced by Rs.5,569 crore (19.0 per cent) following a rise of Rs.4,426 crore (17.8 per cent) in the previous year reflecting the buoyancy in the Centre's gross tax revenues. Total grants are, however, estimated to show a decelerated growth at 6.5 per cent in 1996-97 as against 8.3 per cent in the previous year; while Plan grants have been stepped up by Rs.1,077 crore (6.8 per cent) as against a decline of 11 per cent in 1995-96, non-Plan grants have been enhanced, *albeit*, moderately by Rs.361 crore (5.9 per cent) compared with Rs.3,642 crore (145.6 per cent) in 1995-96. Plan loans have been placed higher by Rs.2,234 crore (24.6 per cent) mainly due to enhanced provisions for States and UTs Plans, while non-Plan loans would record an increase of Rs.584 crore (5.6 per cent) to Rs.11,101 crore.

Public Debt and Other Liabilities

The outstanding liabilities of the Central Government at end March 1996 aggregated at Rs.605,710 crore, accounting for 55.8 per cent of GDP as against 57.0 per cent at end March 1995 (Statement 155 of Volume II). The decline in debt-GDP ratio is a reflection of the policy initiatives aimed at containing the gross borrowing requirements (GFD) of the Central Government. The budget for 1996-97 has placed the outstanding liabilities at Rs.670,224 crore or 53.8 per cent of GDP. The downward movement in debt-GDP ratio is primarily due to a similar drift in domestic liabilities which at end March 1996 at Rs.553,044 crore accounted for 51.0 per cent of the GDP as against 51.6 at end March 1995 (Statement 189 of Volume II). The budget for 1996-97 has placed the outstanding domestic liabilities of the Centre at Rs.615,322 crore, constituting 49.4 per cent of GDP. While the debt-GDP ratio has shown a marginal decline, the persistence of a high level of debt has serious implications for the sustainability of fiscal policy in terms of interest payments and repayment obligations. The repayment schedule of market loans as of end March 1996 shows that the annual repayment obligations in most of the next ten years are above Rs.10,000 crore and with fresh borrowings, there would be further humps in repayment schedule (Table VIII-A). The interest burden (i.e. the ratio of interest payments to revenue receipts) has risen; on an average, from 30.4 per cent during the latter half of 'eighties to 44.8 per cent during the period 1991-95. This ratio is placed at 47.2 per cent in 1995-96 (revised estimates) and 46.0 per cent in budget estimates for 1996-97. Moreover, the Government's reliance on market for meeting its increasing borrowing requirements has resulted in higher interest rates on market borrowings and shortening of maturities. The details of market borrowings during fiscal 1995-96 and 1996-97 so far (up to end September) are set out below.

Table VIII-A : Repayment Schedule for Market Loans of the Central and State Governments issued upto end-March 1996.*

(Rs. crore)

Year	Central Government	State Governments
1	2	3
1996-1997	7,921	—
1997-1998	10,903	557
1998-1999	9,892	1,414
1999-2000	12,353	1,301
2000-2001	14,426	420
2001-2002	12,464	1,446
2002-2003	10,165	1,789
2003-2004	13,143	4,145
2004-2005	3,435	5,122
2005-2006	16,581	6,274
2006-2007	7,394	15
2007-2008	5,651	3,805
2008-2009	7,338	2,286
2009-2010	9,195	2,555
2010-2011	9,109	2,569
2011-2012	8,610	3,349
2012-2013	1,755	—
2013-2014	1,999	—
2014-2015	4,088	—
2015-2016	4,174	—

* Provisional. — Nil

Market Borrowings

The aggregate market borrowings (comprising normal, other medium and long term and short term borrowings) of the Central Government, during 1995-96 amounted, according to the Reserve Bank records, to Rs.40,509 crore (gross) and Rs.26,790 crore (net) compared with the budget estimates of Rs.40,806 crore (gross) and Rs.27,087 crore (net) (Table VIII-10). The shortfall in actual market borrowings *vis-a-vis* budget estimates was essentially on account of the slippages in short term market borrowings. Other medium and long term borrowings, however, exceeded the budget estimates. The short term market borrowings (364 day Treasury bills) during 1995-96 were negative to the extent of Rs.10,675 crore reflecting the fact that the Government had to repay an amount of Rs.6,288 crore on maturity of 364 day Treasury bills. The net normal market borrowings remained at the budgeted level of Rs.3,700 crore and the other medium and long term borrowings exceeded the budget estimate of Rs.19,000 crore by Rs.10,379 crore (55.0 per cent). There was, however, a larger devolvement on the Reserve Bank of India in auctions during 1995-96 amounting to Rs.12,655 crore (32.8 per cent of gross market loans) as against only Rs.157 crore (0.7 per cent) during 1994-95.

The budget estimates for 1996-97 have placed the aggregate gross market borrowings at Rs.35,294 crore and the net borrowings at Rs.25,498 crore (Table VIII-10). As at end September 1996, the gross borrowings of the Central Government amounted to Rs.24,867 crore representing roughly 70.5 per cent of the budget estimates. Taking into account the repayment of Rs.8,620 crore during the period, the net market borrowings up to September 1996 amounted to Rs.16,247 crore comprising market loans (Rs.13,688 crore) and 364 day Treasury bills (Rs.2,559 crore). The devolvement on the Reserve Bank and absorption by primary dealers together in the auctions of Government dated securities amounted to Rs.3,081.5 crore or 14.7 per cent of the total amount issued.

During 1995-96, interest rates on market borrowings shifted upward across maturities, in contrast to a downward shift in the previous year. The maximum coupon rate on a 10 year Government dated stock rose from 12.35 per cent in 1994-95 to 14.00 per cent in 1995-96 (Table VIII-12). Similarly other maturities also exhibited a rise in interest rates viz; maximum coupon rate on 3 year maturity rose from 11.00 per cent to 13.65 per cent, that on 5 year maturity from 12.71 to 13.85 per cent and that on 7 year maturity rose from 12.08 per cent to 13.80 per cent. Thus, the weighted rate of interest on market loans increased from 11.90 per cent in 1994-95 to 13.75 per cent in 1995-96 (Table VIII-B). During 1996-97, though the interest rate on 10 year Government stock was pegged at 13.85 per cent in the auction held on

June 24, 1996, during the auctions, the cut-off yield emerged higher in the range of 13.50-13.75 per cent on 2 to 5 year maturity Government stocks as against 13.25 to 13.85 per cent on comparable maturities during 1995-96.

Table VIII-B : Weighted Average Coupon Rates on Government of India Dated Securities

(Per cent per annum)

Fiscal Year	Weighted Average Rates	Range
1	2	3
1980-81	7.03	5.98 - 7.50
1985-86	11.08	9.00 - 11.50
1989-90	11.49	10.50 - 11.50
1990-91	11.41	10.50 - 11.50
1991-92	11.78	10.50 - 12.50
1992-93	12.46	12.00 - 12.75
1993-94	12.63	12.00 - 13.40
1994-95	11.90	11.00 - 12.71
1995-96	13.75	13.25 - 14.00

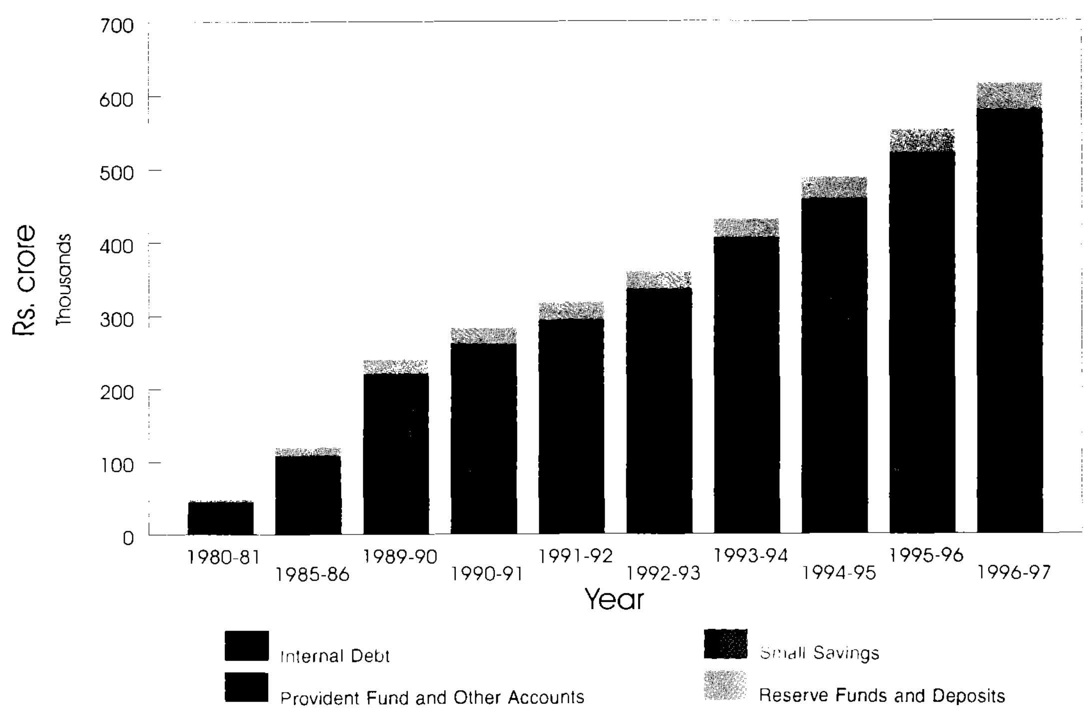
While the slippage in the target of receipts from disinvestment resulted in larger borrowing requirements, the deficiency in market absorption of Government dated securities forced the Government to take larger recourse to borrowings from the RBI. In the event, it contributed to a sharp rise in monetisation of budget deficit as reflected by very high net RBI credit to the Centre during 1995-96. Another disheartening aspect of the market borrowing programme of the Central Government during 1995-96 was the hardening of the interest rates (cut-off yield), e.g., weighted average interest rate at 13.75 per cent was much higher than that of a weighted average of 11.90 per cent in 1994-95.

Composition, Ownership and Maturity Structure of Domestic Liabilities

In addition to the changes in the levels of domestic debt there has also been a compositional shift in its components (Graph VIII-3). The domestic debt of the Central Government comprises public debt and other liabilities. Public debt is charged on the Consolidated Fund of India and all loans raised by the Government form a part of the Consolidated Fund including external debt. Other liabilities are charged on Public Account in respect of which the Government acts more as a banker

Graph VIII-3

Composition of Domestic Liabilities of the Central Government, 1981-97



viz., provident funds, small savings, other accounts and reserve funds and deposits.

Consequent upon the rapid growth in market borrowings as a source of financing of the Government in past few years, the internal debt as proportion to GDP has risen from 27.1 per cent at end March 1986 to 28.8 per cent, on an average during the period 1991-95 (Statement 189 of Volume II). This ratio was, however, marginally lower at 28.0 per cent of GDP at end March 1996. Other liabilities (small savings, provident funds, other accounts and reserve funds and deposits) rose from 18.4 per cent of GDP at end March 1986 to 23.2 per cent, on an average, during the period 1991-95 and the ratio was placed at 23.0 per cent at end March 1996.

Apart from compositional change, there has also been a shift in the maturity structure of the Government debt, specifically market loans. The outstanding rupee loans under 5 year maturity have witnessed a rise in their share in total rupee loans from 8.6 per cent in 1991 to 25.3 per cent in 1995 and further to 38.4 per cent in 1996. As against this, longer maturity loans i.e., those with over 10 year maturity, have declined from 85.8 per cent in 1991 to 47.3 per cent in 1995 and further to 31.3 per cent in 1996 (Table VIII-C). This is the outcome of shortening of maturity of market borrowings of the Central Government.

Table VIII-C : Maturity-wise percentage distribution of Government of India Rupee loan outstanding

(per cent)

End of March	Total	Over 10 years	Between 5 and 10 years	Under 5 years
1	2	3	4	5
1991	100.00	85.8	5.6	8.6
1992	100.00	75.8	16.8	7.4
1993	100.00	77.8	14.2	8.0
1994	100.00	56.3	22.3	21.4
1995	100.00	47.3	27.4	25.3
1996	100.00	31.3	30.3	38.4

Notwithstanding the expansion of the investor base, the ownership pattern of Government securities both Central and State Governments, continued to be skewed in favour of captive investors, with commercial banks and insurance companies holding the largest shares. At end March 1994, commercial banks accounted for 72.5 per cent of Government securities, as compared to 59.4 per cent at end March 1991 (Table VIII-D). A significant development has been a rapid decline in the share of Reserve Bank's investment in Government securities from 20.3 per cent in 1991 to a meagre 2.0 per cent in 1995 brought about by an active internal debt management policy. Although non-captive investors have entered the Government debt markets, their presence has remained insignificant so far.

Table VIII-D : Ownership Pattern of Investment in Central and State Government Securities

(per cent)

Subscribers	1991	1992	1993	1994	1995
1	2	3	4	5	6
RBI	20.3	17.9	8.2	2.4	2.0
Commercial Banks	59.4	63.7	66.4	72.5	..
LIC	12.3	13.3	14.7	15.8	16.2
Provident Funds	1.7	1.5	1.5	1.1	1.0
Others	6.3	3.6	9.2	8.2	..
Total	100.0	100.0	100.0	100.0	100.0

.. Not Available

II. Budgetary Operations of the State Governments

Revised Estimates : 1995-96

According to the revised estimates for 1995-96, the consolidated budgetary position of the State Governments reflected a moderation in fiscal imbalances. This was evident in the movement of the key deficit indicators which were placed lower than their budgeted levels (Table VIII-4). Revenue deficit in the revised estimates declined by Rs.1,380 crore to Rs.8,639 crore from the budget estimates of Rs.10,019 crore. The conventional deficit was lower by Rs.128 crore than the budget estimates while the gross fiscal deficit declined marginally from the budget estimate of Rs.33,767 crore to Rs.33,746 crore (-0.1 per cent). The net fiscal deficit at Rs.26,308 crore was lower than the budget estimates by Rs.90 crore.

The decline in deficits in the revised estimates for 1995-96 was facilitated by the slowdown in expenditure growth relative to revenues (Table VIII-4). The expenditure reduction has been effected essentially in respect of non-developmental components which in the revised estimates at

Rs.55,856 crore recorded a decline of 5.0 per cent from Rs.58,810 crore placed in the budget estimates (Table VIII-5). In respect of revenue deficit, the growth in revenue receipts at 2.4 per cent was mainly a reflection of the pickup in States' tax receipts, while the revenue expenditures showed a comparatively lower growth (1.3 per cent). The reduction in gross fiscal deficit was small at Rs.21 crore notwithstanding the high growth in developmental expenditure (+5.9 per cent) coinciding with the revenue receipts and non-debt capital receipts (recovery of loans and advances) in excess of budget estimates.

The gross transfer of resources to the State Governments (as per State Government budget documents) in the revised estimates at Rs.75,302 crore was higher by Rs.764 crore than the budget estimates for 1995-96 (Rs.74,538 crore). Gross transfer of resources from the Centre (comprising share in Central taxes, grants and loans), financed 41.6 per cent of the aggregate disbursements of the State Governments. The net transfer of resources to State Governments amounted, after adjusting for debt servicing (interest payments plus repayments of loans) to Rs.59,718 crore representing an increase of Rs.859 crore or 1.4 per cent over the budget estimates. The net transfer of resources from the Centre financed 36.1 per cent of the net aggregate expenditure of the State Governments, reflecting a marginal increase over the share of 36.0 per cent indicated in the budget estimates.

Budget Estimates : 1996-97

The consolidated financial position of the State Governments in the budget estimates for 1996-97 indicates that both, revenue deficit and gross fiscal deficit,are placed higher than the revised estimates for 1995-96. Revenue deficit budgeted at Rs.10,025 crore would be higher by Rs.1,386 crore primarily due to a steep rise in non-developmental expenditure. The rise in revenue deficit, together with larger provision for net lending (mainly due to lower recoveries) would enlarge the overall borrowing requirements (GFD) by Rs.2,752 crore to Rs.36,498 crore during 1996-97. At this level, the GFD as a proportion of GDP would amount to 2.9 per cent which would however, be lower than 3.1 per cent in 1995-96. The conventional budget deficit at Rs.2,956 crore, would be higher by more than one-half of the level recorded in the previous year largely due to the rise in the revenue deficit. The net primary deficit is budgeted to decline sharply by Rs.2,467 crore to Rs.7,674 crore reflecting the impact of interest payments (Table VIII - 4).

The revenue imbalance is triggered off by the persistent growth in non-developmental expenditures, despite the fact that tax revenue as well as current transfers from the Centre (share in Central taxes and grants), are estimated to record further rise (Statement 166 of Vol. II). This is for the tenth year in succession since 1987-88 that the revenue account balance has been in deficit. During 1996-97, total non-developmental expenditures are budgeted to show an increase of Rs.7,189 crore (+ 12.9 per cent) primarily due to higher provision under interest payments (+ Rs.4,555 crore) and administrative services (+ Rs.3,344 crore) (Statement 167 of Vol. II). With the result, the share of non-developmental expenditure in the aggregate expenditure, would move up to 31.9 per cent during 1996-97 from 30.9 per cent in 1995-96. Concomitantly, the developmental expenditure as a proportion of aggregate disbursements would decline to 63.5 per cent during 1996-97 from 65.2 per cent in 1995-96.

The growing revenue deficit, besides enhancing the borrowing requirements, also tilted the composition of GFD. During 1996-97, revenue deficit would absorb as much as 27.5 per cent of the GFD as compared with only 7.7 per cent during the latter half of the 'eighties. Consequent upon the pre-emption of high cost borrowed funds to bridge the revenue gap, the resources available for investment expenditures (capital outlay and net lending) would be reduced to 73.3 per cent during 1996-97 from 92.3 per cent in the second half of 'eighties.

In the financing of GFD, loans and advances from the Centre continue to be the major source constituting 47.9 per cent of the GFD, as compared with 49.3 per cent during 1995-96 and 49.0 per cent on an average during 1991-95. Financing of deficit through market borrowing is budgeted at 14.5 per cent same as with the previous year's level while contributions by other sources of borrowing (comprising loans from financial institutions, provident funds, reserve funds, deposit and advances) would be higher than in the previous year (from Rs.12,205 crore to Rs.13,734 crore). Notwithstanding the decline in GFD relative to GDP from 3.1 per cent during 1995-96 to 2.9 per cent in 1996-97, the borrowing requirements in absolute terms would go up to Rs.36,498 crore from Rs.33,746 crore in 1995-96,adding in the process, to the outstanding debt of the State Governments which is estimated at Rs.2,43,916 crore at end March 1997 as against Rs.2,13,298 crore at end March 1996. The inevitable fallout of the mounting debt obligations would be the rise in interest payments. During 1996-97, interest payments are estimated to account for 17.3 per cent of revenue receipts as against 15.6 per cent in 1995-96.

State-wise Position

Ten State Governments have proposed Additional Resource Mobilization (ARM) in 1996-97 as against twelve in 1995-96. The estimated ARM would, however, be lower at Rs.681.3 crore as compared with Rs.948.9 crore in the previous year. This is partly because of the nine States proposing ARM, taxation measures announced by two States would result in negative ARM to the extent of Rs.120 crore. The States which have proposed positive ARM measures include Andhra Pradesh (Rs.252.0 crore), Kerala (Rs.93.0 crore), Madhya Pradesh (Rs.7.0 crore), Maharashtra (Rs.240.0 crore), Manipur (Rs.3.4 crore) and West Bengal (Rs.80.0 crore. The States with negative ARM are Gujarat (- Rs.13.6 crore) and Tamil Nadu (- Rs.106 crore). Taking into account the States' ARM and the share in Centre's ARM to the tune of Rs.384 crore, the number of States with conventional deficit will be seventeen. (Statements 168 and 171 to 173 Vol. II).

The consolidated fiscal deficit of the State Governments is budgeted at Rs.36,498 crore. Five State Governments account for about 51 per cent of the consolidated gross fiscal deficit; Uttar Pradesh alone accounts for 18.1 per cent of the GFD. Fifteen State Governments have budgeted revenue deficits while eleven States have revenue surpluses (Statement 168 Volume II). Four States viz, Kerala (- Rs.1,035 crore), Tamil Nadu (- Rs.1,119 crore), Uttar Pradesh (- Rs.3,739 crore) and West Bengal (- Rs.1,508 crore) account for 73.8 per cent of the aggregate revenue deficit (Rs.10,024.8 crore); Uttar Pradesh alone contributes almost 37 per cent of the consolidated revenue deficit. The pattern of expenditure reflects a further decline in the developmental expenditure from 65.2 per cent of the aggregate expenditure in 1995-96 to 63.5 per cent in 1996-97 (Statement 169). For eight States this ratio is estimated to be lower than all States' position; these include Bihar (58.2 per cent), Goa (54.1 per cent), Haryana (56.9 per cent), Nagaland (60.6 per cent), Punjab (53.7 per cent), Uttar Pradesh (55.4 per cent) and Jammu & Kashmir (59.8 per cent). Consequently, these States have budgeted their non-developmental expenditure above the States' average (31.9 per cent) [Statement 172 of Volume II].

Gross transfer of resources from the Centre is budgeted at Rs.83,151 crore during 1996-97 as against Rs.75,302 crore in 1995-96, an increase of Rs.7,849 crore (10.4 per cent). Roughly 64 per cent (Rs.5,040 crore) of the incremental resource transfers would come in from devolution of Central taxes and duties. The grant component has been stepped up by a modest amount of Rs.704 crore from Rs.25,025 crore in 1995-96 to Rs.25,729 crore. After adjusting for debt servicing the net resources transferred to States would amount to Rs.64,467 crore, representing an increase of Rs.4,749 crore (8.0 per cent) from the level of Rs.59,718 crore in 1995-96. The pattern of allocation indicates that the budget has raised grants under State Plans while in respect of loans, the increase was more pronounced on Central and Centrally sponsored schemes. Consequently, the net resource transfers are expected to finance 36.0 per cent of the net aggregate expenditures of the State Governments as compared with 36.1 per cent in 1995-96.

Ways and Means Advances and Overdraft of State Governments

During 1995-96, three State Governments frequently resorted to overdrafts, of which one could not clear the overdrafts within the specified time limit under the Overdraft Regulation Scheme on six occasions. The Reserve Bank of India, therefore, had stopped payments on behalf of that State Government till the overdraft was cleared. During 1996-97 so far, only one State Government could not clear the overdraft within the specified time; the Reserve Bank stopped payments on behalf of this State as it failed to comply with the overdraft regulations.

With a view to enabling the State Governments to meet temporary mismatches between receipts and expenditures, the limit of

Ways and Means Advances (WMA) provided by the Reserve Bank of India to each State Government has been doubled with effect from August 1, 1996. The aggregate limit of the State Governments has thus been increased from Rs.1,542.80 crore to Rs.3,085.60 crore. The limit of Normal Ways and Means Advances has been increased from Rs.1,117.20 crore to Rs.2,234.40 crore and that of Special Ways and Means Advances from Rs.425.60 crore to Rs.851.20 crore.

In addition to the enhancement of the WMA limits, the interest rate structure has also been rationalised with effect from August 1, 1996. The interest rate on the shortfall in the minimum balance and WMA are at the Bank rate (12 per cent per annum,at present) while the rate on overdrafts is 2 per cent above the Bank rate.

Liabilities of State Governments

The outstanding liabilities of State Governments comprise internal debt (i.e. market loans and bonds, Ways and Means Advances from the RBI, loans from banks and other institutions), loans and advances from the Central Government and provident funds. The outstanding liabilities of the State Governments at end March 1996 amounted to Rs.2,13,298 crore representing 19.7 per cent of GDP, a marginal decline from 20.0 per cent, on an average, during the period 1991-95 (Statement 185 of Volume II). The outstanding liabilities of State Governments at end March 1997 are budgeted at Rs.2,43,916 crore or 19.6 per cent of GDP. In recent years a compositional shift in the liabilities of the State Governments has been in evidence. The share of market loans in total liabilities has increased from 14.2 per cent in 1991 to 16.5 per cent in 1997. Similarly, provident funds accounted for 17.6 per cent of total liabilities in 1996 as against 15.4 per cent in 1991 and in 1997 this ratio is placed at 17.5 per cent. The share of loans and advances, however, came down from 67.2 per cent in 1991 to 62.5 per cent in 1996 and is budgeted to decline further to 61.8 per cent in 1997. Since market loans as a component of liabilities of State Governments have significantly increased in recent years, they have contributed to the changing composition of liabilities.

8. With effect from 1994-95, the borrowing programme of the State guaranteed bodies is merged with their respective State's borrowings.

Market Borrowings

During 1995-96, 25 State Governments[8] mobilised net market borrowings to the tune of Rs.5,931 crore (gross Rs.6,274 crore) compared with Rs.5,123 crore in 1994-95 (Table VIII-10). The coupon rate for 10 year loan was higher at 14.00 per cent as against 12.50 per cent for 1994-95 (Table VIII-12). According to the Reserve Bank records, net and gross borrowing allocation for 25 State Governments during 1996-97 are placed at Rs.6,536 crore. The State Governments have already entered the market on two occasions, first on May 15, 1996 and again on August 12, 1996, for a notified amount of Rs.1,500 crore each. Both the tranches were oversubscribed and the State Governments mobilised a total amount of Rs.4,926 crore at end August 1996. The coupon rate, however, has fallen to 13.85 per cent as against 14.00 per cent during 1995-96 and 12.50 per cent in 1994-95.

III. Combined Budgetary Operations of the Centre and States

The fiscal slippage witnessed during 1995-96 was pronounced in respect of the Government sector as a whole as the revised outcome of combined gross fiscal deficit far exceeded the budget estimates (Table VIII-7). The GFD of the Government sector in the revised estimates amounted to Rs.84,335 crore, higher by Rs.3,935 crore (4.9 per cent) and constituted 7.8 per cent of the GDP. The increase in the combined GFD was essentially on account of the Centre's GFD which exceeded the budget estimates by Rs.6,376 crore while the States' GFD remained lower than the budget estimates. The combined revenue deficit in the revised estimates at Rs.41,970 crore, however, remained lower by Rs.3,590 crore than the budget estimates owing to relatively lower increase in combined revenue expenditures (+ Rs.9,010 crore or 3.6 per cent) *vis-a-vis* revenue receipts (+ Rs.12,601 crore or 6.1 per cent).

The budget for 1996-97 aims at a substantial reduction in gross fiscal deficit of the Government sector relative to GDP to 6.7 per cent from 7.8 per cent in 1995-96. This outcome reflects the proposed containment of the Centre's GFD from 5.9 per cent to 5.0 per cent and of States' GFD from 3.1 per cent to 2.9 per cent of GDP. The combined revenue deficit and conventional deficit are budgeted to decline *albeit* marginally, from the levels of 1995-96. The reduction in net primary deficit is, however, estimated to be sharper - to 0.9 per cent of GDP from 2.1 per cent of GDP in 1995-96.

The moderation in deficit indicators outlined above would be mainly on account of expenditure compression. During 1996-97, the aggregate expenditure at Rs.3,43,555 crore is estimated to show an increase of 10.6 per cent as compared with 13.8 per cent in the previous year (Statement 177 of Volume II). The expenditure compression would largely be experienced in developmental components due to the downward rigidities in most items under non-Plan non-developmental component of expenditures. Consequently, the share of developmental expenditure in aggregate expenditure would deteriorate to 53.2 per cent in 1996-97 from 54.9 per cent in 1995-96 and 63.3 per cent during the later half of the 'eighties. Correspondingly, the proportion of non-developmental expenditure (which includes interest payments and administrative services) would move up to 45.7 per cent during 1996-97 from 44.5 per cent in 1995-96 and 36.7 per cent, on an average, in the second half of 'eighties. As a result, social expenditure (which includes social service expenditure, rural development, food subsidy and nutrition) as a proportion of GDP is estimated to decline from 7.5 per cent in 1995-96 to 7.1 per cent in 1996-97 (Table VIII-9).

The combined GFD of the Government sector represents the Government sector borrowing requirement (GSBR), but it reflects only partly the macroeconomic impact of the fiscal operations of the entire public sector. The Government sector constitutes only part of the public sector, and there are a large number of public sector undertakings, which often beset with large fund shortages, meet their financial requirements from open market through bonds and debentures. Large scale borrowings by the Government sector and public sector undertakings in turn, lead to curtailment of funds available for the private sector. In this context, the combined Government sector borrowing requirement (GSBR) has a limited validity in capturing the macroeconomic impact of

Box VIII–1

Government Sector Borrowing Requirements (GSBR)
& Public Sector Borrowing Requirements (PSBR)

A deficit indicator which is widely used in the economic literature, for measuring the net claim on resources by the public sector is the Public Sector Borrowing Requirements (PSBR). PSBR is the excess of expenditure over revenue for all Government entities, all of which must be financed by new borrowings net of repayment of past debts. It is also called the 'consolidated public sector deficit' (World Bank, 1988). While measuring the PSBR, broadly three alternative approaches have been followed, based on (a) public-debt criterion, (b) public policy criterion and (c) public balance sheet criterion (Blejer and Cheasty, 1991). The public-debt criterion follows the 'below the line' approach to determine PSBR, which emphasises the financing of deficit without taking into account the receipts and expenditures. Thus, the PSBR is calculated by adding the net borrowings of all entities of the Government. In other words, the deficit (PSBR) equals the difference between total public debt outstanding at the beginning of the year and that at the end of the year. This approach is useful, especially for liquidity management. The public policy criterion follows the 'above-the-line' approach by taking into account the receipts and expenditures of all Government entities, which includes Central Government, State Governments, Local Bodies and State owned enterprises. The advantage of this approach lies in its focus on public policy. Finally, the balance sheet approach underscores the real net worth of the public sector over time extending permanent income hypothesis to the public sector. Theoretically, this approach claims superiority over the other two approaches while analysing the inter-temporal budget constraint (Buiter, 1983).

Among the three approaches discussed above, the debt criterion approach stands out on account of simplicity in the estimation of PSBR as it does not take into account the underlying receipts and expenditures, the computation of which requires a careful netting out of inter-governmental transactions. Furthermore, this approach is free from the methodological and accounting problems of defining and measuring revenue and expenditure of public sector enterprises (Stella, 1993).

Traditionally, while calculating PSBR the composition of public sector is restricted to the non-financial Government activities, public financial intermediaries are excluded because of their special role as financing agents. In many instances, however, the public financial intermediaries, particularly the Central Bank, carry out important fiscal and quasi-fiscal operations and in that process, incur losses which result in quasi-fiscal deficit. These losses may arise, *inter alia*, on account of the management of exchange rate and provision of preferential credit. Since such quasi-fiscal operations are similar to other budgetary activities, it is often argued that they should be included in a comprehensive measure of PSBR. Measurement difficulties in separating Central Bank's monetary activities from its quasi-fiscal operations are, however, formidable. Notwithstanding this, a benchmark has been suggested which states that if Central Banks are having operating profits and these are transferred to the Government they do not distort the conventionally measured PSBR (Robinson and Stella, 1988). Although the estimation of PSBR is rendered difficult in view of the inherent conceptual and methodological difficulties, the concept has its underlying merit not only in the assessment of public policy but also in liquidity management.

While these analytical advantages of PSBR are well recognised, the measurement of PSBR for India is beset with statistical problems. There is very little information on finances of local Governments. Even the data on public enterprises, both of the Centre and States, are subject to poor timeliness. The Economic Survey of the Government of India provides data of the budgetary gap of the Central and State Governments and the Union Territories including extra-budgetary resources of public sector undertakings for financing their plans. If from the amounts given in the *Survey* as gaps, the Central and State Governments' gross fiscal deficit figures are deducted, the residual amount will broadly reflect the Central public enterprise deficit. While this approach has the merit of simplicity, it is not built up from methodologically compiled data on individual components of the public sector as a whole. It is partly for this reason, GSBR has often been used as a proxy, that too, with respect to only the Central and State Governments. As borrowing needs of different segments of the public sector increase and as the public sector has to monitor the market behaviour and responses, it would be necessary to estimate PSBR in near future in order to evaluate the macroeconomic effects of the policy actions that legitimately fall in the public domain.

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the budgetary operations of the entire public sector. This underscores the need for a broader concept of the public sector borrowing requirements (PSBR) [Box VIII-1].

Combined Liabilities

The persistent increase in gross borrowing requirements (GFD) of the Central and State Governments is reflected in large accumulation of domestic liabilities. The combined domestic liabilities of the Centre and States taken together, after netting out loans and advances from the Centre to the States, aggregated Rs.10,89,915 crore or 58.8 per cent of GDP as compared with 58.9 per cent at end March 1995. According to the budget estimates for 1996-97, the combined liabilities would amount to 57.4 per cent of GDP at end March 1997. A persistent expansion in the level of combined liabilities in the recent past has resulted in higher interest burden (i.e. ratio of interest payments to interest receipts). Such an interest burden for the Government (Centre and States) rose, on an average, from 18.4 per cent during the latter half of the 'eighties to 28.1 per cent during the period 1991-95.

IV. Finances of Departmental Undertakings

Railway Finances[9]

The financial results of Railways showed a net surplus of Rs.2,318 crore in the revised estimates for 1995-96 as against the budget estimates of Rs.2,055 crore, an improvement of 12.8 per cent over the budget estimates (Statement 185 of Volume II). This surplus was earmarked to finance the Capital Fund (Rs.1.968 crore) as well as Development Fund (Rs.350 crore). The budget had made provision of Rs.1,705 crore for the Capital Fund and Rs.350 crore for the Development Fund. The operating ratio (the ratio of working expenses to gross traffic receipts) was reduced to 84.6 per cent as against the budgeted level of 86.2 per cent.[10] The improvement in the operating ratio resulted in higher percentage of net Railway revenues to Capital-at-Charge at 13.2 per cent as compared with 12.4 per cent envisaged in the budget estimates.

The gross traffic receipts during 1995-96 at Rs.22,175 crore[11] showed a lower order of increase amounting to Rs.220 crore (or 1.0 per cent) over the budget estimates of Rs.21,955 crore (Statement 185 of Volume II). This was mainly on account of a decline of Rs.185 crore in the traffic suspense following the default on payments due to Railways by some of the State Electricity Boards and Power Houses. The working expenses of the Railways were placed at Rs.18,740 crore, recording a marginal decline of Rs.20 crore as compared with the budget estimates of Rs.18,760 crore. This was the outcome of the reduction in the ordinary working expenses by Rs.200 crore over the budgeted outgo to Depreciation Reserve Fund (Rs.60 crore) and Pension Fund (Rs.120 crore). The decline in ordinary working expenses was due to stringent expenditure measures and improved utilisation of assets. Nevertheless, the loss on account of social obligations further surged to Rs.2,423 crore in 1995-96 from Rs.1,974 crore in 1994-95.

The Railway Budget (Final) for 1996-97[12], at the existing rates of the fare and freight earnings, envisages a surplus of Rs.989 crore(Statement 185 of Volume II). After reckoning for additional revenue to be mobilised by way of upward revision in fare and freight rates amounting to Rs.927 crore, the Railway budget places a surplus of Rs.1,916 crore, which would, however, be lower than the surplus of Rs.2,318 crore in 1995-96. The deceleration in surplus over the year emanates from relatively higher growth in working expenses as compared with gross traffic receipts. The gross traffic receipts (including the net additional revenue of Rs.927 crore) has been budgeted at Rs.24,800 crore, an increase of Rs.2,625 crore or 11.8 per cent over 1995-96. The total working expenses (including appropriations to Depreciation Reserve Fund and Pension Fund) are budgeted to increase by Rs.2,833 crore (or 15.1 per cent) to reach the level of Rs.21,573.0 crore from Rs.18,740 crore in 1995-96. The net Railway revenue (comprising net traffic receipts and net miscellaneous receipts) is estimated to be lower at Rs.3,503 crore as compared with Rs.3,678 crore in 1995-96. With the result, the operating ratio, (i.e. the ratio of total working expenses to gross traffic receipts) is budgeted to go up to 87.8 per cent in 1996-97 as compared with 84.6 per cent in 1995-96. The profitability, as measured by the percentage of net Railway revenue to Capital-at-Charge, is estimated to decline to 11.4 per cent from 13.2 per cent in 1995-96.

The Annual Plan Outlay of the Railways for 1996-97 is estimated at Rs.8,130 crore as compared with that of Rs.7,500 crore in 1995-96 (Statement 186 of Volume II). The Plan size at this level is estimated to show an increase of Rs.630 crore (or 8.4 per cent). The financing pattern of the Plan comprises internally generated resources (Rs.4,111 crore or 50.6 per cent), budgetary support (Rs.1,269 crore or 15.6 per cent), market borrowings

9. For a detailed discussion on Railway Finances, 1996-97, see October 1996 issue of the RBI Bulletin.

10. According to the information available in the budget speech, the operating ratio would be at 82.5 per cent in 1995-96.

11. According to the information provided in the budget speech, the Gross traffic receipts are expected to be at Rs.22,241 crore in 1995-96.

12. The final Railway Budget was presented in Parliament on July 16, 1996. The interim budget was presented on February 27, 1996.

(Rs.1,850 crore or 22.8 per cent) and private investment under 'Build, Own, Lease and Transfer' (BOLT) and 'Own Your Wagon' (OYW) Scheme (Rs.900 crore or 11.0 per cent).

Finances of Department of Posts

The Department of Posts witnessed a deficit of Rs.424.6 crore during 1995-96 (RE) as against Rs.304.2 crore in the budget estimates and Rs.351.8 crore in 1994-95. The budget estimates for 1996-97 have placed a higher deficit of Rs.612.3 crore. While the revenue receipts remained at the level of budget estimates of Rs.1,315 crore, revenue expenditures were higher at Rs.1,739.6 crore exceeding the budget estimates of Rs.1,619.2 crore, thus, resulting in a higher deficit (Statement 181 of Volume II).

The budget estimates for 1996-97 have placed revenue receipts higher at Rs.1,350 crore showing a growth of 2.7 per cent over 1995-96 (RE). The revenue expenditures, however, are budgeted to register a higher growth of 12.8 per cent to reach a level of Rs.1,962.3 crore, resulting thus in a higher deficit of Rs.612.3 crore as against Rs.424.6 crore in 1995-96 (RE). Postal network, mail sorting and conveyance of mails are budgeted to account for about 60 per cent of total working expenses.

The major physical targets envisaged in 1996-97 Plan outlay of Department of Posts include modernisation of Post Offices, supply of multi-purpose counter machines, opening of extra Departmental Branch Post Offices, upgradation of extra Departmental Branch Post Offices, upgradation of extra Departmental Branch Post Offices to Departmental Sub-Post Offices, track and trace system of speed post, Premium Savings Bank Centres, Speed Post Business Centre.

Department of Telecommunication

The department has been consistently posting surpluses. The surplus generated during 1995-96 (RE) amounted to Rs.4,671.7 crore as against budget estimates of Rs.3,867 crore and Rs.3,665.9 core in 1994-95. During 1995-96, working expenses at Rs.5,453 crore exceeded the budget estimates of Rs.5,291.2 crore. The higher buoyancy in revenue receipts has, however, resulted in surplus inspite of revenue expenditure exceeding the budgeted amount. The revenue receipts rose to Rs.9,605 crore in 1995-96 (RE) as against budget estimates of Rs.8,876 crore, thus recording a growth of 8.2 per cent over the budget estimates and 23.2 per cent over 1994-95. The surplus of Rs.4,671.7 crore in 1995-96 was utilised to make appropriation to Revenue Reserve Fund (Rs.26 crore) and Capital Reserve Fund (Rs.4,645.7 crore). The details of financial working are set out in Statement 183 of Volume II.

The major policy measures initiated during the year are set out below.

(i) The guidelines for entry of private sector into basic telecom services have been announced under which companies providing basic telephone services will have to maintain a balance in their coverage between urban and rural areas. They will have to operate under agreed tariff and revenue sharing arrangements. For a joint venture company between an Indian and foreign company for providing basic telecom services, not more than 49 per cent foreign equity is permissible.

(ii) The Government proposes to set up a statutory Telecom Regulatory Authority of India (TRAI) to ensure fair competition and to protect and promote the interests of consumers. An ordinance for its establishment was promulgated on January 27, 1996.

An amount of Rs.16,974 crore has been approved as direct foreign investment in the various manufacturing and services projects in the field of telecommunications after the announcement of New Industrial Policy till December 1995. There has also been substantial increase in export of telecom hardware from Rs.131 crore in 1994-95 to over Rs.300 crore upto January, 1996.

Table VIII-1 : Key Fiscal Indicators of Government of India

(Rs. crore)

Items	Average (1980-81 to 1984-85) (Accounts)	Average (1985-86 to 1989-90) (Accounts)	1992-93 (Accounts)	1993-94 (Accounts)	1994-95 (Accounts)	1995-96 (Revised Estimates)	1996-97 (Budget Estimates)
1	2	3	4	5	6	7	8
1. Conventional Deficit			12,312	10,960	961	7,600	6,578
	(1.2)	(2.1)	(1.7)	(1.4)	(0.1)	(0.7)	(0.5)
2. Gross Fiscal Deficit			40,173	60,257	57,704	64,010	62,266
	(6.3)	(8.2)	(5.7)	(7.5)	(6.1)	(5.9)	(5.0)
3. Revenue Deficit			18,574	32,716	31,029	33,331	31,475
	(1.1)	(2.6)	(2.6)	(4.1)	(3.3)	(3.1)	(2.5)
4. Monetised Deficit #			4,257	260	2,130	19,855	N.A.
	(2.2)	(2.3)	(0.6)	(0.03)	(0.2)	(1.8)	(N.A.)
5. Gross Primary Deficit			9,098	23,516	13,644	12,010	2,266
	(4.1)	(4.8)	(1.3)	(2.9)	(1.4)	(1.1)	(0.2)
6. Net Primary Deficit			11,644	24,331	12,059	12,919	2,920
	(3.1)	(3.8)	(1.7)	(3.0)	(1.3)	(1.2)	(0.2)
7. Revenue Deficit as per cent of Gross Fiscal Deficit	17.0	31.5	46.2	54.3	53.8	52.1	50.5
8. Monetised Deficit as per cent of Gross Fiscal Deficit	35.3	27.9	10.6	0.4	3.7	31.0	N.A.
9. Subsidies			11,995	12,864	12,982	13,726	16,320
	(1.4)	(2.0)	(1.7)	(1.6)	(1.4)	(1.3)	(1.3)
Of which :							
i) Food			2,800	5,537	5,100	5,500	5,884
	(0.4)	(0.6)	(0.4)	(0.7)	(0.5)	(0.5)	(0.5)
ii) Fertiliser			6,136	5,194	5,772	6,735	8,372
	(0.5)	(0.8)	(0.9)	(0.6)	(0.6)	(0.6)	(0.7)
iii) Export			818	665	658	315	460
	(0.3)	(0.3)	(0.1)	(0.1)	(0.1)	(..)	(..)
10. Defence Expenditure			17,582	21,845	23,245	26,879	27,798
	(2.8)	(3.4)	(2.5)	(2.7)	(2.5)	(2.5)	(2.2)
11. Interest Payments			31,075	36,741	44,060	52,000	60,000
	(2.2)	(3.4)	(4.4)	(4.6)	(4.7)	(4.8)	(4.8)
12. Wages and Salaries $			12,624	13,357	14,937	16,454	N.A.
	(1.8)	(2.1)	(1.8)	(1.7)	(1.6)	(1.5)	(N.A.)
13. Total Non-Plan Expenditure			85,958	98,191	1,13,361	1,34,320	1,49,975
	(10.5)	(13.4)	(12.2)	(12.3)	(12.0)	(12.4)	(12.0)
14. Budgetary Support to Public Enterprises @			6,576	7,451	8,205	6,418	6,870
	(2.6)	(1.9)	(0.9)	(0.9)	(0.9)	(0.6)	(0.6)
15. Direct Taxes (Net to Centre)			12,075	12,522	18,409	21,238	25,980
As per cent of total tax revenue	21.9	15.1	22.3	23.4	27.3	26.2	26.7
	(1.6)	(1.4)	(1.7)	(1.6)	(1.9)	(2.0)	(2.1)
16. Indirect Taxes (Net to Centre)			41,969	40,927	49,045	59,850	71,330
As per cent of total tax revenue	78.1	84.9	77.7	76.6	72.7	73.8	73.3
	(5.7)	(8.8)	(6.0)	(5.1)	(5.2)	(5.5)	(5.7)
17. Interest Receipts			12,487	15,078	15,806	18,369	21,393
	(1.4)	(1.8)	(1.8)	(1.9)	(1.7)	(1.7)	(1.7)

N.A : Not available.
.. : Negligible.
* : Including additional resource mobilisation of Rs. 2,346 crore proposed in the budget.
@ : Figures relate to revised estimates, for all years except 1996-97.
# : According to Reserve Bank of India Records.
$: According to the Economic and Functional Classification of the Central Government Budget, figures for 1994-95 and 1995-96 relate to revised estimates and budget estimates, respectively.
Note : Figures in brackets are per cent to GDP.
Source : Budget Documents of the Government of India.

Table VIII-2 : Fortnightly Levels of the Centre's Budget Deficit and Net RBI Credit to Central Government @

(Rs. crore)

Period		Centre's Budget Deficit				Net RBI Credit to Centre			
		1996-97	1995-96	1994-95	1993-94	1996-97	1995-96	1994-95	1993-94
1	2	3	4	5	6	7	8	9	10
Budget Estimates		6,578	5,000	6,000	4,314				4,314
Fortnight Actuals	Date $								
1	1-4-95	—	—	946	887	—	—	945	2,413
2	14-4-95	8,319	7,764	-1,115	4,057	9,303	10,323	2,873	9,476
3	28-4-95	12,672	8,708	-1,890	8,186	12,620	10,750	-795	12,101
4	12-5-95	16,173	11,572	1,222	11,964	14,985	12,584	1,529	13,694
5	26-5-95	17,527	12,946	118	13,046	13,728	11,536	1,504	13,726
6	9-6-95	15,843	14,637	1,847	16,201	15,104	15,116	1,515	10,064
7	23-6-95	17,935	13,394	987	16,053	15,568	12,999	1,707	9,201
8	7-7-95	23,877	18,953	4,266	20,718	20,191	20,583	5,278	18,889
9	21-7-95	20,915	21,633	2,130	20,750	14,168	21,075	3,788	16,498
10	4-8-95	20,380	21,786	-39	21,727	12,292	18,479	1,036	16,444
11	18-8-95	14,250	17,890	-4,978	21,065	11,347	14,256	-3,760	16,245
12	1-9-95	10,950	16,198	-4,812	19,461	5,518	13,081	-4,354	13,012
13	15-9-95	14,112	17,257	-7,007	17,939	9,893	13,225	-6,640	12,117
14	29-9-95	6,346	12,156	-9,969	18,068	3,801	8,714	-8,342	7,882
15	13-10-95		16,287	-5,462	12,395		13,843	-4,068	12,092
16	27-10-95		15,970	-5,835	12,918		14,013	-3,541	9,740
17	10-11-95		18,472	-3,766	14,262		19,350	-975	12,368
18	24-11-95		17,054	-3,850	13,994		14,372	-2,260	11,989
19	8-12-95		17,495	-2,220	16,535		17,350	857	14,588
20	22-12-95		10,201	-9,234	13,341		11,511	-5,534	8,237
21	5-1-96		14,319	-5,285	15,806		16,534	-595	10,167
22	19-1-96		13,997	-5,222	13,680		17,091	-1,886	8,587
23	2-2-96		17,316	-3,038	14,113		18,518	-1,151	8,417
24	16-2-96		13,631	-2,963	12,840		17,264	719	5,609
25	1-3-96		12,673	-2,527	11,213		18,622	1,454	3,001
26	15-3-96		14,719	-489	10,287		20,310	3,714	1,335
27	29-3-96		10,529				19,088		
End-March	31-3-96		9,934 *	946	10,893		19,855 *	2,130	260
Quarterly Averages									
First Quarter		14,745	11,504	302	10,056	13,551	12,218	1,325	10,096
Second Quarter		15,833 #	17,982	-2,916	20,277	11,030 #	15,630	-1,856	15,534
Third Quarter			15,913	-5,061	14,502		15,073	-2,587	10,985
Fourth Quarter			13,883	-2,654	12,990		18,204	626	6,186
Fiscal Year Average			14,722	-2,490	14,163		15,572	-550	10,302

Note : As per budgetary data. Centre's budget deficit was Rs. 10,960 crore in 1993-94 (Accounts) and Rs.961 crore in 1994-95 (Accounts).

@ : Based on RBI records.

$: The relevant dates of fortnights for 1995-96 have been specified; the data for other years pertain to corresponding fortnights.

* : Figures pertain to March 30, 1996 after the closure of Government Accounts.

: Upto September 27, 1996.

(–) : Indicates surplus.

Table VIII-3 : Fortnightly Levels of Net Issue of Ad hoc 91-Day Treasury Bills (Face Value) @

(Rs. crore)

Period		Net Issue of Ad hocs		
		1996-97	1995-96	1994-95
1	2	3	4	5
Fortnightly Actuals	Date $			
1	12-4-96	5,810	7,065	425
2	26-4-96	11,580	9,250	-2,820
3	10-5-96	16,360	12,025	-1,365
4	24-5-96	15,930	12,160	-3,140
5	7-6-96	14,840	12,225	-1,550
6	21-6-96	17,405	9,660	-2,700
7	5-7-96	22,095	16,660	260
8	19-7-96	16,025	17,835	-995
9	2-8-96	12,575	15,445	-605
10	16-8-96	6,855	10,400	-5,305
11	30-8-96	2,775	10,280	-6,490
12	13-9-96	5,945	10,055	-9,380
13	27-9-96	-1,175	6,440	-11,535
14	11-10-96		9,395	-8,205
15	25-10-96		10,240	-7,050
16	8-11-96		12,100	-5,350
17	22-11-96		11,990	-5,015
18	6-12-96		11,850	-2,205
19	20-12-96		4,605	-8,255
20	3-1-97		9,430	-3,115
21	17-1-97		8,945	-3,445
22	31-1-97		10,910	-1,575
23	14-2-97		9,090	-1,790
24	28-2-97		9,185	-140
25	14-3-97		10,230	1,880
26	28-3-97		4,115	
End-March	31-3-97		5,965 *	1,750
Quarterly Averages				
First Quarter (April-June)		13,654	10,398	-1,593
Second Quarter (July-Sept.)		9,299 #	12,445	-4,864
Third Quarter (Oct.-Dec.)			10,030	-6,013
Fourth Quarter (Jan.-March)			8,844	-919
Fiscal Year Average			10,280	-3,249

@ : Based on RBI records.

$: The relevant dates of fortnights for 1996-97 have been specified; the data for 1995-96 pertain to corresponding fortnights.

* : Figure pertains to March 30, 1996 after closure of Government Accounts.

: Upto September 27, 1996.

(-) : Indicates surplus.

Table VIII-4 : Key Deficit Indicators of State Governments

(Rs. crore)

Year	Gross Fiscal Deficit	Net Fiscal Deficit	Net Primary Deficit	Conven-tional Deficit	Revenue Deficit
1	2	3	4	5	6
1980-85 Average	(19.9)	(12.8)	(10.2)	(3.3)	(-4.0)
1985-90 Average	(19.7)	(14.7)	(10.0)	(-0.5)	(1.9)
1990-91	18787.0	14532.1	8280.8	-71.6	5309.0
	(22.0)	(17.9)	(11.4)	(-0.1)	(7.4)
1991-92	18900.1	15746.4	10122.0	155.9	5650.7
	(19.0)	(16.4)	(11.9)	(0.1)	(6.6)
1992-93	20891.2	15768.8	6496.8	-1829.4	5114.1
	(18.7)	(14.8)	(6.9)	(-1.5)	(5.3)
1993-94	20596.0	16262.7	5187.6	461.7	3812.5
	(16.3)	(13.4)	(4.9)	(0.3)	(3.5)
1994-95	27696.8	23507.2	9458.3	-4467.8	6456.2
	(18.5)	(16.1)	(7.2)	(-2.8)	(5.0)
1995-96 (B.E)	33767.0	26398.4	9306.1	2032.9	10019.4
	(19.8)	(16.2)	(6.7)	(1.1)	(6.8)
1995-96 (R.E)	33745.7	26307.5	10141.0	1905.4	8638.5
	(19.5)	(15.8)	(7.1)	(1.1)	(5.8)
1996-97 (B.E)	36497.5	28394.0	7673.9	2955.8	10024.8
	(19.4)	(15.2)	(4.6)	(1.5)	(6.2)

Note : Figures in brackets indicate percentage to respective expenditures.

'—' Indicates Surplus

Table VIII 5 : Overall Budgetary Position of State Governments

(Rs. crore)

Items	1994-95 (Accounts)*	Percentage variation over the previous year	1995-96 (Budget Estimates)	1995-96 (Revised Estimates)	Percentage variation 1995-96(RE) over 1995-96(BE)	Percentage variation over the previous year	1996-97 (Budget Estimates)	Percentage variation over the previous year
1	2	3	4	5	6	7	8	9
I Aggregate Receipts (A+B)	166,021.6	23.7	177,023.0 (176,074.1)	179,062.2	1.2 (1.7)	7.9	194,753.6 (193,688.3)	8.8 (8.2)
A. Revenue Receipts (1+2)	122,283.7	15.8	136,426.7 (135,477.8)	139,733.2	2.4 (3.1)	14.3	152,018.9 (150,953.6)	8.8 (8.0)
1. Tax Receipts (a+b)	80,619.2	17.1	90,630.5 (89,723.3)	93,065.1	2.7 (3.7)	15.4	106,715.4 (105,655.1)	14.7 (13.5)
a. States' Taxes	55,734.5	20.1	61,650.3 (60,743.1)	63,806.1	3.5 (5.0)	14.5	72,416.0 (71,739.7)	13.5 (12.4)
b. Share in Central Taxes	24,884.7	11.1	28,980.2	29,259.0	1.0	17.6	34,299.4 (33,915.4)	17.2 (15.9)
2. Non-Tax Receipts (c+d)	41,664.5	13.4	45,796.2 (45,754.5)	46,668.1	1.9 (2.0)	12.0	45,303.5 (45,298.5)	-2.9 (-2.9)
c. Grants from the Centre	20,004.4	-5.5	24,252.4	25,025.3	3.2	25.1	25,729.1	2.8
d. States' Non-Tax Receipts	21,660.1	39.1	21,543.8 (21,502.1)	21,642.8	0.5 (0.7)	-0.1	19,574.4 (19,569.4)	-9.6 (-9.6)
B. Capital Receipts (1+2)	43,737.9	52.8	40,596.3	39,329.0	-3.1	-10.1	42,734.7	8.7
1. States' Capital Receipts of which:	24,485.4	72.3	19,291.0	18,311.3	-5.1	-25.2	19,612.6	7.1
a. Market Borrowings (Gross)	4,104.7	-2.6	5,355.8	5,111.0	-4.6	24.5	5,298.7	3.7
b. Recovery of Loans and Advances	5,226.4	116.1	1,597.0	2,040.8	27.8	-61.0	1,617.2	-20.8
2. Loans from the Centre	19,252.5	33.6	21,305.3	21,017.7	-1.3	9.2	23,122.1	10.0
II Aggregate Disbursements(A to E)	161,553.8	20.0	179,055.9	180,967.5	1.1	12.0	197,709.4	9.3
A. Developmental Expenditure@ (1 + 2)	104,347.9	16.7	111,516.3	118,044.0	5.9	13.1	125,477.1	6.3
1. Social Services	48872.1	16.4	56,895.9	59,938.6	5.3	22.6	65,171.9	8.7
of which: Expenditure on Natural Calamities	897.9	-5.3	1,325.9	2,037.1	53.6	126.9	1,505.9	-26.1
2. Economic Services	55475.8	17.0	54,620.4	58,105.4	6.4	4.7	60,305.3	3.8
B. Non-Developmental Expenditure@	49556.0	30.3	58,810.0	55,855.5	-5.0	12.7	63,045.1	12.9
C. Repayment of Loans to the Centre	4492.4	-7.9	4,818.3	4,388.1	-8.9	-2.3	5,646.2	28.7
D. Discharge of Internal Debt	1854.4	55.4	2,446.9	1,059.7	-56.7	-42.9	1,629.7	53.8
of which : Market Loans(Gross)	29.9	-95.0	197.0	200.1	1.6	11.0	9.7	-95.2
E. Others #	1303.1	11.3	1,464.4	1,620.2	10.6	24.3	1,911.3	18.0
III Conventional Budget Surplus (+) / Deficit(-)(I-II)	4467.8		-2032.9 (-2981.8)	-1905.3			-2955.8 (-4021.1)	
IV Financing of conventional Budget Surplus(+) / Deficit(-)								
A. Increase(+)Decrease(-)in cash balances(Net)	-1173.4		-2034.3 (-2983.2)	-1539.5			-2504.9 (-3570.2)	
B. Additions to(+)Withdrawals from(-) Cash Balance Investment Account(Net)	3666.9		13.0	-423.8			-442.7	
C. Repayment of(+) / Increse in(-) Ways and Means Advances and Overdrafts from R B.I.(Net)	1974.3		-11.6	58.0			-8.2	

Note: 1. Figures outside brackets under budget estimates for 1995-96 include the estimated net yield of Rs.943.4 crore from Additional Resource Mobilisation measures proposed by the States.

2. Figures outside brackets under budget estimates for 1996-97 include the estimated net yield of Rs.681.3 crore from Additional Resource Mobilisation measures proposed by the States and the States'share of Rs.384.0 crore in the Centre's ARM proposed in the Central Budget. 1996-97.

3. Provisional data relates to 26 State governments including the National Capital Territory of Delhi .

* Figures for Bihar, Jammu and Kashmir and Nagaland relate to Revised Estimates.

@ Comprise expenditure on Revenue and Capital accounts and Loans and Advances extended by States.

\# Comprise compensation and assignments to local bodies and reserve with Finance Department.

Table VIII-6 : Fincancing Pattern of Gross Fiscal Deficit of State Governments

(Rs. crore)

Fiscal Year	Loans from the Central Government (net)	Market Borrowings (net)	Others	GFD (2+3+4)
1	2	3	4	5
1980-85 (Average of 5 yrs)	(28.1)	(9.6)	(53.8)	(100.0)
1985-90 (Average of 5 yrs)	(57.8)	(14.2)	(28.0)	(100.0)
1990-91	9,977.6	2,555.5	6,253.9	18,787.0
	(53.1)	(13.6)	(33.3)	(100.0)
1991-92	9,373.5	3,305.4	6,221.2	18,900.1
	(49.6)	(17.5)	(32.9)	(100.0)
1992-93	8,921.3	3,501.2	8,468.7	20,891.2
	(42.7)	(16.8)	(40.5)	(100.0)
1993-94	9,532.8	3,620.4	7,442.8	20,596.0
	(46.3)	(17.6)	(36.1)	(100.0)
1994-95	14,760.1	4,074.8	8,861.9	27,696.8
	(53.3)	(14.7)	(32.0)	(100.0)
1995-96 (Budget Estimates)	16,487.0	5,158.8	12,121.2	33,767.0
	(48.8)	(15.3)	(35.9)	(100.0)
1995-96 (Revised Estimates)	16,629.6	4,910.9	12,205.2	33,745.7
	(49.3)	(14.6)	(36.1)	(100.0)
1996-97 (Budget Estimates)	17,475.9	5,287.7	13,733.9	36.497.5
	(47.9)	(14.5)	(37.6)	(100.0)

Note : 1. '—' Indicates surplus
2. Figures in brackets are proportion to GFD.
3. Provisional data relates to 26 State Governments including National Capital Territory of Delhi.

Table VIII-7 : Combined Deficits of Central and State Governments

(Rs. crore)

Year	Gross Fiscal Deficit	Net Fiscal Deficit	Net Primary Deficit	Revenue Deficit
1	2	3	4	5
1990-91	53,580	45,224	26,223	23,871
	(10.00)	(8.44)	(4.90)	(4.46)
1991-92	45,850	40,369	19,082	21,911
	(7.43)	(6.54)	(3.09)	(3.55)
1992-93	52,404	46,000	18,180	23,688
	(7.43)	(6.52)	(2.58)	(3.36)
1993-94	70,952	62,256	29,570	36,528
	(8.86)	(7.77)	(3.69)	(4.56)
1994-95	71,640	63,820	21,517	37,185
	(7.58)	(6.75)	(2.28)	(3.93)
1995-96 (Budget Estimates)	80,400	69,538	18,865	45,560
	(7.67)	(6.64)	(1.80)	(4.35)
1995-96 (Revised Estimates)	84,335	72,857	23,060	41,970
	(7.77)	(6.72)	(2.13)	(3.87)
1996-97 (Budget Estimates)	82,896	69,922	10,594	41,500
	(6.66)	(5.61)	(0.85)	(3.33)

Note : 1. Figures in brackets are percentages to GDP at current market prices.
2. Regarding State Governments data relate to the budgets of 26 States including National Capital Territory of Delhi.

Table VIII-8 : Trends in Budgetary Deficits and Net RBI Credit to Governments

(Rs. crore)

Year	Budgetary Surplus(+) / Deficit(-)($)			Net RBI Credit to Government (a)		
	Centre	States	Total	Centre	States	Total
1	2	3	4	5	6	7
1980-81	-2,477	-897	-3,374	3,551	487	4,038
1981-82	-1,400	-1,020	-2,420	3,207	789	3,996
1982-83	-1,656	-820	-2,476	3,368	-984	3,368
1983-84	-1,417	-561	-1,978	3,949	38	3,987
1984-85	-3,745	-1,438	-5,183	6,055	1,485	7,540
1985-86	-5,315	1,688	-3,627	6,190	-1,862	4,328
1986-87	-8,261	-667	-8,928	7,091	516	7,607
1987-88	-5,816	-66	-5,882	6,559	-157	6,402
1988-89	-5,642	380	-5,262	6,503	425	6,928
1989-90	-10,592	-161	-10,753	13,813	255	14,068
1990-91	-11,347	72	-11,275	14,746	420	15,166
1991-92	-6,855	-156	-7,011	5,508	-340	5,168
1992-93	-12,312	1,829	-10,483	4,257	176	4,433
1993-94	-10,960	-462	-11,422	260	591	851
1994-95	-961	4,468	3,507	2,130	48	2,178
1995-96 (Revised Estimates)	-7,600	-1,905	-9,505	19,855 $$	16	19,871 $$
1996-97 (Budget Estimates)	-6,578	-3,327	-9,905	N.A.	N.A.	N.A.

(a) : Comprising net changes in (i) RBI holdings of Treasury Bills, other Government Securities, rupee-coins in Issue Department, Ways and Means Advances to State Governments and (ii) Government's balances with RBI so that an increase in cash balances will imply a decline in RBI credit to Government and vice versa. Data refer to full fiscal year (i.e. from April to March) and take into account adjustments made at the time of final closure of Government Accounts.

$: Budgetary deficit or surplus is measured (a) in the case of the Central Government by (i) net increase/decrease in outstanding Treasury Bills and (ii) Withdrawals from / additions to cash balances, and (b) in the case of States by (i) net increase/decrease in the RBI credit in the form of Ways and Means Advances, (ii) decline in / additions to cash balances; and (iii) net sales/purchases of securities held by States in their Cash Balance Investment Account.

$$: As per RBI records after closure of Government Accounts.

N.A. : Not available.

Table VIII-9 : Expenditure on Social Sector

(Rs. crore)

Year	Centre		States		Centre and States combined	
	Total Expenditure	Expenditure on Social sector	Total Expenditure	Expenditure on Social sector	Total Expenditure	Expenditure on Social sector
1	2	3	4	5	6	7
1980-81	23,194	1,697 (7.3)	22,770	6,601 (29.0)	37,879	8,298 (21.9)
1985-86	53,808	3,189 (5.9)	44,869	17,031 (38.0)	78,627	20,220 (25.7)
1989-90	95,226	8,029 (8.4)	76,809	29,005 (37.8)	1,45,137	37,034 (25.5)
1990-91	1,07,994	6,122 (5.7)	91,242	35,132 (38.5)	163,673	41,254 (25.2)
1991-92	1,14,483	6,817 (6.0)	1,08,646	39,255 (36.1)	1,85,905	46,072 (24.8)
1992-93	1,26,063	7,261 (5.8)	1,19,355	44,468 (37.3)	2,03,043	51,730 (25.5)
1993-94	1,46,050	12,020 (8.2)	1,34,649	49,900 (37.1)	2,32,649	61,920 (26.6)
1994-95	1,65,205	15,178 (9.2)	1,61,554	50,014 (31.0)	2,72,874	65,192 (23.9)
1995-96(BE)	1,77,826	17,417 (9.8)	1,79,056	58,703 (32.8)	3,01,572	76,120 (25.2)
1995-96(RE)	1,88,492	19,550 (10.4)	1,80,967	61,882 (34.2)	3,10,617	81,432 (26.2)
1996-97(BE)	2,10,577	21,378 (10.2)	1,97,709	67,261 (34.0)	3,43,555	88,639 (25.8)

Note : 1. Figures in brackets represent percentages to respective total expenditure.

2. Figures for the Centre and States do not add up to the combined position due to inter-governmental adjustment.

3. Regarding State Governments data relate to the budget of 26 States including the National Capital Territory of Delhi.

RE : Revised Estimates. BE : Budget Estimates.

Source : Budget Documents of Government of India and State Governments.

TABLE VIII-10 : Market Borrowings of the Central and State Governments and Institutions Sponsored by the Central and State Governments

(Rs. crore)

Government/Authority	Gross			Repayment			Net		
	1996-97 (BE)	1995-96 +	1994-95 +	1996-97 (BE)	1995-96 +	1994-95 +	1996-97 (BE)	1995-96 +	1994-95 +
1	2	3	4	5	6	7	8	9	10
1. Central Government (a+b+c)	35,294	40,509	38,108	9,796	13,719	18,034	25,498	26,790	20,074
a) Normal Market Borrowings	4,675	5,210	4,654	975	1,510	954	3,700	3,700	3,700
b) Other Medium and Long Term Borrowings @	30,619 $	33,425	16,597	6,946	4,046	—	21,798$	29,379	16,597
c) 364 Day Treasury Bills	$	1,875	16,857	1875	8,163	17,080	$	–6288	–223
2. State Governments	6,536	6,274	5,123	—	343	—	6,536	5,931	5,123
3. Institutions Sponsored by Central Government	..	589	775	..	126	—	..	463	775
4. Institutions Sponsored by State Governments	..	431	433	..	90	87	..	341*	346*
Grand Total (1+2+3+4)	**..**	**47,802**	**44,439**	**..**	**14,278**	**18,121**	**..**	**33,525**	**26,318**

BE : Budget Estimates.

\+ : Actuals as per R.B.I.Records.

@ : Includes conversion of maturingTreasury bills and dated securities into fresh dated securities and amount raised through other instruments viz., Zero Coupon Bonds, Partly Paid Stocks, Floating Rate Bonds, etc.

$: For Budget Estimates 1996-97 the sum has been assumed under Other Medium and Long Term Borrowings and 364-day Treasury bills.

* : Indicates net borrowings for SFCs and SLDBs (The State guaranteed bodies' borrowing programme has been merged with the concerned States' borrowings with effect from 1994-95).

— : Nil.

.. : Not Available.

Source : Budget Documents of Government of India and Reserve Bank of India Records.

Table VIII-11 : Net Market Borrowings of Institutions sponsored by the Central and State Governments and Local Authorities

(Rs. crore)

	Institutions	1993-94	1994-95	1995-96
	1	2	3	4
I	**Institutions sponsored by the Central Government**	**1,200.00**	**775.00**	**448.38**
1	Industrial Development Bank of India	200.00	—	—
2	Industrial Credit and Investment Corporation of India	—	—	
3	Industrial Finance Corporation of India	366.00	—	—
4	Exim Bank	60.00	60.00	—
5	Industrial Reconstruction Bank of India	75.00	105.00	82.50
6	National Bank for Agriculture and Rural Development	78.00	90.00	45.00
7	Rural Electrification Corporation	26.00	30.00	10.88
8	Housing and Urban Development Corporation	30.00	40.00	20.00
9	National Co-operative Development Corporation	25.00	35.00	17.50
10	Damodar Valley Corporation		20.00	50.00
11	Shipping Credit and Investment Company of India Ltd.	—	—	—
12	Delhi Co-operative Housing Society Ltd.	—	—	—
13	National Housing Bank	40.00	45.00	22.50
14	Power Finance Corporation	10.00	—	—
15	Tourism Finance Corporation of India			
16	SIDBI	290.00	300.00	150.00
17	NEEPCO	—	50.00	50.00
II	**Institutions Sponsored by State Governments**	**1,079.73**	**345.56 ***	**352.02 ***
1	State Electricity Boards	486.21	—	—
2	State Financial Corporations	350.00	350.00	340.95
3	Industrial Investment Corporations and Industrial Development Corporations	16.50	—	—
4	Land Development Banks	—	-4.44	11.07**
5	Housing Boards	14.54	—	—
6	Municipal Corporations	24.67	—	—
7	Other Institutions	187.81	—	—
	Grand Total (I+II)	**2,279.73**	**1120.56**	**800.40**

* Indicates net market borrowings of SFCs and SLDBs.

** Allocated amount.

— Nil.

Source : Reserve Bank of India Records.

**Table VIII-12 : Term Structure of Interest Rates-
on Central and State Government Securities**

(Per cent per annum)

Maturity (in years)	1996-97 a	1995-96	1994-95
1	2	3	4
Central Government Securities			
1 1/2		13.50 @	
2	13.50 ***	13.25 ***	
	13.62	13.50 #	
3	13.70	13.65	11.00 *
4	13.72 $	14.26 +	
5	13.75	13.25 **	12.00 *
		13.85 $$	12.71 $
6	13.82		11.64 #
7		13.80	12.08
			11.75 *
8			11.55 @@
9			
10	13.85 @@	13.75	12.35
	13.85	14.00 @	
State Government Securities			
10	13.85 @	14.00 @	12.50 @

a Upto September 30, 1996.

@ Pre announced

*** Coupon rate on Government dated stock issued in lieu of conversion of maturing Government dated stock.

Auctioned as well as fixed issue coupon rate.

* Fixed coupon rate offered in conversion of Treasury bills.

$ Implicit yield on Government of India Zero Coupon Bonds.

+ Interest rate on Government of India Floating Rate Bonds, 1999 for half years ending March 29, 1996 and September 29, 1996.

** Cut off yield offered in lieu of conversion of Treasury Bills.

$$ Implicit yield on Government of India Zero Coupon Bonds and fixed coupon on Government dated stock.

@@ Government of India Partly Paid Stock.

Note : Coupon rates based on Auctions.

Source : Reserve Bank of India Records.

CHAPTER IX

FOREIGN TRADE*

Overall Trend

Reflecting a sustained expansion in the domestic economic activity and continued liberalisation of trade, India's exports registered a surge of 20.9 per cent while imports increased by 26.9 per cent in US dollar terms during 1995-96. In the previous year export and import growth rates were lower at 18.4 per cent and 22.9 per cent, respectively.

Trade deficit in 1995-96 increased sharply on account of bulge in oil imports. The trade deficit would have been much higher but for strong performance of non-oil exports. According to data from the Directorate General of Commercial Intelligence and Statistics (DGCI & S), trade deficit increased by US $ 2,215 million to US $ 4,539 million in 1995-96 from US $ 2,324 million in 1994-95. At a disaggregated level, trade deficit on oil account alone increased by US $.1,583 million from US $ 5,511 million in 1994-95 to US $ 7,094 million in 1995-96. As regards non-oil trade, despite the upward trend in export growth, the trade surplus on non-oil account shrank to US $ 2,554 million in 1995-96 from US $ 3,187 million in 1994-95 and US $ 4,288 million in 1993-94 mainly on account of strong growth in imports. Consequently, the surplus on non-oil account could cover only 36 per cent of deficit on oil account as compared to 57.8 per cent in 1994-95, and 80.0 per cent 1993-94.

The surge in exports by 20.9 per cent reflected increase in both the volume and prices. The accelerated increase in exports was evident in the second half, particularly during the months November to March 1995-96. In absolute terms, the monthly average was substantially higher during the second half of the year at US $ 2,822 million compared to US $ 2,468 million during the first half. Exports by and large reflected an ascending movement without drifting away from the normal seasonal behaviour in a significant manner. Commendably enough, India was able to attain an accelerated growth rate in spite of weakening of world economic activity and fall in the growth rate of world trade volume (goods and services). This has been made possible by a number of policy reforms such as reduction in import duties on raw materials, capital goods and equipments and reduction in excise duty in order to encourage the domestic production.

The fiscal year 1995-96 with buoyancy in domestic demand for imports reflected accelerated growth of industrial production and rise in overall domestic output. Thus, imports at US $ 36,370 million registered a growth rate of 26.9 per cent in 1995-96 reflecting a rise of 4 full percentage points over 1994-95. Accompanied with high industrial activity, the non-oil merchandise imports increased by 26.8 per cent to US $ 28,822 million in 1995-96 from US $ 22,727 million in 1994-95. Petroleum, oil and lubricants (POL) imports also reflected a growth rate of equal magnitude at 27.3 per cent to US $ 7,547 million in 1995-96 from US $ 5,928 million during the previous year. Although the increase in oil and fuel imports at 27.3 per cent was substantially higher than the increase of 3 per cent in 1994-95, in terms of share in total imports, POL continue to account for around 20.7 per cent of the total imports. The trade data in brief are presented in Table IX-1 and Graph IX-1.

The export-import ratio which indicates the extent to which exports could finance imports, recorded a decline from 91.9 per cent in 1994-95 to 87.5 per cent in 1995-96.

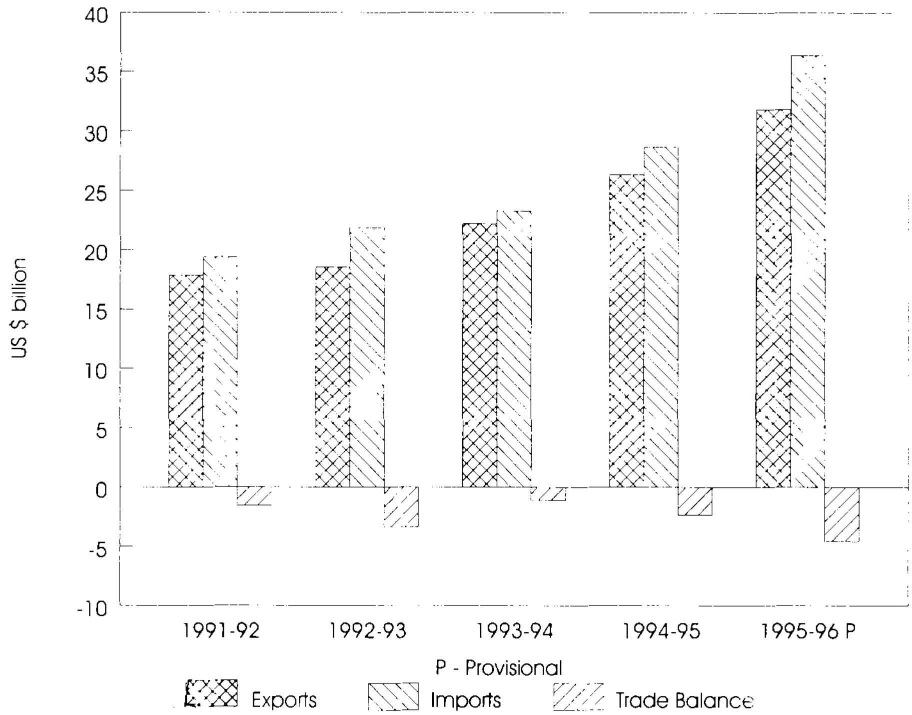
Trade developments during the first half of 1996-97

The strong export growth recorded during 1995-96 could not be sustained in the first half of the fiscal year (April-September) 1996-97. According to the provisional data received from DGCI & S, exports at US $ 16,140 million rose by 9.9 per cent during the first half of the current fiscal year as against a rise of 26.4 per cent during the comparable period of the previous year. Imports, on the other hand, registered a decelerated growth of 5.2 per cent to reach the level of US $ 17,953 million as compared to a rise of 32.8 per cent during the comparable period of the previous year. As a result, the trade deficit narrowed down to US $ 1,813 million during the period under review and was lower by US $ 567 million than that of US $ 2,380 million during April-September 1995-96.

Non-oil exports rose by 9.9 per cent to US $ 15,879 million during the period under review as

* This Chapter is based on information/data available upto end-November 1996.

Graph IX-1
India's Foreign Trade



compared with a rise of 26.7 per cent during April-September 1995-96. However, non-oil imports at US $ 13,539 million registered a decline of 3.0 per cent in contrast to a massive rise of 36.8 per cent during April-September 1995-96 resulting in higher level of non-oil surplus at US $ 2,340 million which was more than outweighed by deficit on oil account at US $ 4,153 million. POL imports, which constituted around 25 per cent of total imports during this period, showed a rise of 41.8 per cent to US $ 4,414 million as compared to a rise of 17.5 per cent during April-September 1995-96.

Composition of Exports in 1995-96

One of the redeeming features of 1995-96 has been the strong recovery of primary exports rising by 39.3 per cent in 1995-96 after a small increase of 6.1 per cent in the previous year (Table IX-2). On the other hand, the 16.0 per cent growth registered by the manufactured exports during 1995-96 fell short of the 22.5 per cent increase witnessed in the preceding year. The superior growth performance of primary exports resulted in a compositional change, as the share of manufactured goods in total exports declined from 77.5 per cent to 74.4 per cent between 1994-95 and 1995-96 while that of primary exports went up from 19.8 per cent to 22.8 per cent. In terms of incremental exports, while the share of manufactured goods contracted from 91.5 per cent during 1994-95 to 59.5 per cent in 1995-96, that of primary exports expanded from 7.3 per cent to 37.3 per cent, reflecting a structural change in exports.

Reflecting the trend in overall growth of manufactures, exports of almost all the major manufactured items recorded decelerated growth rates over those achieved during the previous year. However, export growth had been more even across the major manufactured commodities, natural silk yarn, fabrics and made-ups being the only exception to witness a absolute decline in their export earnings. Thus, during 1995-96 engineering goods registered the highest growth of 24.6 per cent, followed by jute manufactures (23.6 per cent), chemical and allied products (20.1 per cent), cotton yarn, fabrics, made-ups (15.7 per cent), handicrafts (15.0 per cent) and coir and coir manufactures (14.5 per cent).

Responding to the special incentives given to foster primary exports in the post-reform period, various items under this category registered high growth rates during the year under review. Contrary to the export performance of manufactured goods, most of the primary exports during 1995-96 surpassed their growth performance in the previous year. Among the primary commodities, the highest growth was registered by sugar and molasses (660.1 per cent) followed by rice (254.5 per cent), processed fruits, juices and miscellaneous processed items (131.7 per cent), meat and meat preparations (46.1 per cent) and raw cotton including waste (38.4 per cent). However, marine products and cashew kernels were the only groups which suffered absolute decline of 10.2 per cent and 7.3 per cent respectively in their level of exports. The decline in the export earnings of marine products which remained the most important primary export item for the last four years, may be viewed against in the background of stiff competition in major markets like Japan and USA. A favourable development which has accelerated primary exports is the sharp increase in the level of exports of tea, coffee, rice, tobacco and cashew nuts to Russia. The rice export which has been identified by the Ministry of Commerce as an "extreme focus item" for export promotion, registered an impressive rise of 254.5 per cent and thereby contributed nearly half of the incremental exports of primary products. An increase of about 1,000 times in the exports of non-basmati rice during the year under review over the previous year has largely been in response to the removal of the stipulation of minimum export price on these items in 1994-95.

Changes in the quantum and unit value realisation in US dollar of some of the major export items during 1995-96 over 1994-95 indicate that while the growth in manufactured exports has been, in general, due to improved performance in both quantum and unit value, those of primary products accrued mainly from the rise in quantum. Apart from raw cotton including waste and marine products, the quantum of all other agricultural exports registered positive growth. The unit value realisations, however showed a fall for sugar and molasses, cashew kernels, marine products and spices (Table IX-3). Following the spurt in the proportion of non-basmati variety in the total rice exports, there has been a marked fall in unit value realisation of rice exports.

Statement 212 appearing in the Report on Currency and Finance Vol. II gives the details of exports of selected commodities to principal countries. India has recovered a major portion of the market of the erstwhile USSR which was lost after the disintegration of that country. In particular, India's agricultural exports like tea, coffee, unmanufactured tobacco, cashew kernel have registered a major boost in the CIS during 1995-96 over the preceding year. Industrial countries, particularly the USA, Germany, the UK and Japan remain the major destinations for most of India's major industrial exports including leather and leather manufactures, gems and jewellery, chemicals and allied products, engineering goods and textile products. Even in the case of agricultural exports like coffee, spices, cashew kernels and marine products, the above countries provided the largest markets. In recent years, some of the high performing East Asian economies have emerged as important trade partners of India. This trend was further reinforced during 1995-96. In particular, a spectacular rise in rice exports to Indonesia, expansion of engineering exports to Singapore, Hong Kong and Malaysia and fast pace of expansion of gems and jewellery exports to Singapore and Thailand during the year under review merit a special mention. India's exports to some of the middle eastern countries like Saudi Arabia, the UAE and to some extent Israel have shown impressive growth during 1995-96.

Composition of Imports

The import surge registered in 1995-96 was shared by both bulk and non-bulk imports, the former rising by US $ 2,888.5 million and the later by US $ 4,826.7 million. In terms of growth rate, increases of bulk and non-bulk imports over the preceding year were evenly posed at 25.5 per cent and 27.8 per cent, respectively. Consequently, the shares of bulk and non-bulk imports in the overall imports changed only marginally from 39.5 per cent to 39.1 per cent and 60.5 per cent to 60.9 per cent, respectively between 1994-95 and 1995-96 (Table IX-4).

Among the bulk imports, edible vegetable oil registered the highest growth of 228.3 per cent followed by paper, paper board and manufactures thereof (91.0 per cent), crude rubber including synthetic and reclaimed (81.2 per cent), fertilizers (52.9 per cent), pulp and waste paper (35.8 per cent) and petroleum, petroleum products and related materials (27.3 per cent). It may be noted that more than 90 per cent of the increase in imports of bulk items between 1994-95 and 1995-96 resulted from the increases in the imports of three items - petroleum products, fertilizers and edible vegetable oil. The rise in the value of imports of oil and petroleum products were largely caused by the increase in quantum of petroleum oil and marginally by rise in oil price. The recovery in fertilizer consumption during 1995-96 pushed up the demand for import of fertilisers. Further, among the fertilizers, the potassic variety for which India is almost entirely import dependent, witnessed the fastest growth in consumption resulting in escalation in fertilizer imports for the last two years. In the case of edible vegetable oil, even though the per capita availability declined over the previous decade, the demand for it increased in line with the increase in population and unfavourable domestic production conditions pushed up the imports of these products by more than 12 times over the last two years.

Among the non-bulk imports, manufactures of metals registered the fastest growth of 56.9 per cent followed by electrical machinery (47.0 per cent), non-electrical machinery (45.1 per cent), professional and scientific instruments etc. (34.6 per cent) and artificial resins and plastic materials etc. (34.4 per cent). With the exception of transport equipment, imports of all other components of capital goods registered considerable increases during 1995-96. This may be regarded as mainly reflective of the ongoing process of expansion and modernisation of the Indian industries. The varying rates of growth of various imported products over the years have resulted in a change in the composition of imports. The bulk items with a share of 44.8 per cent in total imports in 1991-92, accounted for much lower portion at 39.1 per cent in 1995-96 whereas the share of non-bulk items rose from 55.2 per cent in 1991-92 to 60.9 per cent in 1995-96. In the category of non-bulk imports, capital goods in terms of share, have gained a substantial rise to 28.0 per cent from 21.8 per cent, whereas pearls, precious and semi-precious stones have fallen from more than 10 per cent to 5.7 per cent during the same period.

Volume and unit value payment of some of the important imports have been presented in Table IX-5. It may be noted that with the exception of cereals and cereal preparations and iron and steel, the unit value payment of all other imports showed marked increases between 1994-95 and 1995-96. On the other hand, the volume of various other imports including cereal and cereal preparations, pulses, non-manufactured fertilizers, pulp and waste paper, sugar, crude rubber including synthetic and reclaimed and synthetic and regenerated fibers registered declines during the year under review, suggesting a rise in unit value payment rather than increase in import volumes adding to the value of imports during 1995-96.

Direction of Trade

The direction of India's foreign trade remained broadly unchanged during 1995-96. By and large, the industrial market economies belonging to the OECD group of countries continued to serve as principal market for India's exports as well as major source of India's imports. India's trading partners have been classified into four broad categories : (a) Organisation for Economic Co-operation and Development (OECD) countries; (b) Organisation of Petroleum Exporting Countries (OPEC); (c) Eastern Europe; and (d) Developing Countries.

The fiscal year 1995-96 was characterised by a turnaround in the trade balance with the OECD group of countries resulting from the surge in imports from the European Union (EU) and North America. The OECD countries continued to remain the principal trading partners accounting for about 54.0 per cent of India's total trade (exports plus imports), followed by the Developing countries with a share of 26.6 per cent. The shares of OPEC and Eastern Europe were 14.3 per cent and 4.4 per cent, respectively during 1995-96 (Table IX-6). Underlying this broad trend is the directional shift in India's foreign Trade. Although the OECD countries remained the principal destination for India's exports, their share in India's exports declined from 58.7 per cent in 1994-95 to 55.6 per cent during 1995-96 (3.1 percentage points). This was due mainly to shrinkage in the shares of the European Union (EU), North America, and Asia and Oceania from 26.7 per cent, 20.1 per cent and 9.2 per cent in 1994-95 to 26.4 per cent, 18.3 per cent and 8.3 per cent, respectively, during 1995-96. Asia increased its share to 22.9 per cent in 1995-96 from 21.7 per cent in 1994-95.

Asia is becoming an important market for Indian goods as the share of this region in total exports has risen from 13.1 per cent in 1980-81 to 22.9 per cent in 1995-96. The OPEC and Eastern European countries showed a similar trend in their shares from 9.2 per cent and 4.0 per cent in 1994-95 to 9.6 per cent and 4.2 per cent, respectively, in 1995-96 but their importance for India has gone down if seen over a long period. It would be seen from Table IX-6 that India is losing the ground in these markets as the shares of OPEC and Eastern Europe declined from 11.1 per cent and 22.1 per cent in 1980-81 to 9.6 per cent and 4.2 per cent respectively in 1995-96. Of particular significance is the increasing importance of the 'Developing countries' as destination of India's exports in recent years. During 1995-96, the 'Developing countries' share in India's exports increased to 28.9 per cent from 26.5 per cent in 1994-95, and 17.1 per cent in 1990-91 indicating the directional shift in India's exports from North to South.

As regards imports, the OECD countries remained the principal source of imports with an increased share of 52.3 per cent in 1995-96 from 51.4

per cent in 1994-95, which is attributable to a pickup in the share of EU and North America, the two largest trading partners within the OECD group. An important development, however, has been that over the longer period the share of OECD shrank from 57.2 per cent in 1990-91 to 52.3 per cent in 1995-96. Another directional change in India's imports is that the value as well as the volume of imports from Eastern Europe have been rising. Consequently, their share has gone up from 3.4 per cent in 1994-95 to 4.5 per cent in 1995-96, while the Developing countries witnessed a marginal rise from 24.1 per cent to 24.3 per cent during the same period. As regards the OPEC, their share declined from 21.1 per cent in 1994-95 to 18.9 per cent in 1995-96.

Trends in Quantum and Price Indices

The index numbers of quantum and prices of India's exports and imports have been presented in Statements 208 and 209 respectively of Vol. II. On a financial year basis these indices are available up to 1994-95. At the aggregate level, India's export prices on an annual average basis, increased by 16.9 per cent and 13.8 per cent during the '80s and '90s respectively. The corresponding changes in unit value of India's imports showed an increase of 10.0 per cent and a decrease of 1.4 per cent, respectively. The quantum index of exports on an annual average basis, increased by 8.0 per cent and 10.2 per cent during the '80s and '90s, respectively. India's import quantum increased by 7.3 per cent during the '80s and by 24.7 per cent during the '90s. Therefore, it may be observed that the price situations facing India's exports and imports have softened in the 'nineties over the 'eighties while the growth of export and import quantum have increased in the later period over the former. Both decrease in the growth of prices and increase in quantum during the 'nineties have been more marked for imports than exports (Graph - IX-2). It may be noted that since early 'nineties, a number of commodities which have registered considerably high increases in quantum of exports and have also witnessed marked rises in import quantum indicating thereby the augmented interrelationship between India's exports and imports under the present out-ward oriented trade regime, belong to the categories of machinery and transport equipments and miscellaneous manufactured articles.

Movements of quantum and unit value indices of exports and imports between 1992-93 and 1994-95 indicate certain deleterious tendencies which might call for close attention. In the first place, though the growth rate of both export and import quantum indices at 10.5 per cent and 30.0 per cent, respectively, show positive increases, the rate of growth in export quantum, however, has fallen far short of that of import. India, being a relatively small trading nation, has little maneuverability in the determination of world prices. It is, therefore, imperative to maintain the import levels in line with economic fundamentals so as to eschew adverse impact of an unwarranted expansion in import on balance of payment. Secondly, on an annual average basis between 1992-93 and 1994-95, while the unit value index of India's exports registered a rise of 5.8 per cent, that for imports witnessed a decline of 8.3 per cent. The fall in unit value of imports of India can partially be attributed to the change in the composition of imports and improvements in productivity in the countries supplying imports to India. Alternatively, given the general buoyancy of world trade and prices, a decline in import prices during the 'nineties also may indicate the possibility of undervaluation of imports and/or dumping. If such disturbing possibilities can not be ruled out even under a closer examination, the country may need to take corrective measures like pre-shipment inspection or anti-dumping measures to eliminate the harmful effects on the domestic economy.

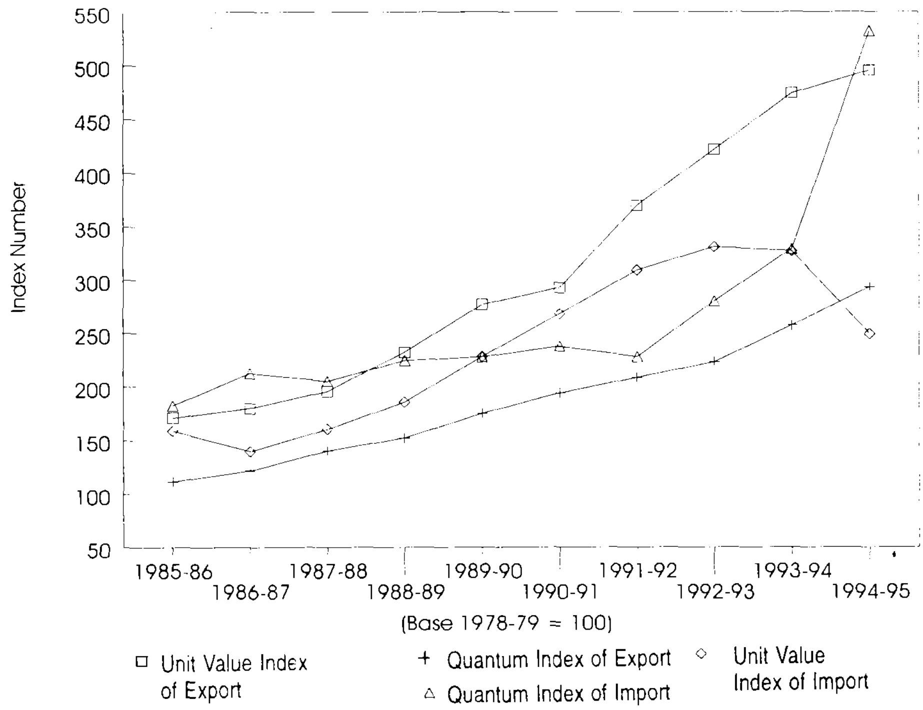
Developments in Trade Policy

Reforms in the trade policy and procedures ushered in by the Export and Import (EXIM) Policy, 1992-97, and various amendments to it have sought to impart greater transparency in the export and import policies and procedures, to phase out quantitative restrictions in the form of licensing and other discretionary controls and to make the Policy progressively more domestic-supplier friendly. Following the above set objectives, various simplifications and revisions to the EXIM Policy, 1992-97 in the terminal year of its operation were announced in March, 1996 which essentially attempt to deal with operational problems so as to sustain the momentum of export growth. Important export control/promotion measures and import control measures announced during 1995-96 are covered in Appendix I and II. The highlights of the simplification and revision announced in March 1996 are spelt out below :

1. Export Promotion Capital Goods (EPCG) Scheme

The EPCG Scheme was enhanced by inclusion of "mining" in the definition of manufacture for the purpose of the EXIM Policy. Further, the limit of

Graph IX-2
Unit Value and Quantum Indices of India's Foreign Trade



maintenance spares importable under the EPCG Scheme was enhanced from 10 per cent to 20 per cent with imports being allowed during the validity of the period for fulfillment of the export obligation.

2. Duty Exemption Scheme

Goods exported under the Duty Exemption Scheme (DES) were allowed to be reimported in the same or substantially in the same form subject to such conditions as may be specified from time to time. Exemption from payment of additional customs duty, earlier available only to manufacturer-exporters holding non-transferable Actual User Quantity Based Advance Licences, has been made available to merchant exporters having similar licences with similar conditions.

The benefit of flexibility to import a sensitive item available under Value Based Advance Licence in excess of the quantity or value indicated against it up to an extent of 20 per cent of the quantity or value indicated, as the case may be, has been made admissible under an Advance Intermediate Licence. Further, the facility of duty free import of raw material under Special Import Licence has been made available for supplies made to United Nations or other multilateral agencies and paid for in foreign exchange.

To make the Policy more domestic supplier-friendly, deemed exports under Advance Intermediate Licence have been brought under the umbrella of Special Import Licence (SIL). Further, to enable exporters to reach the customers in time which in turn may help them in getting higher proceeds for their products, exports under Advance Licences to designated warehouses abroad have been permitted.

3. Export Oriented Units (EOUs)/Export Processing Zones (EPZs)

Supplies from one EOU/EPZ unit to other EOU/EPZ unit shall now be counted towards fulfillment of the export obligation subject to the condition that such supplies undergo further processing/manufacturing before these are exported. It has also been provided that EOU/EPZ units which have acquired the ISO 9000 (series) or IS/ISO 9000 (series) or any other similar internationally recognised certification of quality shall be entitled to Special Import Licence (SIL) at the rate of 2 per cent of their exports (but not including deemed export) made with the aforesaid quality certification.

4. Pass Book Scheme

The Pass Book Scheme has been further streamlined. Exporters have been allowed to exercise their option to pay the additional customs duty either through debits in their Pass Book or in cash and later claim Modvat or Drawbacks as the case maybe. Similarly, exporters can use the credit in the Pass Book for payment of duty and additional customs duty against import of capital goods as well as imports against Special Import Licences (SILs).

5. Re-exports

Goods including those in the Negative List of Imports or Negative List of Exports (except prohibited items in either List) have been allowed to be imported for re-exports without a licence subject to the conditions that :

(a) there is a minimum value addition of 10 per cent;

(b) the goods shall be imported under Customs bond;

(c) import and re-export shall be made from the same Customs bonded premises; and

(d) the goods shall not be taken outside the Customs bonded premises.

6. Reintroduction of Regional Advance Licensing Committees

The concept of Regional Advance Licensing Committees have been reintroduced with a view to provide licences to exporters and redressal of their grievances quickly and at their doorsteps. The Zonal Joint Director General of Foreign Trade can now dispose of cases where the c.i.f. value is up to Rs.3 crore and where the input-output norms have been fixed. At the regional level, the Joint Director General of Foreign Trade can dispose of cases where the c.i.f. value is up to Rs.50 lakhs. Further, the Regional Advance Licensing Committee (RALC) can issue licences under the EPCG Scheme up to a c.i.f. value of Rs.1 crore, and the Zonal Advance Licensing Committee (ZALC) can issue EPCG licences up to a c.i.f. value of Rs.5 crores. The decentralisation of powers has been expected to greatly facilitate exporters. They need not apply to the headquarters for licences below the value of Rs.5 crores.

7. Rationalisation of Tariff Structure

One of the important aspects of the trade reforms relates to moderation and rationalisation of the tariff structure with a view to improving competitive efficiency of domestic industries. Toward this end, the Union Budget for 1995-96 had effected reduction in the peak rate of duty from 65 per cent to 50 per cent accompanied by the reductions in rates in various sectors of the economy. These measures were expected to contribute to industrial growth and brought about greater transparency.

Encouraged by the buoyancy in industrial activity while also keeping in view the twin objectives of making the domestic industry globally competitive and providing it with a reasonable level of protection in the transition period, the Union Budget for 1996-97 effected measured and calibrated steps in the matter of customs duty. To provide a boost to the chemical industry, the rates of duty on crude oil and bitumen were reduced from 35 per cent and 30 per cent to 25 per cent and 10 per cent, respectively. For chemicals, both organic and inorganic, the rate of duty was reduced from 50 per cent to 40 per cent, while for petrochemical building blocks, the duty rates were unified at 10 per cent. In order to modernise and provide an environment conducive to growth to the textile industry, rates of duty on rayon grade wood pulp and acrylonitrile were reduced from 25 per cent and 20 per cent to 5 per cent and 10 per cent, respectively, while for DMT, PTA and MEG and artificial and synthetic fibres, the rates of duty were reduced from 35 per cent and 45 per cent to 25 per cent and 30 per cent, respectively, accompanied by a unification of the rates of duties on nylon filament yarn, polyester filament yarn and viscose filament yarn from 45 per cent and 40 per cent to 30 per cent. With a view to foster better utilisation of installed capacity in the energy sector, the rates of duty on non-coking coal and coke were reduced from 35 per cent and 25 per cent to a uniform rate of 20 per cent, while in the case of plastics industry, the duties on plastic and articles of plastics were reduced from 40 per cent and 50 per cent to 30 per cent and 40 per cent, respectively.

With a view to fostering competitiveness in downstream industry, especially capital goods, rates of duty in the metals industry were reduced for all metals including wrought and unwrought nickel and aluminium, while for machinery such as signaling and safety equipment for railways, airports, seaports, etc., the rate of duty was reduced from 50 per cent to 25 per cent. Rationalisation and reduction in rates of duty were also effected in respect of electronics, telecommunications, medical equipments, photographic equipments, sports goods and edible oils.

With the objective of stepping up investments in infrastructure for fostering production and enhancing competitiveness, a special customs duty of 2 per cent was levied on all imports except those that carry nil rate of duty or are imported at nil rate of custom duty for export production under the various duty free licences. This levy, however, will not be applicable to gold and silver imported by eligible passengers or under Special Import Licences (SILs).

Other Measures

Given the importance of export finance for export promotion, the credit policy was geared to providing increased availability of export credit in time at reasonable rates of interest for maintaining the competitiveness of exports. Under the monetary and credit policy for the first half of 1995-96 announced in April 1995, banks were provided export credit (rupee) refinance to the extent of 100 per cent of the increase in export credit over the monthly average level of 1992-93. With regard to the post-shipment export credit (PSCFC) scheme, with effect from April 18, 1995, the interest rate on PSCFC was raised by one percentage point from 6.5 per cent to 7.5 per cent, while the interest rate on refinance under the PSCFC scheme was raised by one percentage point from 5.5 per cent per annum to 6.5 per cent per annum. Subsequently, The PSCFC scheme was terminated with effect from February 8, 1996 and as such no further drawals have been permitted under the scheme. Under the Exchange Earners' Foreign Currency (EEFC) accounts, authorised dealers were advised to permit remittances out of funds held in the EEFC accounts for making bonafide payments of the account holders in foreign exchange connected with their trade and business related transactions. These transactions should be of a current account nature without any restrictions. However, in the case of remittances of agency commission on exports, approval of the Reserve Bank would be necessary if the rate of commission exceeded 12.5 per cent of the invoice value of exports. With regard to the post-shipment export rupee credit scheme, with effect from February 8, 1996, the interest rate on such credit for over 90 days and up to 180 days from the date of shipment has been freed and banks have been given freedom to determine the interest rate on such credit. To give a boost to their export efforts, effective March 1, 1996, imports of capital goods under the EPCG Scheme, all imports by EOUs and EPZ units, and all imports under Advance Licences have been exempt from the 25 per cent interest rate surcharge on import finance effected on February 8, 1996.

Table IX-1 : India's Foreign Trade

(US $ million)

	Item	1995-96 P	1994-95	1993-94	1992-93	1991-92
	1	2	3	4	5	6
I.	**Export**	**31,831**	**26,331**	**22.238**	**18,537**	**17,866**
		(20.9)	**(18.4)**	**(20.0)**	**(3.8)**	**(-1.5)**
	POL	454	417	398	476	415
		(8.9)	(4.7)	(-16.4)	(14.8)	(-20.7)
	Non-oil	31.377	25,914	21,840	18,061	17.451
		(21.1)	(18.7)	(20.9)	(3.5)	(-1.0)
II.	**Import**	**36,370**	**28,654**	**23,306**	**21,882**	**19,411**
		(26.9)	**(22.9)**	**(6.5)**	**(12.7)**	**(-19.4)**
	Oil & POL	7,547	5.928	5,754	6.100	5.364
		(27.3)	(3.0)	(-5.7)	(13.7)	(-11.0)
	Non-oil	28,822	22,727	17,552	15,782	14,047
		(26.8)	(29.5)	(11.2)	(12.3)	(-22.2)
III.	**Trade Balance**	**-4,539**	**-2,324**	**-1,068**	**-3,345**	**-1,545**
	Oil Balance	-7.094	-5,511	-5,356	-5,624	-4,949
	Non-oil Balance	2.554	3,187	4,288	2,279	3.404

Note – 1) Figures in brackets relate to percentage variation over the previous year.

2) For data in rupee term please refer to Vol. II.

P – Provisional.

Source – D G C I & S.

Table IX-2 : India's Exports of Principal Commodities

(US $ million)

Commodity group	1991-92	1992-93	1993-94	1994-95	1995-96 P
1	2	3	4	5	6
I. Primary products	**4,132.3**	**3,873.5**	**4,915.7**	**5,214.4**	**7,265.4**
	(23.1)	**(20.9)**	**(22.1)**	**(19.8)**	**(22.8)**
A. Agriculture and allied products	**3,202.5**	**3,135.8**	**4,027.5**	**4,226.1**	**6,081.7**
of which :	(17.9)	(16.9)	(18.1)	(16.1)	(19.1)
Tea	491.5	337.2	337.7	310.7	350.3
Coffee	134.7	129.9	173.9	335.3	451.2
Rice	306.5	336.8	410.2	384.0	1,361.2
Cotton raw (incl. waste)	123.7	62.8	208.4	44.5	61.6
Tobacco	152.9	163.7	147.0	81.1	109.4
Cashew kernels (incl. CNSL)	274.0	258.5	334.2	397.2	368.4
Spices	151.0	135.8	181.4	195.0	235.0
Oil meal	374.1	533.5	740.9	572.6	702.8
Fruits and vegetables	141.6	107.9	132.1	139.1	162.2
Processed fruits, juices and misc. processed items	77.3	78.8	90.6	115.0	266.5
Marine products	585.2	601.9	813.6	1,126.4	1,011.8
Sugar and molasses	63.8	122.1	56.8	19.8	150.5
Meat and preparations	93.6	88.8	109.8	128.3	187.5
B. Ores and minerals	**929.8**	**737.8**	**888.2**	**988.3**	**1,183.7**
of which :	(5.2)	(4.0)	(4.0)	(3.8)	(3.7)
Iron ore	582.3	381.2	438.0	413.1	518.6
Mica, coal and other ores and minerals	347.5	356.5	450.2	575.2	665.1
II. Manufactured goods	**13,148.7**	**14,038.8**	**16,656.7**	**20,404.4**	**23,678.5**
of which :	(73.6)	(75.7)	(74.9)	(77.5)	(74.4)
Leather and manufactures	1,268.8	1,277.5	1,299.8	1,610.6	1,722.8
Chemicals and allied products	1,479.6	1,228.6	1,477.8	1,955.5	2,348.8
Engineering goods	2,252.9	2,480.8	3,038.8	3,508.0	4,370.9
Readymade garments	2,199.3	2,393.0	2,586.2	3,281.9	3,678.2
Cotton yarn, fabrics, made-ups, etc.	1,299.8	1,350.5	1,537.1	2,233.8	2,584.7
Natural silk yarn, fabrics, made-ups, etc.	142.0	138.6	127.2	136.2	132.4
Jute manufactures	158.5	122.6	124.0	150.6	186.2
Coir and manufactures	28.5	31.2	41.4	55.0	62.9
Handicrafts	3,387.0	3,783.1	4,768.1	5,328.2	6,125.2
of which :					
Gems and jewellery	2,738.1	3,071.7	3,995.8	4,500.4	5,275.4
Carpets (handmade excl. silk)	407.4	434.8	453.8	441.5	418.3
Works of art (excl. floor coverings)	241.5	276.6	318.5	386.3	431.4
III. Petroleum products	**414.7**	**476.2**	**397.8**	**416.9**	**453.8**
	(2.3)	**(2.6)**	**(1.8)**	**(1.6)**	**(1.4)**
IV. Others	**170.1**	**148.6**	**268.0**	**294.7**	**432.9**
	(1.0)	**(0.8)**	**(1.2)**	**(1.1)**	**(1.4)**
Total Exports (I+II+III+IV)	**17,865.8**	**18,537.2**	**22,238.3**	**26,330.5**	**31,830.5**

Note – 1) Figures in brackets represent percentage to total exports.
2) For data in rupee terms please refer to Vol. II.

P – Provisional.

Source – D G C I & S.

Table IX-3 : India's Exports Volume and Unit Value Realisation of Principal Commodities

Commodity group	Unit of quantity	Quantum		Unit value realisation ($ per tonne)	
		1994-95	1995-96 P	1994-95	1995-96 P
1	2	3	4	5	6
I. Primary goods					
A. Agriculture and allied products					
of which :					
Tea	Mill. kgs	151.5	157.5	2,050.8	2,224.1
Coffee	Mill. kgs	128.5	157.1	2,609.3	2,872.1
Rice	Thou. tonnes	890.6	5,512.6	431.2	246.9
Cotton raw (incl. waste)	Thou. tonnes	70.8	37.0	628.5	1,664.9
Tobacco	Mill. kgs	53.7	71.4	1,510.2	1,532.2
Cashew kernels (incl. CNSL)	Thou. tonnes	80.3	98.3	4,946.5	3,747.7
Spices	Thou. tonnes	155.0	211.5	1,258.1	1,111.1
Oil meal	Thou. tonnes	4,150.8	4,327.8	137.9	162.4
Marine Products	Thou. tonnes	320.9	311.5	3,510.1	3,248.2
Sugar and molasses	Thou. tonnes	51.1	731.5	387.5	205.7
B. Ores and minerals					
of which :					
Iron ore	Mill. tonnes	26.1	30.4	15.8	17.1
Mica	Mill. kgs	29.7	30.3	239.1	244.2
Coal	Thou. tonnes	673.0	1,012.4	41.8	31.1
II. Manufactured goods					
of which :					
Inorganic, organic and agro chemicals	Mill. kgs	318.2	378.2	1,006.9	1,302.5
Iron and steel	Thou. tonnes	1,811.1	1,962.0	291.8	348.8
Jute manufactures	Lakh tonnes	2.1	2.4	717.1	775.8

P – Provisional.

Source – D G C I & S.

Table IX-4 : India's Imports of Principal Commodities

(US $ million)

	Commodity group	1991-92	1992-93	1993-94	1994-95	1995-96 P
	1	2	3	4	5	6
I.	**Bulk imports**	**8,693.7**	**9,829.7**	**9,124.7**	**11,320.4**	**14,208.9**
	of which :	(44.8)	(44.9)	(39.2)	(39.5)	(39.1)
	Pulses	103.6	115.5	180.7	188.8	188.6
	Fertilizers	954.3	977.7	838.7	1,052.4	1,609.6
	Vegetable oils, fixed, edible	100.5	57.6	53.1	198.8	652.7
	Paper, paper boards and manufactures thereof	197.9	177.2	221.9	246.2	470.3
	Metalliferrous ores, metal scrap, etc.	476.6	663.6	442.4	748.1	785.5
	Petroleum, petroleum products and related materials	5,363.6	6,100.0	5,753.5	5,927.7	7,547.4
	Pulp and waste paper	121.2	141.2	158.6	202.3	274.9
	Iron and steel	891.3	778.6	795.0	1,163.6	1,478.8
	Sugar	—	—	—	727.1	55.6
	Non ferrous metals	340.6	394.8	479.2	717.9	907.9
	Crude rubber (including synthetic and reclaimed)	73.8	90.0	109.0	118.1	214.1
II.	**Non-bulk imports**	**10,717.2**	**12,051.9**	**14,181.5**	**17,334.0**	**22,160.7**
		(55.2)	**(55.1)**	**(60.8)**	**(60.5)**	**(60.9)**
	A. Capital goods	**4,233.2**	**4,531.0**	**6,242.9**	**7,638.1**	**10,189.2**
		(21.8)	**(20.7)**	**(26.8)**	**(26.7)**	**(28.0)**
	Machinery other than electrical	1,630.8	1,818.7	1,881.9	2,727.8	3,959.2
	Electrical machinery +	629.8	826.2	1,134.5	1,523.1	2,238.4
	Transport equipment	371.2	461.8	1,270.4	1,113.6	1,082.1
	Manufactures of metals ++	130.4	145.8	333.0	419.8	658.7
	Project goods	1,471.1	1,278.5	1,623.1	1,853.6	2,250.8
	B. Pearls, precious and semi-precious stones	**1,957.1**	**2,441.9**	**2,634.5**	**1,629.7**	**2,084.4**
		(10.1)	**(11.2)**	**(11.3)**	**(5.7)**	**(5.7)**
	C. Others	**4,526.9**	**5,079.0**	**5,304.1**	**8,066.2**	**9,887.2**
	of which :	(23.3)	(23.2)	(22.8)	(28.2)	(27.2)
	Organic and inorganic chemicals	1,378.7	1,427.5	1,370.7	2,137.1	2,574.8
	Professional, scientific controlling instruments, photographic optical goods	407.2	501.4	422.3	491.9	662.2
	Artificial resins and plastic materials, etc.	568.7	420.5	434.5	606.2	815.1
	Textile yarn, fabrics, made-ups, etc.	137.2	148.7	228.4	329.6	357.5
	Medicinal and pharmaceutical products	226.6	280.8	257.9	298.5	363.9
	Total imports (I+II)	**19,410.9**	**21,881.6**	**23,306.2**	**28,654.4**	**36,369.5**

Note – 1) Figures in brackets represent percentage to total imports.

2) For data in rupee terms please refer to Vol. II.

\+ – Inclusive of electronics and computer software.

++ – Inclusive of machine tools.

P – Provisional.

Source – D G C I & S.

Table IX-5 : India's Import Volume and Unit Value Payment of Principal Commodities

Commodity group	Unit of quantity	Quantum		Payment per unit ($ per tonne)	
		1994-95	1995-96 P	1994-95	1995-96 P
1	2	3	4	5	6
I. Bulk Imports					
Cereals and cereal preparation	Thou. tonnes	71.8	60.2	409.5	393.7
of which :					
Wheat	Thou. tonnes	0.5	—	200.0	—
Rice	Thou. tonnes	7.0	—	385.7	—
Pulses	Thou. tonnes	554.2	449.5	340.7	419.6
Fertilizers					
of which :					
Crude	Thou. tonnes	2,570.1	2,207.8	59.4	67.7
Sulphur and unroasted iron pyrites	Thou. tonnes	1,600.6	1,402.5	84.8	98.5
Manufactured	Thou. tonnes	4,626.9	6,938.9	165.1	190.5
Vegetable oils, fixed, edible	Thou. tonnes	346.8	984.8	573.2	662.8
Paper, paper boards and manufactures thereof	Thou. tonnes	358.8	455.5	686.2	1,032.5
Pulp and waste paper	Thou. tonnes	596.5	519.0	339.1	529.7
Iron and steel	Thou. tonnes	2,183.9	4,951.2	532.8	298.7
Sugar	Thou. tonnes	13,933.9	128.6	52.2	432.3
Crude rubber (including synthetic and reclaimed)	Thou. tonnes	76.0	73.4	1,553.9	2,916.9
II. Others					
Synthetic and regenerated fibre	Thou. tonnes	82.6	71.2	1,711.9	2,082.9

P – Provisional.

Source – D G C I & S.

Table IX-6 : Direction of India's Foreign Trade

(US $ million)

Country	1980-81			1990-91			1994-95			1995-96 P		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1	2	3	4	5	6	7	8	9	10	11	12	13
I. OECD countries	**3,957 (46.6)**	**7,275 (45.8)**	**-3,318**	**10,249 (56.5)**	**13,773 (57.2)**	**-3,524**	**15,444 (58.7)**	**14,732 (51.4)**	**712**	**17,699 (55.6)**	**19,021 (52.3)**	**-1,322**
EU	1,832 (21.6)	3,341 (21.0)	-1,509	4,988 (27.5)	7,067 (29.4)	-2,079	7,031 (26.7)	7,115 (24.8)	-84	8,413 (26.4)	9,752 (26.8)	-1,339
North America	1,020 (12.0)	2,343 (14.8)	-1,323	2,830 (15.6)	3,235 (13.4)	-405	5,288 (20.1)	3,171 (11.1)	2,116	5,824 (18.3)	4,203 (11.6)	1,622
Asia and Oceania	896 (10.5)	1,180 (7.4)	-284	1,895 (10.4)	2,689 (11.2)	-794	2,428 (9.2)	3,031 (10.6)	-603	2,653 (8.3)	3,471 (9.5)	-818
Other OECD countries	209 (2.5)	411 (2.6)	-203	536 (3.0)	782 (3.2)	-246	698 (2.6)	1,415 (4.9)	-717	809 (2.5)	1,596 (4.4)	-787
II. OPEC countries	**943 (11.1)**	**4,418 (27.8)**	**-3,475**	**1,020 (5.6)**	**3,924 (16.3)**	**-2,904**	**2,430 (9.2)**	**6,052 (21.1)**	**-3,622**	**3,068 (9.6)**	**6,863 (18.9)**	**-3,795**
III. Eastern Europe	**1,881 (22.1)**	**1,641 (10.3)**	**241**	**3,243 (17.9)**	**1,882 (7.8)**	**1,361**	**1,057 (4.0)**	**968 (3.4)**	**90**	**1,330 (4.2)**	**1,640 (4.5)**	**-310**
IV. Developing countries	**1,603 (18.9)**	**2,495 (15.7)**	**-892**	**3,099 (17.1)**	**4,490 (18.7)**	**-1,392**	**6,968 (26.5)**	**6,901 (24.1)**	**67**	**9,200 (28.9)**	**8,841 (24.3)**	**359**
Asia	1,114 (13.1)	1,808 (11.4)	-694	2,610 (14.4)	3,372 (14.0)	-762	5,708 (21.7)	5,092 (17.8)	616	7,294 (22.9)	6,394 (17.6)	901
SAARC	299 (3.5)	177 (1.1)	122	533 (2.9)	131 (0.5)	402	1,215 (4.6)	177 (0.6)	1,038	1,707 (5.4)	255 (0.7)	1,452
Other Asian developing countries	815 (9.6)	1,630 (10.3)	-815	2,077 (11.4)	3,240 (13.5)	-1,164	4,493 (17.1)	4,915 (17.2)	-422	5,588 (17.6)	6,139 (16.9)	-551
Africa	437 (5.1)	258 (1.6)	178	394 (2.2)	573 (2.4)	-179	878 (3.3)	1,039 (3.6)	-161	1,516 (4.8)	1,895 (5.2)	-379
Latin American countries	41 (0.5)	384 (2.4)	-343	95 (0.5)	546 (2.3)	-451	383 (1.5)	770 (2.7)	-387	390 (1.2)	552 (1.5)	-163
Other developing countries	11 (0.1)	46 (0.3)	-34									
V. Others	**80 (0.9)**	**57 (0.4)**	**23**	**11 (0.1)**	**3 —**	**8**	**15 (0.1)**	**3 —**	**12**	**80 (0.3)**	**5 —**	**75**
Total	8,495	15,885	-7,390	18,145	24,073	-5,927	26,331	28,654	-2,324	31,831	36,370	-4,539

Note -- 1. Exports of petroleum products amounting to $ 31.5 million in 1980-81, $ 522.7 million in 1990-91, $ 416.9 million in 1994-95 and $ 453.8 million in 1995-96 are taken into account in total exports, but are not included in countriy-wise details.

2. Data for German Democratic Republic from 1990-91 onwards are included under Germany, and hence under EU.

3. Figures in brackets relate to percentage to total.

4. For data in rupee terms please refer to Vol. II.

P -- Provisional.

Source -- D G C I & S.

CHAPTER X

BALANCE OF PAYMENTS AND INTERNATIONAL FINANCE*

I. Balance of Payments

The balance of payments outturn during 1995-96 mirrored the performance of the real economy and developments in financial markets. The surge in domestic demand triggered by an acceleration of real activity above trend levels spilled over into a sharp increase in import payments. A strong volume expansion provided the engine for a robust export performance for the third year in succession, even in the face of some deceleration in world trade growth. The second half of the year witnessed the onset of volatility in the foreign exchange market as well as in the short end of the domestic money market. Perverse expectations regarding the external value of the rupee led to a withholding of export proceeds and an acceleration of import payments. As a result of these diverse developments, the trade deficit nearly doubled over the preceding year and despite a distinct improvement in net invisible receipts, the current account deficit widened, in terms of its ratio to GDP, from subdued levels in the preceding two years, to a level more appropriate with the growth of the economy. Capital flows were considerably lower than in the preceding two years, reflecting the bearishness exhibited by the financial markets, a gradual withdrawal of policy restrictions earlier imposed and a reduced reliance on debt creating flows. Although direct foreign investment flows and deposits under non-resident deposit schemes were buoyant, net capital flows taken together could not meet the financing requirement created by the expansion in the current account deficit. As a consequence, the foreign exchange reserves had to be drawn down almost continuously during the year up to February, 1996. At the end of March 1996, the foreign exchange reserves stood cover for about six and a half months of imports as against nine and a half months of imports at the end of March 1995.

Merchandise Trade

The pressure of excess demand, exacerbated by speculative market conditions, was reflected in the widening of the merchandise trade deficit from US $ 4,983 million (1.7 per cent of GDP) in 1994-95 to US $ 8,945 million (2.8 per cent of GDP) in 1995-96. Areas of intrinsic strength, however, were clearly visible (Tables X-1 and X-2). Export growth at 20.9 per cent characterised the third successive year of robust growth. In these years, the volume growth of exports is estimated to have averaged around 15 per cent. The share of exports in GDP rose from 6.2 per cent in 1990-91 to 10 per cent in 1995-96. In the ultimate analysis, it is the ability of an economy to expand its foreign exchange earnings at a rate well above that of servicing its liabilities that measures the sustainability of its external accounts. It is in this context that the rising share of exports in GDP augurs well for the health of the balance of payments. During the period October 1995 to February 1996, however, the formation of unidirectional downside expectations relating to the exchange rate resulted in exporters delaying the repatriation of proceeds by sending export bills on collection rather than by negotiating them with banks. As a consequence, data on export bills brought to banks fell short of data on physical shipment of exports recorded by the DGCI&S and this shortfall was recorded in the capital account of the balance of payments as the build up of assets abroad. The provisional data of the DGCI&S indicate a well dispersed pattern of export growth. Exports of manufactures rose by 16 per cent and provided the mainstay of the export expansion. Exports of agricultural and allied products benefitted from the improvement in the terms of trade for the agricultural sector brought about by policy initiatives and registered an impressive growth of 43.9 per cent.

The rebound in industrial output which took root in the second half of 1994-95 and continued into 1995-96 was the major factor underlying the surge in imports during 1995-96. Besides the stock piling of raw materials and intermediates which rose by 25.5 per cent, there was a large growth of 33.4 per cent in imports of capital goods. Imported inputs for export production also recorded a sharp rise of 21.4 per cent and supported the ongoing robust export performance. Imports of POL rose by 27.3 per cent reflecting a moderate hardening of international crude oil prices as well as an

* The material contained in this Chapter is based on the information available till the end of September, 1996.

augmentation in the quantity of imports due to a spurt in the rate of domestic consumption during the year. The volatility in the foreign exchange market impacted upon import payments. In anticipation of continuous depreciation of the rupee, importers not only effected larger amounts of advance payments but also accelerated actual import orders to avoid exchange rate risk. While the estimated advance payments were recorded in the capital account as the creation of assets abroad, acceleration of actual imports was recorded in the merchandise trade account, resulting in a rise in imports not covered by the DGCI&S, being in excess of US $ 5,000 million.

Invisibles

With the institution of fundamental regime changes as part of structural reforms, the invisibles account has reemerged as a strong source of support to the balance of payments. Since 1991-92, surpluses on the invisibles account have offset, on an average, 43 per cent of the trade deficit. In 1995-96, the surplus on the invisible account rose sharply from US $ 2,349 million (0.8 per cent of GDP) to US $ 3,511 million (1.1 per cent of GDP) (Table X-3).

The growth of invisible receipts continued to be buoyant during the year although somewhat lower than in 1994-95. Travel receipts rose sharply by 25 per cent during 1995-96, marking the revival of tourist interests in India after a gap of 3 years. Receipts under transportation and insurance grew in line with merchandise exports to which they are linked. Furthermore, miscellaneous receipts which mainly comprise earnings on account of services related to the export of technology recorded a significant increase, amounting to US $ 1,981 million in 1995-96 as against US $ 1,677 million in 1994-95. There was also an appreciable increase under investment income receipts reflecting earnings on the deployment of foreign currency assets. The most heartening feature of the buoyant performance of invisible receipts during 1995-96 was the continuing surge in private transfers for the third year in succession. The robust growth in these receipts, which are mainly remittances from expatriate Indians, may be viewed as a response to the changes in the exchange and payment regime. Moreover, there is evidence to suggest that changes have been occurring in the source pattern of these earnings in favour of industrial countries and away from the Middle East which has been the traditional market for India's labour exports.

Invisible payments rose in line with their underlying trend; the moderate step up in these payments has, however, been well below expectations of outflow in the wake of liberalisation in current payments. While payments under travel, transportation, insurance and miscellaneous recorded moderate increases during 1995-96, there was a sharp rise in investment income payments due to higher interest payments on external borrowings as well as profit and dividend outflows related to foreign investment.

Current Account Balance

As a result of the developments in India's merchandise and invisible trade, the current account deficit widened from US $ 2,634 million in 1994-95 to US $ 5,434 million in 1995-96. As a proportion to GDP, the deterioration in the current account balance was modest as the deficit rose from below one per cent in the preceding two years to about 1.7 per cent in 1995-96 (Tables X-1 and X-2). While the level of the current account deficit in 1995-96 was in consonance with the growth rate achieved in the economy during the year and was commensurate with the financing requirements of an economy of India's size, it needs to be recognised that the inflow of external resources during the year was not sufficient to meet the current account gap and recourse had to be taken to a use of reserves.

This brings to the fore the issue of sustainability of the current account balance for a country like India. For a developing country, since accelerating the rate of growth with domestic resource financing is difficult, external resources are attracted by running current account deficits in the balance of payments. Current account deficits, however, reflect accretion to external liabilities which have to be serviced. When servicing of external liabilities becomes large in relation to the country's ability to pay for them through earnings of foreign exchange, it would preempt imports and thereby growth itself. Sustainability of the current account, therefore, involves a choice between the criterion of requirement in the context of growth and the criterion of servicing of external liabilities. The appropriate level of the current account deficit is, therefore, a critical policy issue.

Capital Account

Over the recent years, the capital account has undergone fundamental compositional changes brought about by policy induced restructuring. In the late eighties, external assistance, commercial borrowings and non-resident deposits shared almost equiproportionally in financing the current account deficit. In the nineties, categories such as external assistance and commercial borrowings have been giving way to foreign investment flows, both direct and portfolio. Non-resident deposit schemes have been restructured and their importance in the capital account has varied over the years in response to policy changes. During 1995-96, several items in the capital account such as portfolio investment and net inflows under non-resident deposits remained subdued, reflecting the stance of policy over the greater part of the year. With the easing of restrictions, the closing months of the year witnessed a renewal of these flows. Net capital flows amounted to US $ 4,225 million in 1995-96 as against US $ 8,739 million in the preceding year. In terms of share, portfolio investment and direct investment dominated the capital account, followed by non-resident deposits. The debt creating flows such as external assistance and commercial borrowings recorded a marginal improvement in share (Table X-4).

Given the growth in the current account deficit and a distinct moderation in net capital flows, the balance of payments recorded an overall deficit of US $ 1,209 million in 1995-96 in sharp contrast to the large surpluses of US $ 6,105 million and US $ 8,677 million in 1994-95 and 1993-94 respectively.

II. External Assistance

In recent years, there has been a distinct reduction in the disbursements of external assistance relative to commitments by donors, resulting in a negative transfer of resources from India. While various internal factors have been found to be contributing to the large stock of unutilised balance of committed aid, the latter, in turn, has also began to adversely affect the prospects of higher fresh commitments by the donors to India; new assistance is increasingly being tied to timely utilisation. Furthermore, the growing perception that India must be graduated out of concessional funding from the International Development Association (IDA) is hardening and is operating as a supply side constraint. IDA funding problems due to cuts in contributions by donors underscores the importance of the supply-side constraint.

For a country like India, it cannot be overemphasised that the need for larger concessional assistance for social sector and infrastructure development continues to be high especially when strategies are being put in place to post the economy on a higher path of growth. Measures therefore have to be directed towards improving the annual utilisation level to a minimum of 20 per cent of the stock of unutilised aid.

Authorisations

The declining trend in fresh authorisations of external assistance (i.e. loans and grants taken together) witnessed since 1988-89 continued during 1995-96. While authorisation of loans at U.S. $ 3,239 million fell by U.S. $ 705 million from the 1994-95 level, authorisation of grants increased from U.S. $ 343 million in 1994-95 to U.S. $ 398 million in 1995-96. Unlike the multilateral donors, authorisation of loans by bilateral donors, particularly by Japan and Germany, increased during 1995-96 (Table X-5 and X-6).

Members of the India Development Forum (earlier known as Aid India Consortium) pledged around U.S. $ 6.7 billion assistance to India in September 1996 for 1996-97 (July - June) as against U.S. $ 6.7 - 7.0 billion for 1995-96. The soft component (i.e. grants and/or interest free loans) in the total pledged amount at U.S. $ 2.2 billion constitutes about 33 per cent as against 37 per cent and 45 per cent during 1995-96 and 1994-95, respectively. Japan continued to be the largest bilateral donor even though it pledged lower assistance during 1996-97 (U.S. $ 1.26 billion as against U.S. $ 1.5 billion during 1995-96). The World Bank group (comprising IBRD and IDA) which represent the major multilateral donors for India pledged U.S. $ 2.5 billion for 1996-97, almost of the same order as for 1995-96. While aid pledges by the donors have remained in the range of U.S. $ 6.0 billion to U.S. $ 7.0 billion, in recent years fresh authorisations have exhibited a declining pattern, constituting less than fifty per cent of the amount pledged reflecting the gamut of internal and external factors inhibiting the absorption of aid.

Utilisation and Debt Service Payments

Utilisation of aid (loans and grants) at U.S. $ 3,296 million represented a decline of U.S. $ 188 million over the level of utilisation in 1994-95. Given the decline in authorisation, utilisation as a proportion to authorisation rose from about 81 per cent in 1994-95 to about 91 per cent in 1995-96. A more appropriate comparison could be made in terms of annual utilisation flows as a proportion to the stock of unutilised balances at the end of the year. This indicator of utilisation performance also shows an improvement from 16.8 per cent in 1994-95 to 17.7 per cent in 1995-96.

Debt service payments (i.e. amortisation and interest payments) for 1995-96 at U.S. $ 3,782 million were higher by U.S. $ 467 million than those for 1994-95 and for the first time outpaced the total disbursement during the year, resulting in a negative resource transfer under external assistance (Table X-5).

Cumulative Assistance

The share of cumulative utilisation of external assistance in cumulative authorisations rose to about 73 per cent at the end of March 1996 from about 71 per cent at the end of March 1995. The share of the World Bank group (comprising IBRD and IDA) and Japan in the cumulative authorisations up to end March 1996 continued to remain high at 43 per cent and 16 per cent respectively (Statement 217 of Vol. II).

Aid in the Pipeline

External assistance committed over the years but remaining undisbursed constitutes the aid available in the pipeline. Total aid (both loans and grants) in the pipeline, excluding those in Roubles from the former USSR, declined from Rs.65,368 crore in 1994-95 to Rs.64,067 crore in 1995-96. The depreciation of the rupee against the U.S. dollar and the appreciation of U.S. dollar *vis-a-vis* other international key currencies, however, camouflages the magnitude of decline in undisbursed aid measured in terms of rupees; in U.S. dollar term the aid in the pipeline declined from U.S. $ 20,755 million in 1994-95 to U.S. $ 18,652 million in 1995-96 signifying a noteworthy improvement in utilisation (Table X-6 and X-7). An alternative measure of aid in the pipeline to even out the effect of exchange rate changes, is given by the difference between cumulative authorisations and cumulative utilisations (which are at the respective annual average exchange rates). By this measure, the amount undisbursed at the end of March 1996 works out lower at Rs.43,829 crore (Statement 217 of Vol. II). The share of the World Bank group in the total undisbursed loans remained as high as 51.3 per cent followed by Japan and ADB with 28.1 per cent and 14.2 per cent respectively.

Larger investments in the energy and infrastructure sectors would become critical in accelerating the economic growth. These two sectors (i.e. energy and infrastructure), however, accounted for the largest proportion (28 per cent and 14 per cent respectively) of the total undisbursed outstanding loan assistance (Statement 220 of Vol. II).

IMF Transactions

During 1995-96 repurchases to the IMF under the Stand-by and Contingency and Compensatory Financing Facility amounted to U.S. $ 1,710 million (SDR 1,130 million).

III. India's Financial Assistance to other Countries

Authorisation

India has been supporting the developmental efforts of other Third World countries by extending financial assistance in the form of both loans and grants which, in turn enables the transfer of embodied technology. During 1995-96, fresh commitment of external assistance at Rs.180.49 crore was higher by Rs.6.16 crore than that of Rs.174.33 crore during the previous year. The grant component in the total assistance, which was more than 70 per cent during 1990-92, has sharply declined over the years and for 1995-96, it was about 17 per cent. Nepal, Sri Lanka, Vietnam, Uzbekistan, Kazakhstan and Turkmenistan were the major beneficiaries of India's assistance committed during the year (Statement 226 of Vol. II).

Utilisation

Utilisation of external assistance from India by various beneficiary countries had exhibited significant improvement in 1994-95; during 1995-

96, however, there was a deterioration primarily on account of complete non-utilisation of Rs.50 crore extended to Nepal during the year.

Cumulative assistance extended by India

India's aggregate assistance extended to various beneficiary countries amounted to Rs.3012.11 crore at the end of March 1996; the grant component at Rs.1698.48 crore constituted about 56 per cent. The rates of cumulative utilisation to cumulative authorisation amounted to about 84 per cent for all assistance and to about 75 per cent for loans. As at the end of March 1996 outstanding undisbursed assistance from India stood at Rs.491.21 crore with Nepal and Bangladesh accounting for Rs.140.85 crore and Rs.92.99 crore respectively (Statement 227 of Vol. II).

IV. External Debt

The monitoring of India's external debt has assumed special significance in the decade of the nineties and the objective of maintaining these external liabilities at a sustainable level has been accorded policy priority. An important consideration in this regard is an ongoing assessment of the composition of debt stock, the emphasis being on restricting volatile and costlier elements within prudent limits. Furthermore an analysis of the currency composition of external debt forms an integral part of liability management especially when the lending currency is subject to fluctuations against the domestic currency or even the currency in which the debt is expressed.

India's external debt as at the end of March 1996 stood at US $ 92,193 million (exclusive of IBRD pooled revaluation of US $ 1,320 million) as against US $ 99,008 million as at the end of March 1995. Of this the proportion of loans containing elements of concessionality (comprising certain components of Multilateral/Bilateral borrowings and Rupee Debt) at the end of March 1996 was 45.5 per cent (US $ 41,942 million) as against 45.3 per cent (US $ 44,845 million) as at the end of March 1995. On the other hand short term debt consisting of NRI deposits (less than 1 year) and short term trade related credits between 6 months and 1 year increased from US $ 4,269 million or 4.3 per cent as at the end of March 1995 to US $ 5,034 million or 5.5 per cent as at the end of March 1996.

Indicators of debt sustainability reflected an improvement. The debt to Gross Domestic Product (GDP) ratio fell from 33.0 per cent at the end of March 1995 to 28.9 per cent at the end of March 1996. The debt service ratio (i.e. the ratio of the sum of repayments of principal and interest payments on debt to the sum of current account receipts excluding official transfers) also declined from 27.5 per cent during 1994-95 to 26.4 per cent in 1995-96 (Table X-8).

Of the total debt outstanding at the end of March 1996, debt owed in US Dollars accounted for 43.3 per cent, higher than the 39.1 per cent recorded at the end of March 1995. Debt owed in SDRs constituted 14.2 per cent (as against 15.2 per cent at the end of March 1995), Japanese Yen 13.9 per cent (as against 15.5 per cent at the end of March 1995), Indian Rupees 13.2 per cent (as against 14.3 per cent at the end of March 1995), Deutsche Mark 6.8 per cent (as against 6.9 per cent at the end of March 1995), Pound Sterling 3.3. per cent (as against 3.4 per cent at the end of March 1995), French Franc 1.9 per cent (as against 1.7 per cent at the end of March 1995), Netherlands Guilder 1.1 per cent (as against 1.2 per cent at the end of March 1995), Swiss Franc 0.9 per cent (as against 1.0 per cent at the end of March 1995), Canadian dollar 0.5 per cent (as against 0.7 per cent at the end of March 1995) and Danish Kroner 0.2 per cent (same as at the end of March 1995). Other currencies accounted for 0.7 per cent of the total debt at the end of March 1996 as against 0.8 per cent at the end of March 1995 (Table X-9).

Thus during 1995-96, while debt owed in US Dollars, French Franc and Pound Sterling increased by US $ 1,177 million, French Franc 290.4 million and Pound Sterling 11.9 million respectively, there was a net amortisation of debt owed in all other major currencies.

Except for the Canadian Dollar, all other major currencies depreciated against the US dollar during 1995-96. This is reflected by the fact that when denominated in US dollars, outstanding external debt owed in all major currencies except US dollar showed a decline greater than the actual outflows in these currencies.

Thus, of the decline in the outstanding external debt of US $ 6,815 million (excluding the IBRD pooled loan revaluation), US $ 1,541 million or

22.6 per cent was on account of reduction in external liabilities while US $ 5,274 million or 77.4 per cent was on account of valuation effects arising out of the US dollar's appreciation with respect to those currencies in which India owes its debt.

V. Developments in Foreign Exchange Reserves

India's foreign exchange reserves (comprising foreign currency assets of the RBI, gold held by the RBI and SDRs) declined from US $ 25,186 million (Rs.79,780 crore) as at the end of March 1995 to U.S. $ 21,687 million (Rs.74,385 crore) as at the end of March 1996. The decline of U.S. $ 3,499 million, adjusted for the valuation gains resulting from depreciation of non-dollar currencies, indicate a lower decline of U.S. $ 2,919 million during 1995-96.

The decrease in the stock of reserves was entirely in the form of foreign currency assets which declined by U.S. $ 3,765 million during 1995-96 to U.S. $ 17,044 million as at the end of March 1996. A sharp increase in imports in the face of a moderation in capital inflows reversed the position of surplus that prevailed in the foreign exchange market during the years 1993-94 and 1994-95; as against large net purchases of foreign exchange from the market by the Reserve Bank of India of the order of U.S. $ 12,582 million and U.S. $ 10,303 million during 1993-94 and 1994-95, respectively, there were net sales of U.S. $ 348 million. During the second half of the year the Reserve Bank had to often undertake interventions essentially to even out volatility and correct misalignment in relation to the fundamentals. The net intervention sales figure of U.S $ 348 million, however, indicates that the objective of exchange rate stability was not pursued at the cost of the depletion of reserves. The decline in the foreign currency assets, in fact, was primarily on account of meeting several large repayment obligations directly from the reserves such as purchase of SDRs of U.S $ 1,979 million for effecting charges and repurchase obligations to the IMF and withdrawal of U.S. $ 2,900 million from deposits under the Foreign Currency Non-Resident(A) scheme. As a result of the decision for routing the debt service payments on the Government account through the market with effect from July 1995, debt service payments from the reserves declined from U.S. $ 2,868 million in 1994-95 and U.S. $ 2,664 million in 1993-94 to U.S. $ 1,374 million in 1995-96. During 1995-96 debt service payments of the order of U.S. $ 1,694 were routed through the market.

The SDR balances held by the Government rose by U.S. $ 75 million (SDR 51 million) during 1995-96 to U.S. $ 82 million (SDR 56 million) as at the end of March 1996. While acquisitions of SDRs for effecting various repayment obligations to the IMF were of the order of U.S. $ 1,979 million (SDR 1,305 million), actual payments to the IMF to meet repurchase obligations falling due during the year (including various charges) amounted to 1,904 million (SDR 1,254 million). As at the end of March 1996 the outstanding repurchase liabilities to the IMF stood at U.S. $ 2,374 million (SDR 1,625 million).

The Reserve Bank's gold holdings at 398 tonnes as at the end of March 1996 valued at U.S. $ 4,561 million (Rs.15,658 crore) represent an increase of U.S. $ 191 million (Rs.1,906 crore) during the year consisting of a purchase of gold from the Government of 1.61 tonne valued at U.S. $ 17.9 million (Rs.56 crore) and valuation gains on the stock of gold holdings of U.S. $ 173 million (Rs.1,850 crore) due to firming up of gold prices in the international markets.

During the first quarter of 1996-97, an improvement in the supply position in the foreign exchange market following the institution of a series of policy measures during the second half of 1995-96 enabled gross purchases by the Reserve Bank from the market amounting to U.S. $ 2,063 million. The accretion to the reserves helped in reducing the Reserve Bank's swap liabilities, incurred during episodes of volatility between October 1995 and February 1996 to U.S. $ 1,799 million by the end of June 1996 from U.S. $ 2,216 million at the end of March 1996. It also helped in effecting payments to the IMF amounting to U.S. $ 301 million and in meeting withdrawals from the FCNRA deposits and debt service payments effected directly from the reserves of the order of U.S. $ 430 million and U.S. $ 106 million respectively. The gold holdings of the RBI declined from U.S. $ 4,561 million as at the end of March 1996 to U.S. $ 4,437 million, entirely on account of valuation losses resulting from a decline in the international gold prices during the quarter. The SDR balances of the Government increased by U.S. $ 46 million (SDR 32 million) as purchases of

SDRs during the quarter amounted to U.S. $ 346 million (SDR 240 million) while various payments to the IMF were of the order of U.S. $ 300 million (SDR 208 million). The stock of foreign exchange reserves, reflecting the above transactions in various components, increased from U.S. $ 21,687 million (Rs.74,385 crore) as at the end of March 1996 to U.S. $ 22,091 million (Rs.77,430 crore) as at the end of June 1996. The import cover of the reserves amounted to more than six months at the end of June 1996.

VI. Foreign Investment : Emerging Trends and Policy Developments

Since 1993-94, foreign investment flows have emerged as the most important item in the capital account. Despite a global slowdown in the growth of private capital flows to developing countries in 1994 and 1995, foreign investment flows into India remained buoyant during 1995-96 though somewhat lower than in 1994-95. Moreover, in keeping with global trends there was a welcome shift in the composition of foreign investment inflows in favour of direct investment which rose sharply to almost equal portfolio equity flows. The moderation in foreign investment flows during 1995-96 was solely due to decline in portfolio investment flows (Table X-10). This reflected the after-effects of the Mexican crisis as well as the lacklustre activity in domestic stock exchanges. Furthermore, Indian corporates were subdued in stock exchanges abroad indicative of the reduced appetite for Indian paper among foreign investors in the face of the past performance of stock markets in India.

(i) Foreign Direct Investment (Foreign Collaboration)

Total foreign direct investment flows under various schemes (other than NRI investments) increased from U.S. $ 872 million during 1994-95 to U.S. $ 1,418 million during 1995-96. Flows in respect of proposals approved by Secretariat of Industrial Approval (SIA)/ Foreign Investment Promotion Board (FIPB) showed a sharp rise from US $ 701 million in 1994-95 to U.S. $ 1,249 million. The inflows on account of proposals approved by Reserve Bank of India (RBI) under the automatic route remained more or less at the previous year's level, amounting to U.S. $ 169 million. Nevertheless, India continued to account for a minor share of the total FDI flows of the order of US $ 90 billion to developing countries in 1995 (Table X-11). FDI flows to India remained much lower in comparison to other developing countries such as China (US $ 38 billion), Malaysia (U.S. $ 5.8 billion), Mexico (U.S. $ 4 billion) and Indonesia (U.S. $ 4.5 billion).

The spurt in the value of approvals for foreign direct investment during 1995 is, however, reflective of an abiding investor interest. The amount approved for foreign equity participation (excluding the NRI direct investment routed through RBI) rose sharply from U.S. $ 2,855 million (Rs.8,957 crore) during 1994 to U.S. $ 9,194 million (Rs.30,882 crore) during 1995 (Statement 214 of Vol.II). Similarly as against 1,854 collaboration proposals approved during 1994, 2,337 proposals (both financial and technical) were approved during 1995, of which 1,355 were financial and 982 were technical. The aggregate amount of approvals (excluding approvals for NRI indirect investment given by RBI) given in the post liberalisation period (from August 1991 to March 1996) was of the order of U.S. $ 18,819 million, (Rs.61,020 crore) while the actual inflows against these approvals amounted to U.S. $ 3,385 million (Rs.10,933 crore)

(ii) Portfolio Investment

Portfolio investment in India takes a variety of forms such as investment by Foreign Institutional Investors (FIIs), issue of Global Depository Receipts (GDRs), floating of offshore funds by Indian corporates abroad and those under special investment schemes designed for non-resident Indians. While these portfolio flows are associated with risks of reversal and systematic contagion, these flows enable the lowering of the cost of capital of the new issues thereby providing a boost to domestic investment. At the same time, portfolio investment have favourable implications for overall market discipline, information requirements and monitoring of economic fundamentals by both the authorities and market players. These factors, in turn, play a catalytic role in attracting foreign direct investment.

Sentiments in overseas market for Indian GDR issues remained bearish for the first three quarters of the financial year, though there was a considerable pick-up in the last quarter with the easing of issue restrictions and change in market perception. The amount of funds remitted to India against GDR issues during 1995-96 amounted to U.S. $ 149 million.

FII investment which had witnessed a dip in 1994-95 picked up momentum from June, 1995 which was built upon through the rest of the year. These flows reached a level of U.S. $ 2,009 million during 1995-96 (Table X-10). These trends are encouraging especially as they occurred in the face of a fall in portfolio flows to emerging markets following monetary tightening in industrial countries particularly the USA and the fall-out of the Mexican crisis of December 1994.

Fresh Inflows under the various offshore funds and others fell from U.S.$ 239 million during 1994-95 to U.S.$ 56 million during 1995-96. This slowdown could be attributed to capital flows to India taking other forms of portfolio investment, as well as the bear run in the domestic stock exchanges.

(iii) NRI Investments and Deposits

Non Resident Indian (NRI) investment continued to be an important avenue for capital inflows during 1995-96 taking the form of :

(i) equity participation under special direct investment schemes and portfolio investment schemes; and

(ii) deposits under Foreign Currency Non Resident (Banks) [FCNR(B)] Scheme, Non Resident (External) Rupee Account [NR(E)RA] Scheme and Non Resident (Non Repatriable) Rupee Deposit [NR(NR)RD] Scheme.

The various special schemes designed for attracting direct investment of NRIs are the automatic 100 per cent scheme routed through RBI (in the high priority industries set out in the Statement of Industrial Policy, 1991), the automatic 40 per cent scheme (Oil Exploration, Shipping, Computer Software, Hospitals etc.), other 100 per cent schemes (in Export Oriented Units in Free Trade Zone/ outside Free Trade Zone, Housing and Real Estate Development scheme, Air Taxi Scheme, Sick Units Scheme) and 24 per cent Scheme. Under these schemes the amount of actual inflows during 1995-96 amounted to U.S. $ 715 million (Rs.2392 crores). Both approvals and actual inflows recorded significant improvement during the year. The total value of approvals rose from Rs.4,633 crore in 1994 to Rs.6,609 crore in 1995 (Statement 215 of Vol. II).

Under the non resident deposit schemes taken together, there was a larger net inflow than in the preceding year, with FCNR(B) deposits and NR(NR)RD deposits recording large accretions. The outflows under the discontinued Foreign Currency Non Resident (Accounts) [FCNR(A)] for the financial year 1995-96 amounted to U.S. $ 2,796 million (inclusive of accrued interest) with the outstanding balance at the end of March 1996 declining to U.S. $ 4,255 million from US $ 7,051 million at the end of March 1995. These outflows were, however, more than counter balanced by inflows under the FCNR(B) scheme of U.S. $ 2,669 million (Rs.10,000 crore) during 1995-96 as against U.S. $ 1,979 million (Rs.6,172 crore) during 1994-95 (inclusive of accrued interest and exchange rate valuation factor). Similarly there was a spurt in the inflows under NR(NR)RD scheme which could be attributed to attractive interest rates offered by the commercial banks. Net inflows under scheme rose sharply to U.S. $ 1,280 million (Rs.4,335 crore) during 1995-96 from U.S. $ 682 million (Rs.2,330 crore) during 1994-95. As depositors under the NR(E)RA Scheme bearing the burden of exchange rate fluctuations, the volatility in the foreign exchange market during the second half of 1995-96 appears to have contributed to an outflow of deposits of U.S.$ 208 million (Rs.896 crore) during 1995-96 under the scheme as against an inflow of U.S. $ 964 million (Rs.3,295 crore) during 1994-95 (Table X-12). Thus the outstanding balances under the three existing schemes i.e. FCNR(B), NR(NR)RD and NR(E)RA stood at U. S. $ 5,723 million (Rs.19,648 crore), U.S. $ 3,544 million (Rs.12,166 crore) and U.S. $ 3,916 million (Rs.13,452 crore) respectively (Table X-13).

The total inflow under all the deposit schemes for NRIs yielded a net inflow of U.S. $ 945 million or Rs.4,086 crores during 1995-96 which was higher than those of U.S. $ 818 million or Rs.2,568 crores during 1994-95 (both inclusive of accrued interest and exchange rate valuation factor). As a result, the outstanding balance of all the NRI deposit schemes taken together at the end of March 1996 amounted to U.S. $ 17,438 million (Rs.59,882 crore) compared to U.S. $ 17,140 million (Rs.54,254 crore) as at the end of March 1995.

(iv) Indian Investment Abroad

Following the liberalisation of approval procedures in respect of Indian Direct Investment in Joint Ventures (JVs) and Wholly Owned Subsidiaries (WOS) abroad in August 1995 (as discussed in last year's Report on Currency and Finance), the Reserve Bank of India has been functioning as a single window agency for receipt and disposal of proposals for overseas investment by Indian companies with effect from December 1, 1995. Under the existing procedures, the Reserve Bank provides approvals in respect of proposals involving investment up to US $ 4 million which could be contributed through cash remittance and/ or capitalisation of exports, technical know-how fees etc.or corporate guarantee under a fast track arrangement. In the case of investment proposals of higher amounts, a Special Committee comprising representatives of the RBI, Ministry of External Affairs and Ministry of Finance is empowered to accord necessary clearance. Forty proposals were approved by RBI from December 1, 1995 to June 30, 1996 under the fast track route involving U.S. $ 20.27 million (of which U.S. $ 18.05 million was through equity contribution and loan and U.S. $ 2.22 million through corporate guarantee) and the same number of proposals were also cleared under the normal route (for direct Indian Investment between U.S. $ 4 million and U.S. $ 15 million) involving an amount of U.S. $ 112.02 (of which U.S. $ 59.12 million is through equity contribution and loan and U.S. $ 62.9 million is through corporate guarantee).

Total investments approved for the year 1995-96 amounted to U.S. $ 368.20 million, of which those approved under fast track category amounted to U.S. $ 46.91 million under equity contribution and U.S. $ 4.32 million under corporate guarantee. Approvals under normal route and large investments (over U.S. $ 15 million equivalent) amounted to U.S. $ 265.89 million under equity contribution and U.S. $ 51.08 million under corporate guarantee. The bulk of the Indian investment (US $ 292 million) abroad approved during 1995-96 were to take place through cash remittances. Against these approvals, the actual Indian investment abroad during the financial year 1995-96 was U.S. $ 204.22 million of which U.S. $194.83 million was by way of cash remittance and U.S. $ 9.39 million by way of other methods.

At the end of November 1995, there were 592 active Joint Ventures (JVs), out of which 185 were in production/ operation and 407 were under stages of implementation. The total amount of Indian equity in JVs in operation was of the order of Rs.221.86 crores. The approved Indian equity with regard to projects under implementation amounted to about Rs.1,620 crore. Among the 185 JVs which are in operation, 104 (56 per cent) are engaged in manufacturing activities and 81 projects (44 per cent) are in non- manufacturing areas. The 592 active JVs are dispersed over 75 countries. As regards regional dispersal, 61 of the operating JVs (33 per cent) are in East Asia followed by 46 JVs (25 per cent) in Europe / America and 28 (15 per cent) in Africa. South Asia accounted for 26 (14 per cent), West Asia for 20 (11 per cent) and Oceania for 4 (2.2 per cent). Several overseas JVs have declared bonus shares from time to time and pro-rata allotment to the Indian promoters has exceeded Rs.57.46 crores and exports of plants and machinery for equity contribution amounted to Rs.57.32 crores. Benefits that have accrued to the country through the JVs and Wholly Owned Subsidiaries (WOSs) in the form of dividends, technical know-how, other fees and additional exports generated as on November 30, 1995 are shown below :

Table : Benefits from Joint Ventures as on November 30, 1995

(Rs. crore)

	Dividend	Other Re-patriation	Addl. Export	Total
1	2	3	4	5 (1+2+3)
1. Joint Ventures (JVs)	83.47	127.68	1186.28	1397.43
2. Wholly owned Sub-sidiaries (WOSs)	27.67	77.66	818.61	923.94

Source: Annual Report, Ministry of Commerce.

The number of approved Wholly Owned Subsidiary (WOS) abroad, wholly owned by one or more Indian corporate bodies, stood at 421 as at the end of November 1995, of which 81 were in operation and the 340 under various stages of implementation. The value of equity participation in these WOSs amounted to Rs.1,618.9 crore, of which Rs.536.24 crore were in subsidiaries which were in operation and remaining 1,082.66 crore were at various stages of implementation.

Reflecting diversification in the export performance, project exports (comprising construction contracts, turn key projects and Engineering and Consultancy conrtracts) have been rising in recent years. These recorded further improvement in 1995-96 as shown below :

Table : Project Exports

(Rs. crore)

Year	Turnkey @ Projects	Civil* Construction Projects	Consultancy * Services	Total (2+3+4)
1	2	3	4	5
1990-91	669	171	212	1052
1991-92	464	230	720	1414
1992-93	507	212	831	1550
1993-94	1225	137	1369	2731
1994-95	442	260	1700	2402
1995-96 (Estimated)	712	313	1800	2825

Source :

@ : Represents contracts approved by EXIM Bank.

* : Ministry of Commerce, Annual Report 1995-96.

(v) Policy and Developments

Since the second half of 1993-94, the Indian economy has experienced surges in capital flows which took the forms of foreign investment flows both direct and portfolio, and inflows into various deposit schemes for non-resident Indians. With current account deficits remaining modest during 1993-94 and 1994-95, the policy response to the capital flows was accomodative and this enabled an unprecedented build up of international reserves. With the consequent attenuation of monetary targets threatening the objective of inflation control, the policy stance switched to one of throwing sand in the wheels in the second half of 1994-95. Various measures put in place were progressively tightened during the first half of 1995-96 in support of the conduct of monetary policy. With the widending of the current account deficit and the onset of volatility in the foreign exchange market in the second half of 1995-96, the restrictive stance of policy was eased and a number of measures were taken to relax controls and allow for a larger inflow of foreign capital. As in the past, these measures were related to foreign investment flows and deposits by NRIs and the policy objective of attracting capital flows has been carried forward during the first half of 1996-97.

(a) External Commercial Borrowings

In order to facilitate Indian corporates to raise cheaper funds from abroad for incurring rupee expenditure, Indian manufacturing companies were allowed from May 18,1995 to utilise foreign currency proceeds upto U.S. $ 1 million or equivalent with a minimum of three years of simple maturity. This facility was extended to all Indian corporates and institutions effective January 8, 1996 and the amount was raised subsequently to an equivalent of U.S. $ 3 million from June 19,1996. Similarly, to encourage Indian companies in getting access to foreign capital markets for External Commercial Borrowings (ECBs), the Indian Companies were allowed to raise Foreign Currency Convertible Bonds (FCCBs)with the non-converted portion having an average tenure of a minimum of 5 years effective November 25, 1995.

For the development financial institutions onlending of the ECB proceeds were permitted at different maturities effective June 19, 1996 and the onlending could be used for project related rupee expenditure. Similarly, to encourage greater flow of funds to the real sector the Indian Development Financial Institutions and corporates engaged in infrastructure projects in the telecommunication, oil exploration and other development sectors the minimum average maturity requirement for ECBs of more than U.S. $ 15 million equivalent was reduced to 5 years. In case of infrastructure projects in the telecommunication and railway sectors, the entire ECB could be utilised for the project related rupee expenditure. Similarly, all infrastructure and green-field projects were permitted to avail ECB to the extent of 35 per cent of their total project cost. Also exporters, 100 per cent EOUs and EPCG license holders were permitted to raise ECBs upto a maximum of U.S. $ 15 million equivalent or the average amount of export earnings of the previous three years, whichever is lower, for meeting project related rupee expenditure with an average maturity of at least 3 years.

(b) Portfolio Investment

Guidelines for Euro issues had been revised effective May 24, 1995 under which Indian companies were permitted to retain issue proceeds as foreign currency deposits with banks and public financial institutions in India. In order to enable the inflow of funds raised under GDRs modifications in Euroissue guidelines were announced in November 25, 1995 under which companies were permitted to remit funds into India in anticipation of the use of funds for approved purposes. Furthermore, the ceiling for the use of GDR funds for working capital was raised from 15 per cent to 25 per cent, and track record requirements were scrapped for infrastructure industries. In order to further encourage these flows, modifications were again made in the Euroissue guidelines effective June 19, 1996 under which the issuing companies were allowed to retain the foreign equity participation cap as prescribed, while restrictions on the number of issues that could be floated by an individual company/group of companies in a given year were removed; Banks, Financial Institutions (FIs) and Non-Bank Financial Institutions (NBFIs) registered with the Reserve Bank were made eligible for GDR issue without reference to the end-use criterion.

Several measures were also taken to encourage portfolio flows into Indian stock exchange. From May 30, 1995 authorised dealers (ADs) were permitted to grant loans to NRIs for acquisition of house/flat for residential purposes against security of immovable property to be acquired by them. In line with the recommendations of the Working Group set up for policy recommendations relating to the various schemes/incentives available to NRIs for investment in India (Chairman : Shri O.P. Sodhani) which submitted its report in August 1995, general permission was granted to NRIs to subscribe to the Memoranda and Articles of Indian companies effective November 11, 1995. Similarly, to expedite the transaction modalities OCBs were allowed to sell / transfer shares/ bonds/ debentures of Indian companies acquired with repatriation benefits through stock exchange under the Portfolio Investment Scheme. Again effective February 28, 1996 NRIs (and not OCBs) were permitted to invest funds on non-repatriation basis in Money Market Mutual Funds floated by commercial banks and public/private sector financial institutions. Foreign investors were allowed effective February 26, 1996 to disinvest equity shares through stock exchanges in India. Permission was also granted to foreign investors for disinvestment of listed equity shares through private placement subject to certain stipulations. Similarly restrictions relating to the 5 year lock-in-period for issue of equity shares on preferential basis were withdrawn effective May 24, 1996 except in those cases where preferential issue of securities is in favour of promoter/ promoter group.

(c) Indian Investment Abroad

New Guidelines for Indian Direct Investment in Joint Ventures and Wholly Owned Subsidiaries abroad were issued on August 17, 1995 with the Reserve Bank as a single window to clear projects in a fast track arrangement. Effective September 23, 1995 all proposals involving Indian direct investment abroad beyond US $ 4 million or those not qualifying for fast track clearance needs to be cleared by a Special Committee constituted by representation of the Reserve Bank of India, the Ministry of Finance and the Ministry of External Affairs.

(d) Deposits Schemes for Non-Resident Indians

Effective September 29, 1995 interest rates on term deposits under NR(E)RA scheme for the maturity period of 6 months to 3 years and above" were raised from 8 per cent per annum to 10 per cent and further to 12 per cent per annum effective October 31,1995.

Incremental deposits under NR(E)RA and NR (NR) RD scheme exempted from CRR norms effective October 28,1995 and effective November 25,1995 CRR on outstanding deposits under FCNR (B) were brought down from 14.5 per cent to 7.5 with incremental deposits being totally exempted from CRR stipulations. All liabilities under FCNR (B) and NR (NR) RD were exempted from CRR prescriptions effective fortnight beginning January 6, 1996. CRR on NR (E) RA scheme was brought down from 14 per cent to 10 per cent and effective April 13, 1996 liabilities under the NR (E) RA scheme were exempted from CRR requirement. Further, SLR on outstanding liabilities under the NR (E) RA scheme was reduced from 30 per cent to 25 per cent and interest rate on NR (E) RA term deposits of over two years freed.

VII. Exchange Rate Developments

The exchange rate of the rupee came under pressure during the second half of 1995-96 after a prolonged period of stability since March 1993. While a slow-down in capital flows reduced supply of foreign exchange, the widening trade deficit increased demand in the market. Normal gaps in demand and supply in the market arising out of lags and leads associated with the realisation of export proceeds and the making of import payments were exacerbated by speculative pressures. Furthermore, the strengthening of the U.S. dollar against major international currencies and the persisting inflation differentials *vis-a-vis* the rest of the world resulted in an effective overvaluation of the rupee in real terms. The first incipient signs of market sentiment came in August 1995 as a surge in imports resulted in an easing of the rupee to Rs.31.94 per U.S.dollar. The spread between buying and selling rates began to widen reflecting the volatility in the market, reaching a peak at 30 paise on September 15, 1995. Downward pressures intensified in October 1995 when the rupee plunged to Rs.35.65 per U.S.dollar and the market was dominated by asymmetrical expectations. Panic short-covering by importers and cancellation of forward contracts by exporters created persistent mismatches between demand and supply conditions, both in the spot and forward segments of the market. Forward premia in particular, were ruled by domestic money market conditions where under continuous excess demand for credit kept interest rates at unusually high levels. Premia for all maturities registered a sharp rise in October 1995 particularly skewed towards the short term. The high premia coupled with the steep depreciation in the spot rates pushed up the cost of mobilising foreign exchange by commercial banks for purposes of creating domestic assets. As a result, funds mobilised through the various NRI schemes were kept abroad in Nostro accounts leading to a further decline in domestic supply of foreign exchange.

The Reserve Bank, having closely monitored the movements in the rupee, intervened both in the spot and forward segments of the market in October 1995 to prevent further depreciation and to guide the rupee along a course consistent with macroeconomic fundamentals. The Reserve Bank's intervention in the form of foreign exchange injections was coordinated with a withdrawal of money market intervention so as to pre-empt further speculation. Subsequently, money market support was restored and accompanied by monetary measures which raised the cost of domestic credit and reduced concessionality in export finance. The Reserve Bank also undertook measures to augment supplies and restrict demand in the foreign exchange market.

Important measures under taken in October 1995 included exemption from cash reserve ratio (CRR) requirements in respect of increases in Non-resident External Rupee Accounts (NRER) and Non-Resident Non-Repatriable Rupee deposits [NR(NR)RD] over their outstanding levels as on October 27, 1995, raising of interest rates on NRER deposits, imposition of interest surcharge on import finance and reduction of concessionality in interest rates on Post-Shipment Export Credit denominated in Foreign Currency (PSCFC) for maturities beyond 90 days and up to 6 months.

Effective January 6, 1996 the Reserve Bank of India (RBI) also relaxed CRR requirements in respect of all liabilities under Foreign Currency Non-Resident (Bank) [FCNR(B)] scheme and NR(NR)RD accounts, while the average CRR on NRER liabilities were reduced from 14 per cent to 10 per cent.

These measures served to impart stability in the exchange rate of the rupee which traded within the band of Rs.34.28 and Rs.35.79 per U.S. dollar until mid-January. The spread between the buying and selling rates narrowed down, ranging between 2-5 paise reflecting greater stability in the market. The rupee was subjected to yet another measure of volatility towards the end of January 1996 and slumped to a record low of Rs.37.95 per U.S. dollar in terms of FEDAI indicative rates on February 6, 1996. In response to the volatility in the spot market, the three-month forward premia soared by around 7 per cent in February 1996 to over 20 per cent from around 14 per cent in January 1996 (Statement 232 of Vol. II).

In February 1996, the Reserve Bank undertook further measures to impart stability to the foreign exchange market. With a view to discouraging excessive use of bank credit for import finance, the interest rate surcharge on import finance was raised from 15 per cent to 25 per cent, effective February 8, 1996. As the effective negative rate of interest charged on credit under the PSCFC scheme created serious market distortions, affecting the realistic pricing of loanable funds and eroding the profitability of banks operating the scheme, the scheme was terminated, effective February 8, 1996. Furthermore, the interest rate on post-shipment export credit in rupees over 90 days was freed with a view to encouraging faster realisation of export proceeds. The RBI also stipulated that Authorised Dealers (ADs) report cancellation of forward contracts for amounts over US $ 100,000 on a weekly basis. These measures were undertaken with a view to bringing about stability in the foreign exchange market and to curb and reverse the build up of unidirectional expectations.

In April 1996, liabilities under the NRER deposits were also exempted from CRR requirements. The Statutory Liquidity Ratio (SLR) in respect of NRER deposits was reduced from 30 per cent to 25 per cent and the interest rate on NRER term deposits of over two years was freed.

These measures enabled the rupee to return to levels consistent with fundamentals. The variations in the rupee were moderate during the first quarter of the current financial year. The forward premia which rose to a high of around 27 per cent for the three-month swap and around 23 per cent for the six-month swap in March 1996, mainly reflecting domestic monetary conditions rather than expectations of future spot rates, eased considerably in the first quarter of 1996-97. The stability in the spot market and the deceleration in domestic interest rates brought down the forward premia to 10-11 per cent by end-June 1996, consistent with the interest rate differentials.

During 1995-96, the rupee's pronounced weakness against the dollar and the dollar's own strength against most major currencies led to the depreciation of the rupee against all the currencies of India's trade partners as well as competitors (Table X-14). In terms of monthly averages, the rate of depreciation of the rupee against the U.S. dollar, the Pound Sterling and the Deutsche Mark was significant in the months of September and October 1995 and January and February 1996. Against the Yen the rupee had, by and large, been on the rise over the year although it registered a sharp depreciation in April 1995. It also depreciated significantly in October 1995 and February 1996. The exchange rate of the rupee against the SDR and all major currencies strengthened remarkably in March 1996. During the first quarter of the current financial year the rupee depreciated against all major currencies in May 1996. In June 1996, the rupee weakened against the Pound Sterling and the Deutsche Mark but strengthened against the SDR, the U.S.dollar and the Yen (Table X-15).

The Nominal Effective Exchange Rate (NEER) of the rupee based on a thirty-six country trade weighted index fell by 4.7 per cent in March 1996 over its level in March 1995 and by 12.1 per cent over its level in March 1993 reflecting the rupee's weakness against India's major trading partners. The inflation adjusted Real Effective Exchange Rate (REER) index of the rupee also depreciated by 2 per cent in March 1996 over its level in March 1995 but had strengthened by 4.7 per cent over its level in March 1993 (Statement 231 of Vol.II).

VIII. International Monetary Developments[1]

The pace of world economy slackened slightly in 1995, with the output growth declining from 3.7 per cent in 1994 to 3.5 per cent in 1995. However, the growth performance across the world was uneven; weak economic expansion in the industrial countries and the developing countries in the Western Hemisphere went along a moderate growth in Asia and economic strengthening in Africa and the Middle East. In 1996, the world output is projected to grow by 3.8 per cent and further to 4.1 per cent in 1997.

Domestic Activity

Industrial Countries

The industrial countries as a group registered a strong recovery in output growth to 2.8 per cent in 1994, compared to 0.9 per cent in 1993. Output growth in 1995 has been estimated to slow down to 2.1 per cent and is placed at 2.3 per cent in 1996. The slowdown in industrial countries as a group during 1995 reflects attempts to reduce the risks of overheating in the United States and the United Kingdom and the economic downturn in other European countries.

The output in United States grew by 2.0 per cent in 1995 against 3.5 per cent in 1994. After

1. This section is based the information contained in IMF's World Economic Outlook, October 1996.

the strong performance in 1994, the slowdown was expected to reduce the risk of overheating. Most of the other leading industrial countries, with the exception of Japan, have also experienced slowdown in real GDP growth during 1995, rather than in 1994. After a protracted slowdown, Japan's output recovered modestly by 0.9 per cent in 1995 as against a rise of 0.5 per cent a year before. The recovery in Japan stemmed from a broad range of supportive policy actions which helped to counteract deflationary forces in the economy and corrected the excessive appreciation of the yen which occurred in the first part of 1995. The Japanese economy picked up sharply in recent times and is expected to grow at 3.5 per cent in 1996. There has been a marked decline in output growth of other industrial countries of Europe because of deep-rooted structural and macroeconomic weaknesses in these economies. The shift towards tighter budgetary policies, relatively accomodative monetary conditions and correction of the earlier exchange rate misalignments have improved the growth prospects for these countries in 1996.

Low inflation continues to be an encouraging aspect of the economic performance in the industrial countries. The consumer price inflation in industrial countries increased marginally from 2.0 per cent in 1994 to 2.2 per cent in 1995, reflecting strong anti-inflationary commitments and pre-emptive actions of monetary authorities to prevent an acceleration of inflation. During 1995, the highest inflation rate among the major industrial countries was in Italy (5.0 per cent), followed at a distance by the United States (2.5 per cent).

While the main focus of monetary policy has been to maintain price stability, the adjustments in interest rates have varied during 1995 depending upon the rate at which output is increasing and economic slack is being absorbed. In the United States, in view of the rising inflationary pressures the monetary policy was tightened in early 1995. The key federal funds rate, the cost of overnight money for banks, was increased by 3 percentage points to 6.0 per cent between February 1994 and February 1995, while the discount rate which is charged for loans to banks, moved up to 5.25 per cent. The US Federal Reserve, however, began unwinding the interest rate increases since July 1995, for maintaining the strength of the economic recovery. By January 1996, the federal funds rate was cut down to 5.25 per cent in three steps of 0.25 percentage points each in July, December 1995 and January 1996, respectively, while the discount rate was kept unchanged. In response to the continuing weakness of recovery in Japan, the monetary policy was eased further, with the Bank of Japan reducing its official discount rate to 1.0 per cent in April 1995. The discount rate was further reduced to a historic low of 0.5 per cent in early September 1995. The Bundesbank, in order to curb the steep rise in its currency reduced its discount rate to 4.0 per cent in March 1995, while keeping the Lombard rate unchanged at 6.0 per cent. In August 1995, the Bundesbank adjusted the interest rates downwards again, when the discount rate was reduced to 3.5 per cent and Lombard rate to 5.5 per cent. The trend among European countries has been one of easing of monetary policy to provide further support to the recovery. The United Kingdom, however, had to tighten the monetary conditions in the second half of 1994 as a pre-emptive measure, despite the inflation rate remaining low. The short term interest rates moved upwards in 1995 as the average rate for the seven major industrial countries increased from 4.7 per cent in 1994 to 5.1 per cent in 1995. Since then, the rates have declined to 4.5 per cent by August 1996. The long-term interest rates edged down to 6.7 per cent in 1995, from 7.0 per cent in 1994.

The broad money growth in the major industrial countries increased from 2.0 per cent in 1994 to 4.4 per cent in 1995. The narrow money growth also expanded from 3.9 per cent in 1994 to 5.1 per cent in 1995. In the United States, narrow money declined by 1.8 per cent in 1995 (a rise of 2.4 per cent in 1994); while the broad money grew at a rate of 4.0 per cent in 1995 (0.6 per cent in 1994). In the case of Japan, the growth rates of both the broad and narrow money increased considerably from their 1994 levels. Narrow money growth rose sharply from 4.2 per cent in 1994 to 13.1 per cent in 1995 while broad money expanded by 3.3 per cent in 1995 as against 2.8 per cent in 1994.

Developing Countries

The GDP growth in the developing countries (excluding the countries in transition) fell to 5.9 per cent in 1995, compared to 6.6 per cent in 1994. The growth performance for developing countries worsened during 1995 as a number of these countries resorted to tightening of policies in the wake of the Mexican financial crisis, which resulted in slowing down of capital flows to developing countries. The growth rates in these economies have started to recover and a 6.3 per cent growth is predicted for 1996 alongwith a tendency of convergence among country growth rates.

The output in developing countries of Africa rose by 3.0 per cent in 1995 (2.9 per cent in 1994), helped by the fact that a number of countries belonging to this group had implemented structural reforms and stabilisation programmes. Asia continued to be the fastest growing region among developing countries, even though GDP growth declined marginally to 8.6 per cent in 1995 from 9.1 per cent in the year before. The growth of real output increased substantially in the Middle East and Europe from a mere 0.5 per cent in 1994 to 3.6 per cent in 1995, mainly as a result of a sharp rise in output level in Turkey at the rate of 7.5 per cent in 1995 and strong expansionary tendencies in Israel, Jordon and UAE. The average output growth in the Western Hemisphere declined to 0.9 per cent in 1995 from 4.7 per cent in 1994 due to the adverse effects of the financial crisis in Mexico. The growth rate for this region is likely to recover to 3.0 per cent in 1996.

The average consumer price inflation for developing countries as a group, declined to 19.8 per cent in 1995 from 46.8 per cent in 1994, with sharp decline in inflation in the Western Hemisphere. The consumer price inflation in Africa declined from 36.8 per cent in 1994 to 32.1 per cent in 1995. The economic stability in Asia was associated with the easing of inflationary pressures, consumer prices rising by 10.9 per cent in 1995 as against 13.4 per cent in 1994. The inflation eased in China from 21.7 per cent in 1994 to 14.8 per cent in 1995. In the Western Hemisphere, inflation after increasing from 209.5 per cent in 1993 and 210.9 per cent in 1994, came down to 35.6 per cent in 1995 mainly due to the containment of inflation in Brazil which declined from 2123.6 per cent in 1994 to 59.6 per cent in 1995. The developing countries belonging to the Middle East and Europe however witnessed increase in inflation to 32.5 per cent in 1995 from 31.5 per cent in 1994.

Countries in Transition

The economic recovery in this region reflected the progress made in the stabilisation measures and institutional and structural reforms undertaken in many of these countries. The rates of economic growth have picked up in many of the transition countries in Central and Eastern Europe, though output continues to decline in those transition countries that have been slow at undertaking comprehensive reforms. The output for the region as a whole registered a moderate growth of 1.2 per cent in 1995, compared to a decline in output of 2.9 per cent in 1994. The output growth in many countries belonging to this region such as Albania, Romania, Poland, Slovak Republic, Armenia and Mongolia, however is estimated to have reached or exceeded 5 per cent in 1995. The economic activity has also shown signs of improvement in Estonia, Czech Republic, Latvia, Lithuania and Georgia and Kyrgyz Republic. The consumer price inflation for the countries in transition as a whole declined to 128.0 per cent in 1995 from 264.8 per cent in 1994.

The rewards of comprehensive economic reforms have beginning to be seen in Russia in 1995 and in the countries belonging to Transcaucasus and Central Asia. In Russia, GDP fall was lower at 4.0 per cent in 1995 as compared to the decline of 15.0 per cent in 1994. The improvement in economic conditions in Russia during 1995 is mainly attributed to the structural adjustment efforts of Russia. The consumer prices in Russia increased a little less than two-fold in 1995, as compared to the three-fold increase in prices during 1994.

For the countries belonging to the Transcaucasean and Central Asia region, the output decline was lower by 4.4 per cent in 1995, as compared to 13.7 per cent in the year before. The consumer price inflation for this region came down significantly from hyper-inflationary conditions as a result of prudent financial policies.

International Trade and Payments

The world trade, in volume terms, grew strongly by 8.9 per cent in 1995; as compared with 8.8 per cent in 1994. The rapid growth of world trade in recent years reflects trade liberalisation in many developing countries and the countries in transition, increasing international diversification of production, and the dynamic growth of trade among developing countries, especially in Asia and Latin America. The world trade growth is expected to slow down to 6.7 per cent in 1996, in view of the slowdown of economic activity in Europe and softening of domestic demand in the United States.

The export volume in industrial countries grew at a lower rate of 7.3 per cent in 1995, after an unprecedented growth of 8.3 per cent in 1994. The import volume in industrial countries increased by 7.8 per cent in 1995 (9.3 per cent in 1994). The volume growth of exports in developing countries increased further to 11.5 per cent in 1995 as against 11.1 per cent in 1994. The import volume growth too increased from 8.1 per cent in 1994 to 11.6 per cent in 1995.

The combined current account balance of the industrial countries is estimated to have turned into a surplus of $ 13.9 billion in 1995 as compared to a deficit of $ 7.8 billion in 1994. The external current account deficit of the United States decreased to $ 148.2 billion in 1995 from $ 148.4 billion in 1994. The US deficit is expected to increase slightly to $ 149.5 billion in 1995. Japan's current account surplus decreased from $130.6 billion in 1994 to $ 111.4 billion in 1995. As a per cent of GDP, Japan's current account surplus is expected to remain at around the 1995 level, as the effects of improved competitiveness stemming from exchange rate realignments since mid-1995 are offset by a strengthening of economic activity. The current account deficit of Germany stood at $ 21.0 billion in 1995 as compared with $ 19.7 billion in 1994 and is expected to decline to $ 18.8 billion in 1996.

The combined current account deficit of developing countries increased from $ 76.8 billion in 1994 (5.5 per cent of exports of goods and services) to $ 90.2 billion in 1995 (5.5 per cent of exports of goods and services), reflecting sharp increase in deficit in most of the developing country groups. The deficit is expected to increase further to $ 112.2 billion in 1996 (6.0 per cent of exports of goods and services).

The terms of trade of developing countries deteriorated by 1.4 per cent in 1995. While the terms of trade of fuel exporters worsened by 6.8 per cent in 1995, that of non-fuel exporters deteriorated marginally by 0.7 per cent. Industrial countries' terms of trade improved marginally.

Developments in Exchange Rates of Major Currencies

The developments in the foreign exchange markets in the world remained conducive to economic growth, even as volatility remained moderate and the rates converged towards the fundamentals after experiencing high volatility a year ago. The U.S. dollar recovered from its trough in April 1995 against the Japanese yen and the deutsche mark and appreciated against the major currencies. The sustained appreciation of the U.S. dollar is attributable to movements in interest differentials in favour of dollar-denominated assets and thus to the relative strength of the U.S. economy. The major currencies to appreciate against the U.S. dollar in the year were the Italian lira and the Australian dollar: these currencies benefitted from increased confidence with progress in financial consolidation in these countries. The depreciation of the Japanese yen *vis-a-vis* the U.S.dollar resulted from supportive policy actions by the authorities to correct the excessive appreciation in early 1995.

Among the European currencies, the depreciation in the deutsche mark stemmed from the cyclical slowdown in Germany. Most of the European currencies moved in a narrow grid over the year resulting from fiscal consolidation in the wake of the formation of the European Monetary Union. European currencies generally remained weak against the U.S.dollar owing to weak economic outlook which further depressed their interest rates.

International Reserves

During 1995, the growth in global international reserves (excluding gold) accelerated to 15.2 per cent from 7.6 per cent in the previous year (Table X-16). The reserve holdings of the industrial countries recorded a growth of 12.4 per cent to SDR 487.7 billion in 1995 while the reserves of developing countries grew at the rate of 18.3 per cent as against 10.2 per cent rise in 1994 to SDR 460.6 billion.

Among the industrial countries, growth in reserves was maximum in respect of Japan, followed by the US and Germany. Among the developing countries, the fastest growth was recorded in China (SDR 14.5 billion) followed by Brazil (SDR 8.0 billion) and Mexico (SDR 7.0 billion).

In the first quarter of 1996, the World non-gold reserves increased by 4.5 per cent to SDR 991.7 billion. The reserves of industrial and developing countries increased by 4.9 per cent and 4.0 per cent to SDR 512.0 billion and SDR 478.6 billion respectively.

Among the components of international non-gold reserves, foreign exchange reserves totalled SDR 891.8 billion at end 1995, a growth of 15.0 per cent over the year. During 1995, the foreign exchange reserves of industrial countries increased by SDR 47.1 billion or 11.95 per cent while those of developing countries increased by SDR 69 billion or 18.1 per cent.

The reserve position in the Fund for all member countries increased by SDR 4.9 billion in 1995 as against a decline of SDR 1.1 billion in 1994.

External Debt Situation

By the end of 1995, the total external debt of developing countries (excluding IMF credit) reached $ 1866.1 billion, registering an increase of 9.2 per cent during the year (Table X-17). The IMF estimates that in 1996, total external debt of all developing countries will increase further to $ 1956.0 billion.

During 1995, all of the developing country groups witnessed increase in their total external debt. The increase in debt was the highest for Asia ($ 77.8 billion), followed by the Western Hemisphere ($ 52.2 billion). While the debt-servicing ratio increased for most of the developing countries, other debt indicators showed some improvement during 1995.

The ratio of total debt to export earnings, in dollar terms, of the developing countries maintained its declining trend, coming down to 111.2 per cent in 1995, from 121.7 per cent in 1994. The debt-export ratio declined for all the country groups, with Western Hemisphere showing a major improvement.

The ratio of external debt to GDP for developing countries declined marginally from 33.0 per cent in 1994 to 31.7 per cent in 1995. While the developing countries of Africa, Asia, the Middle East and Europe witnessed improvements in their debt-GDP ratios, the ratio increased for Western Hemisphere.

The debt service ratio for the developing countries, as a group, increased to 15.5 per cent in 1995, from 15.2 per cent in 1994. Across regions, this ratio worsened further for Africa and Western Hemisphere. The ratio improved slightly for Asia, Middle East and Europe.

During 1995, Paris Club creditors made further progress with debt restructuring under the Naples terms. They reached agreement with Bolivia on stock-of-debt operation, with Cameroon, Honduras and Zambia on flow rescheduling and with Gabon on a non-concessional flow rescheduling. The IMF and World Bank are jointly working to find ways of alleviating the debt problems of heavily indebted poor countries. A number of countries have also completed debt and debt-service agreements with commercial banks, and substantial progress has been made by some other countries towards resolving their commercial bank debt problems. By February 1996, $173 billion of Bank debt for 25 countries had been restructured. In 1995, Panama concluded a debt and debt-service reduction agreement with commercial banks covering $3.5 billion; Algeria completed an agreement to reschedule $3.2 billion of its commercial bank debt. Further, Albania, Ethiopia, Nicaragua and Sierra Leone carried out buy backs of commercial bank debt at huge discounts supported by World Bank - IDA Debt Reduction Facility. In November 1995, Russia and the London Club reached an agreement to reschedule $25.5 billion of commercial bank debt inherited from the former Soviet Union, and $7 billion in interest arrears. Some other countries, viz., Peru, Vietnam, and Cote d'Ivoire continued discussion with their commercial bank creditors.

International Monetary Fund

Use of IMF Resources

During 1995, gross disbursements by the IMF (i.e. members' purchases) out of the General Resources Account increased to SDR 17.0 billion from the 1994 level of SDR 5.0 billion. Net disbursements also rose sharply to SDR 10.4 billion from SDR 0.4 billion in 1994 in spite of higher repurchases at SDR 6.6 billion in 1995 than SDR 4.6 billion in the previous year (Table X - 18). The increased lending may be attributable to record drawings of Mexico (SDR 8.8 billion) and Russia (SDR 3.6 billion) to support their comprehensive adjustment programmes.

Facility-wise, the gross disbursements under short-term stand-by arrangements increased substantially to SDR 14.38 billion in 1995 from SDR 1.83 billion in 1994. Drawings under extended arrangements also increased to SDR 1.97 billion from SDR 0.9 billion. In contrast, drawings under the Compensatory and Contingency Financing Facility (CCFF) declined to SDR 0.01 billion from SDR 0.31 billion in 1994. Lending under the temporary Systemic Transformation Facility (STF) created in April 1993 declined to SDR 1.9 billion in 1995. From May 1, 1995, the first drawings under the STF could no longer be made, but members that have had a first drawing approved by then were eligible for a second drawing by end-December, 1995.

Gross disbursements to low income countries at concessional terms under the Structural Adjustment Facility (SAF) and Enhanced Structural Adjustment Facility (ESAF) arrangements increased to SDR 1.43 billion in 1994 from SDR 0.91 billion a year ago.

During the first half of 1996, total purchases amounted to SDR 2.96 billion (of which the share of Russia was SDR 1.65 billion) and repurchases accounted for SDR 2.27 billion. The net purchase during this period declined to SDR 0.69 billion from SDR 6.6 billion in the same period of 1995 (Table X-18). As at end - June 1996, total Fund credit and loans outstanding were SDR 42.4 billion which included SDR 36.6 billion from the General Resources Account, SDR 5.43 billion under SAF and ESAF arrangements and SDR 95.1 million under Trust Fund Loans.

SDR Allocation and SDR Interest Rate

The SDR (Special Drawings Right) is an international reserve asset created by the IMF and allocated to its members participating in the SDR Department. SDR is also unit of account. Total allocation during the period 1970-91 aggregated to SDR 21.4 billion. Since then no further allocation has taken place. The interest/remuneration rate on the SDR is calculated weekly and is equal to the weighted average interest rate or yield on specified short-term instruments in the money markets of the US, the UK, France, Germany and Japan, whose currencies comprise the SDR valuation basket. In tandem with the movements in short-term rates in these countries, the SDR interest/remuneration rate, after declining from an average of 6.48 per cent for the quarter ended January 1992 to 3.98 per cent for the quarter ended March 1994, increased steadily to 5.00 per cent for the quarter ended March 1995. Thereafter, the SDR interest/ remuneration rate declined to 3.97 per cent in March 1996. Continuing the declining trend, the rate has declined further to 3.92 per cent in June 1996 (Table X-19).

Rate of Charge, Overdue Obligations and Burden Sharing

The rate of charge and the rate of remuneration are both set in proportion to the weekly SDR interest rate. For IMF's fiscal year 1995-96 (May 1995 – April 1996), the basic rate of charge for the use of the Fund's resources was fixed at 102.5 per cent of the SDR interest rate. However, due to higher net income at SDR 101 million, an excess of over SDR 2 million over the income estimated by the Fund staff at the beginning of the FY 1996, the rate of charge coefficient for FY 1996 was reduced from 102.5 per cent to 101.7 per cent. The higher than estimated net income was the result of lower administrative expenses.

The basic rate of charge and the rate of remuneration together with the adjustments on account of Deferred income, Special Contingent Account-1 and Special Contingency Account-2 for the four quarters ended April 30, 1996 are provided in Table X-20.

As at the end - April 1996, the overdue financial obligations for six months or more amounted to SDR 2.13 billion in respect of six members - Iraq, Liberia, Serbia and Montenegro, Somalia, Sudan and Zaire. The overdue financial obligations were higher at SDR 3.00 billion as of end - April 1995. The decline in overdue obligations reflect the clearance of arrears by Zambia (SDR 830.2 million) and Bosnia and Herzegovina (SDR 25.1 million).

The total reserves (general and special reserves) of the Fund totalled SDR 5.38 billion as at the end of April 1996, composed of general reserves - SDR 1.88 billion and special reserves under two Special Contingency Accounts - SDR 3.5 billion. The general reserves of the fund stood at SDR 1.79 billion a year earlier.

World Bank Group[1]

During the World Bank year 1996 (July 1995 to June 1996), the World Bank played a crucial role in fostering market forces in developing countries and greater integration of developing countries' markets with the rest of the world economy. While the World Bank retained its faith on economic growth as a cornerstone of the development strategy in developing countries, the Bank made a number of targeted efforts at poverty alleviation and sustainable development. Apart from supporting a number of projects in developing countries, the Bank forged ahead with new partnerships in water management, encouraged private participation in infrastructure activities, promoted environmental management and involvement of the Non-Governmental Organisations in economic activity.

Representatives of more than 30 donor countries agreed on new funding for the International Development Association in March 1996. They endorsed a package that will allow concessional lending of US $ 22 billion to poor countries over the period 1997-99. The three year package begins with a one year interim fund of about US $ 3 billion from July 1996. In each of the next two years, the donor countries will contribute US $ 4 billion each to the eleventh replenishment of the IDA.

The World Bank and the IMF have joined hands in efforts to focus attention on the problems of the heavily indebted poor countries, and to find out viable solutions.

During the year, the total membership of IBRD increased to 180 following the joining of Bosnia and Herzegovina, and Brunei Darussalam while the total membership of IDA increased to 159 with the inclusion of Bosnia and Herzegovina.

In 1996, commitments by the World Bank (IBRD and IDA combined) at US $ 21.4 billion showed a decline of 5.1 per cent as against a rise of 8.1 per cent in 1995 (Table X-21). Adjustment lending amounted to 21 per cent of Bank commitments in 1996, lower than 24 per cent of 1995. This includes US $ 65 million in rehabilitation-import loans and US $ 30 million in debt reduction loans. IBRD commitments declined to US $ 14.5 billion from US $ 16.9 billion a year ago whereas IDA commitments increased to US $ 6.9 billion from US $ 5.7 billion the previous year.

Assistance to the poorest countries – those with a per capita gross national product of US $ 765 or less totalled US $ 9,883 million - US $ 3,566 million from the IBRD and US $ 6,327 million from IDA. as compared with a total of US $ 8,629 million in 1995 - US $ 3,770 million from IBRD and US $ 4,715 million from IDA.

International Bank for Reconstruction and Development (IBRD)

Lending commitments of the IBRD amounted to US $ 14,488 million in fiscal 1996, a decline of 14 per cent over US $ 16,853 million in 1995. The three largest borrowers from IBRD were China (US $ 2,490 million), Russia (US $ 1,816 million) and Argentina (US $ 502 million). India received $ 0.78 billion in 1996 (5.3 per cent) as compared with $ 1.12 billion (6.6 per cent) in 1995. The sector-wise details of IBRD loans to India are indicated in table X-22)

Gross disbursements by the IBRD increased by $ 700 million (5.5 per cent) to $ 13,372 million from $ 12,672 million in 1995. Net disbursements, excluding prepayments to current borrowers were $ 2,882 million, an increase of $ 644 million over $ 2,238 million in the previous year.

At the end of 1996, the IBRD's liquidity amounted to a total $ 15.9 billion as compared with $ 18.4 billion in 1995.

The total medium and long term (MLT) borrowing of IBRD in fifteen countries amounted to $ 10.9 billion with an average maturity of 5.1 years and the average cost, after swap, of 5.38 per cent. At the end of 1996, the outstanding MLT borrowings amounted to $ 92.4 billion or 95 per cent ($ 93.8 billion or 96 per cent after swaps) of total debt outstanding, with an average maturity of 5.3 years and an average cost, after swaps, of 6.3 per cent. At the end of 1996, the outstanding short term borrowings were $ 4.4 billion as compared with $ 3.9 billion a year ago. The cost of borrowing was 5.43 per cent this year as against 5.83 per cent in 1995.

1. *Source* : World Bank. Annual Report, 1996.

On June 30, 1996, the total subscribed capital of IBRD was $ 180.6 billion or 96 per cent of the authorized capital of $ 188 billion. During fiscal 1996, twenty six countries subscribed an aggregate $ 4 billion to the General Capital Increase (GCI) of $ 74.8 billion. A total of 20,584 GCI shares ($ 2.5 billion), including additional GCI shares alloted to new members who joined IBRD after 1988, remain to be subscribed.

At the end of 1996, the reserve position was $ 17.1 billion as against $ 17.2 billion in 1995. The reserves-to-loan ratio declined marginally to 14.1 per cent from 14.3 per cent in 1995.

International Development Association (IDA)

During 1995, the lending commitments of IDA stood at $ 6,864 million, an increase of $ 1,195 million or 21.1 per cent from $ 5,669 million the previous year. Disbursement from IDA amounted to $ 5,884 million, an increase of $ 181 million or 3.1 per cent over $ 5,703 million in fiscal 1995. India was the largest borrower of IDA credit ($ 1,301 million), followed by Vietnam($ 502 million) and China ($ 480 million). The sector-wise composition of IDA loans to India is shown in Table X-23.

IDA is mainly funded by donor contributions and such funds are "replenished" by an agreement among donors every three years. The year 1996 was the third and the final year of the 10th replenishment of IDA (IDA-10), the size of which was agreed upon at SDR 13 billion. The total resources available for IDA -10 period during fiscal 1996 amounted to SDR 2,591 million.

For each fiscal year, IDA fixes the level of commitment fee based on an annual review of IDA's financial position. It continues to be zero per cent for all IDA credits since 1989.

International Finance Corporation (IFC)

The International Finance Corporation (IFC), established for promoting private enterprise in developing member countries, sought to enhance its activities in fiscal 1996 by continuing to expand and diversify its investments, mobilisation and advisory activities.

The total financing for IFC's own account has increased by an average annual rate of 15 per cent over the last five years. The IFC approved $ 3.2 billion for 264 projects for its own account, compared with $ 2.9 billion for 231 projects in 1995. Its resource mobilisation activity recorded an approval of $ 4.9 billion in financing through loan syndications and underwriting of securities issues and investment funds. The Corporation's approved projects had total investment cost of $ 19.6 billion which meant that other lenders and investors provided $ 5.13 for every dollar approved by IFC. Projects were approved in 68 countries as against 67 countries a year ago. New commitments signed during the year aggregated to $ 2.1 million as compared with $ 2.4 million in 1995. Disbursements increased to $ 2.1 billion in 1996 from $ 1.8 billion the previous year. IFC borrowed $ 3 billion in international market and $ 8 million from IBRD. Its net income in 1996 was $ 356 million up from $ 188 million in 1995. It earned a return of 8.9 per cent on its net worth, which reached $ 4.2 billion on June 30, 1996.

In the year 1996, the membership of IFC increased to 170 countries with the inclusion of Azerbaijan, Bahrain, Eritrea, St.Kitts and Nevis, as well as Bosnia and Herzegovina, which succeeded the membership of the former Socialist Federal Republic of Yugoslavia.

Multilateral Investment Guarantee Agency (MIGA)

In 1996, MIGA's net income before provisioning increased by 62 per cent to $ 20.7 million. The year witnessed better results for MIGA's guarantee programmes with those of 1995 with respect to the (a) number of contracts executed (68 against 54), (b) total amount of coverage issued ($ 862 million as against $ 672 million in 1995), (c) number of developing countries benefitted (27 as against 21) and (d) income earned from premium and commitment fees ($ 21.9 million as against $ 14.4 million a year ago). In 1996, MIGA issued its first guarantees in Kuwait, Kyrgyz Republic, Mali, Nepal and Papua New Guinea. The contracts issued in 1996 facilitated total direct investment of about $6.6 billion and created an estimated 7,200 jobs in developing member countries.

In order to promote private investment, MIGA offers technical assistance to developing member countries through direct support of investment promotion activities, dissemination of information on investment opportunities and capacity building of Investment Promotion Agencies (IPAs) so that they can attract foreign direct investment. Wherever possible, MIGA seeks to support activities on a sectoral and multi-country basis. During 1996, MIGA formally launched its Investment Promotion Agency Electronic Network (IPAnet). IPAnet is an on-line, marketing, communication and information network that links private investors with investment intermediaries and technology providers worldwide to share information and promote foreign direct investment via the internet.

The number of member countries of the MIGA increased from 128 to 134. Twenty one countries are in the process of fulfilling membership requirements.

Asian Development Bank (ADB)

During 1995, the Asian Development Bank's total approvals of new loans and investments amounted to US $ 5,504.4 million, comprising loans of US $ 4,049.5 million from ordinary capital resources (OCR), US $ 1,454.9 million from the concessional Asian Development Fund (ADF) and US $ 110.4 million of equity investments (Table X-24). Government and government-guaranteed loans accounted for more than 95 per cent of ADB's total lending. Sectorwise, the energy sector was the major area of Bank lending, followed by social infrastructure, transport and communications and agriculture and agro-industry. Countrywise, People's Republic of China was the largest recipient of ADB loans followed by Indonesia and India. In 1995, the lending volume increased sharply by 49 per cent, after a substantial decline in the year before.

During 1995, loan disbursements declined marginally to US $ 3,587 million; OCR disbursements were lower by 2 per cent at US $ 2,442 million and ADF disbursements 4 per cent lower at US $ 1,145 million. Following the completion of 70 projects in 1995, the total number of completed projects increased to 973 out of 1,294 projects approved as of end-1995.

The net transfer of resources (disbursements minus capital repayments, payments of interest and other charges, plus equity investments) to developing member countries (DMCs) declined by 28 per cent to US $ 793.8 million.

The ADB's authorised capital as at end-1995 stood at US $ 51,893 million, of which US $ 43,078 million was subscribed. The ADB membership rose to 56 with the joining of a third Central Asian Republic, Uzbekistan.

World Trade Organisation

The World Trade Organisation (WTO) came into existence on January 1, 1995 replacing GATT, with a membership of 81 countries and territories which represented over 90 per cent of the international trade in goods and services. The membership of WTO has increased significantly since then and as at the end of July 1996, there were 123 members to the WTO. Twenty-nine more countries (including China and Russia) are negotiating to join the organisation.

With the primary objective of providing a fresh impetus to the growth of world trade, the WTO has succeeded in bringing a large number of countries under a rule based multilateral trading system.

In July 1995, 29 WTO members, counting the European Union (EU) as one, agreed to sign a protocol to promote liberalization in the trade in financial services by not later than June 30, 1996. The nature of commitments include, improvements in the number of licences available for the establishment of foreign financial institutions; guaranteed levels of foreign equity participation in branches, subsidiaries or affiliates of banks and insurance companies; removal or liberalization of nationality or residence requirements for members of the boards of financial institutions; and the participation of foreign owned banks in cheque clearing and settlement systems.

WTO has also strengthened its dispute settlement mechanism and widened the coverage for its trade policy reviews. In November 1995, the Dispute Settlement Body of the WTO announced the appointment of an Apellate Body that will hear appeals from dispute panel cases on issues of law covered in the panel report. It has the power to uphold, modify and reverse the legal finding and conclusions of the panel. Since May 1996, 38 complaints were received by the WTO, most of them were resolved at the consultation stage.

In December 1995, the WTO established the Independent Entity(IE) – for settling the disputes between exporters and pre-shipment inspection companies was set up. The IE is constituted jointly by the WTO, the International Chamber of Commerce (ICC) and the International Federation of Inspection Agencies. Administered by the WTO, the IE has started functioning since May 1996.

The WTO Committee on Trade and Environment has done useful work in bringing together environmental and trade interests and in defining the basis for a mutually supportive relationship.

IX. Developments relating to Exchange Control

During the year, several measures of exchange control were implemented taking into account the changing situation. Efforts were also made to carry forward institutional developments.

Accepting the recommendations of the Expert Group on Foreign Exchange Markets in India, measures were taken to broaden and deepen the foreign exchange market. Authorised Dealers in foreign exchange (ADs) were given freedom, effective January 1, 1996, to decide their foreign exchange overnight open position limits subject to the approval by the Reserve Bank of India (as against the earlier uniform limit of Rs.15 crores for each bank) and their maintaining of Tier I capital funds of 5 per cent of the foreign exchange open position limit besides the existing capital adequacy requirements.

Furthermore, the Aggregate Gap Limit (AGL) which was previously fixed at US $ 100 million or six times the net owned funds of the bank whichever was lower, is now left to be fixed by the individual banks depending upon their foreign exchange operations, risk taking capacity, balance sheet size and other relevant parameters subject to the approval of the Reserve Bank. Effective April 11, 1996 ADs having the requisite infrastructure, risk control mechanism and satisfying capital adequacy norms, were permitted to initiate cross currency positions in the overseas market.

In order to stem the foreign exchange volatility arising out of mismatches in receipts and payments, cancellation of forward contracts of US $ 1,00,000 and above and intra-day trading transactions of authorised dealers were monitored closely.

Other developments concerning easing of exchange control are as under :

(i) Indian exporters exporting to ACU countries and receiving the export proceeds in rupees or in AMU or in the currency of the participating country were henceforth allowed, effective May 31, 1995 to receive payments in any permitted currency through normal banking channels. From January 1, 1996 all settlements of accounts under ACU mechanism are being made through ACU dollar accounts.

(ii) Software exports were liberalised effective September 8, 1995 under which conditions regarding receipt of advance payment were dispensed with. As a result, computer software is allowed to be exported in the same manner as applicable to export of other goods.The export of computer software in non-physical form as above will however continue to be regulated by declaration on SOFTEX Form.

(iii) Effective October 4, 1995, the Bank has discontinued announcing US dollar buying and selling rates. The Bank will quote its spot buying rate to any authorised dealer as and when a specific request is made to the Bank's Dealing Room in the Department of External Investment and Operations. The quotation will be applicable only to that particular deal and subject to change unless the deal is concluded immediately.

(iv) Effective September 28, 1995, it was decided to allow foreign feeder line operators or their agents in India to collect entire feeder freight/ slot hire charges from Indian and foreign shipping companies and their agents as also from Multimode Transport Operators registered in India and to make remittances or surplus collections after meeting their local expenses to their principal foreign feeder line company subject to certain conditions.

(v) Effective February 12,1996, authorised dealers are permitted to effect remittances towards import of designs and drawings upto Rs.25 lakhs on production of suppliers' invoice and postal wrappers/exchange control copy of Bill of Entry as documentary evidence in support of import.

(vi) Effective November 11, 1995, the authorised dealers are empowered to allow remittances by a family unit of resident Indian nationals to their close relatives residing abroad for their maintenance expenses upto US $ 5000 in a calendar year per beneficiary subject to documentary evidence that the beneficiary is a permanent resident abroad, he/she does not have sufficient income for maintenance and he/she is unable to return to India.

(vii) Effective June 7, 1996, authorised dealers are permitted to credit/debit abroad the interest paid by Indian companies to non-resident Indians/overseas corporate bodies on account of delayed refund of share subscriptions provided they are satisfied that such payment of interest is in accordance with the terms of acceptance indicated in the prospectus of the company in the public issue vetted by the Securities and Exchange Board of India (SEBI) and in accordance with other related conditions enshrined in the Exchange Control Manual.

(viii) Effective June 7, 1996, hotels and airline companies are allowed to receive payments in Indian rupees from foreign tourists without insisting on encashment certificates.

(ix) Effective July 6, 1996 authorised dealers have been delegated with powers to effect remittances of legal expenses on behalf of their importer constituents upto US $ 10,000 or its equivalent for settling disputes relating to imports subject to certain conditions.

(x) ADs were permitted to invest funds mobilised under FCNR (B), FCON, EEFC and RFC in short term deposits with banks abroad with specific ratings by Standard and Poor and Moody's. From January 1, 1996 this rating stipulation was dispensed with for such deposits with own branches abroad.

(xi) ADs are permitted effective August 5, 1996, to offer a variety of hedging products to corporates such as interest rate swaps, currency swaps, coupon swaps, purchase of interest rate caps/collars and forward rate agreements, either by booking the transaction overseas or on a back to back basis without prior approval of the Government or the Reserve Bank. The facility of forward exchange cover by ADs has now been extended to interim dividends, net remittable freight collections due to foreign shipping companies, substitution orders i.e. substituting an order underlying a forward contract with another order and funds raised under foreign currency loans and GDRs. A market intelligence cell has been set up in the Exchange Control Department to closely study and monitor the forex market.

Table X-1 : External Sector : Key Indicators

Item	Quick Estimates		Preliminary Actuals			
	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
1	2	3	4	5	6	7
a. Indicators of Integration and Openness						
i) Exports/GDP (%)	10.0	8.9	8.9	8.2	7.2	6.2
ii) Imports/GDP (%)	12.8	10.6	9.8	10.1	8.4	9.4
iii) Foreign Investment/GDP (%)	1.3	1.6	1.7	0.2	0.1	0.03
iv) Foreign Investment/Exports (%)	12.8	18.2	18.7	2.9	0.8	0.6
b. Invisibles Account						
i) Invisible Receipts/GDP (%)	5.0	4.5	3.8	3.6	3.8	2.5
ii) Invisible Payments/GDP (%)	3.9	3.7	3.3	3.2	3.2	2.6
iii) Invisible Net/GDP (%)	1.1	0.8	0.5	0.4	0.6	-0.1
c. Indicators of Sustainability						
i) Import Purchasing Power of Exports (Base : 1978-79=100); Annual Growth Rate (%)	571.7 @@ (-1.7)	581.6 (55.9)	373.1 (31.5)	283.8 (13.8)	249.3 (17.5)	212.2 (0.2)
ii) Exports Volume Growth (%)	15.0 @@	13.7	15.5	6.9	7.5	11.0
iii) Current Receipts Growth (%)@	21.0	24.5	19.5	-2.1	7.2	6.6
iv) Current Receipts @/Current Payments (%)	89.2	92.8	95.4	87.3	94.3	71.5
v) CAD/GDP (%)	-1.7	-0.9	-0.5	-1.5	-0.5	-3.2
vi) Debt-GDP Ratio (%)	28.9	33.0	36.3	39.8	41.0	30.4
vii) Debt-Service ratio(%)	26.4	27.5	26.7	28.6	30.2	35.3
viii) Import Cover of Reserves (in months)	6.3	9.5	9.2	5.1	5.3	2.5

@ = Excluding official transfers.

@@ = Tentative.

Table X-2 : India's Overall Balance of Payments

	(US $ million)						(Rs Crore)					
	Quick Estimates		Preliminary Actuals				Quick Estimates		Preliminary Actuals			
	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
1	2	3	4	5	6	7	8	9	10	11	12	13
A. Current Account												
1. Exports, f.o.b.	32467	26857	22683	18869	18266	18477	108601	84326	71146	54762	44922	33153
2. Imports, c.i.f.	41412	31840	25069	23237	21064	27915	138522	99973	78630	68863	51417	50086
3. Trade Balance	-8945	-4983	-2386	-4368	-2798	-9438	-29921	-15647	-7484	-14101	-6495	-16933
4. Invisibles, net	3511	2349	1228	842	1620	-242	11744	7376	3848	1337	4258	-435
(a) Non factor services	94	-371	535	1129	1207	980	314	-1165	1677	2698	3134	1758
(b) Investment Income	-4479	-3952	-3270	-3423	-3830	-3752	-14982	-12409	-10259	-10503	-9397	-6732
(c) Private Transfers	7480	6200	3595	2773	3783	2069	25020	19467	11275	8089	9381	3711
(d) Official Transfers	416	472	368	363	460	461	1392	1482	1155	1053	1140	828
5. Current Account Balance	-5434	-2634	-1158	-3526	-1178	-9680	-18177	-8272	-3636	-12764	-2237	-17368
B. Capital Account												
1. External Assistance, net	780	1434	1901	1859	3037	2210	2609	4504	5964	5750	7394	3965
a) Disbursements	2978	3192	3476	3302	4366	3397	9961	10024	10904	10173	10714	6095
b) Amortisation	-2198	-1758	-1575	-1443	-1329	-1187	-7352	-5520	-4940	-4423	-3320	-2130
2. Commercial Borrowings, net	527	1029	607	-358	1456	2249	1763	3231	1905	-1094	3807	4035
a) Disbursements	3876	3841	2913	1167	3133 #	4253	12965	12060	9137	3583	7852 #	7630
b) Amortisation	-3349	-2812	-2306	-1525	-1677	-2004	-11202	-8829	-7232	-4677	-4045	-3595
3. Short Term Credit,net	160	330	-769	-1079	-515	1074	535	1036	-2412	-3174	-1277	1929
4. NRI Deposits, net	945	811	1205	2001	290	1536	3161	2546	3780	6097	1008	2756
5. Foreign Investment, net	4143	4895	4235	555	139	102	13858	15370	13283	1700	340	184
6. Rupee Debt Service	-963	-1050	-1053	-878	-1240	-1193	-3221	-3297	-3302	-2335	-2785	-2140
7. Other Capital,Net @	-1367	1290	3709	866	801	1210	-4540	4034	11634	5020	1518	2168
8. Total Capital Account	4225	8739	9835	2966	3968	7188	14165	27424	30852	11964	10005	12897
C. Overall Balance [A(5)+B(8)]	**-1209**	**6105**	**8677**	**-560**	**2790**	**-2492**	**-4012**	**19152**	**27216**	**-800**	**7768**	**-4471**
D. Monetary Movements (E+F+G)	**1209**	**-6105**	**-8677**	**560**	**-2790**	**2492**	**4012**	**-19152**	**-27216**	**800**	**-7768**	**4471**
E. IMF, Net	**-1710**	**-1146**	**187**	**1288**	**786**	**1214**	**-5732**	**-3588**	**587**	**3363**	**2077**	**2178**
F. SDR Allocation	—	—	—	—	—	—	—	—	—	—	—	—
G. Reserves and Monetary Gold (Increase –, Decrease +)	**2919**	**-4959**	**-8864**	**-728**	**-3576**	**1278**	**9744**	**-15564**	**-27803**	**-2563**	**-9845**	**2293**

: Includes India Development Bonds.

@ : Includes delayed export receipts and errors and omissions. For the year 1992-93, it also includes errors and omissions arising out of the application of dual exchange rates applicable under the Liberalised Exchange Rate Management System (LERMS).

Table X-3 : Invisibles by Category of Transactions

(US $ million)

	Quick Estimates		Preliminary Actuals			
	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
1	2	3	4	5	6	7
I. Non-Factor Services, net	**94**	**-371**	**535**	**1129**	**1207**	**980**
Receipts	7161	5939	5264	4730	5022	4551
Payments	7067	6310	4729	3601	3815	3571
i) Travel, net	1500	1425	1725	1713	1512	1064
Receipts	2900	2325	2222	2098	1977	1456
Payments	1400	900	497	385	465	392
ii) Transportation, net	-750	-546	-332	-503	-350	-110
Receipts	1950	1654	1433	982	939	983
Payments	2700	2200	1765	1485	1289	1093
iii) Insurance, net	-120	-118	-71	12	-18	23
Receipts	180	155	124	158	108	111
Payments	300	273	195	146	126	88
iv) G.N.I.E., net	-100	-97	-123	-25	-103	-158
Receipts	150	128	30	75	16	15
Payments	250	225	153	100	119	173
v) Miscellaneous, net	-436	-1035	-664	-68	166	161
Receipts	1981	1677	1455	1417	1982	1986
Payments	2417	2712	2119	1485	1816	1825
II) Investment Income, net	**-4479**	**-3952**	**-3270**	**-3423**	**-3830**	**-3752**
Receipts	1024	777	395	376	221	368
Payments	5503	4729	3665	3799	4051	4120
III) Private Transfers, net	**7480**	**6200**	**3595**	**2773**	**3783**	**2069**
Receipts	7500	6220	3617	2785	3798	2083
Payments	20	20	22	12	15	14
IV) Official Transfers, net	**416**	**472**	**368**	**363**	**460**	**461**
Receipts	416	472	373	364	461	462
Payments	0	0	5	1	1	1
Invisibles, net (I to IV)	**3511**	**2349**	**1228**	**842**	**1620**	**-242**
Receipts	**16101**	**13408**	**9649**	**8255**	**9502**	**7464**
Payments	**12590**	**11059**	**8421**	**7413**	**7882**	**7706**

Table X-4: Composition of Capital Account Inflows

	Preliminary Actuals				Quick Estimates	
	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
1	2	3	4	5	6	7
Total Capital Receipts (net) (US $ million)	**7188**	**3968**	**2966**	**9835**	**8739**	**4225**
of which (in per cent)						
Foreign Direct Investment	1.3	3.4	10.5	6.0	15.0	45.7
Portfolio Investment	0.1	0.1	8.2	37.1	41.0	52.4
External Assistance	30.7	76.5	62.7	19.3	16.4	18.5
External Commercial Borrowings	31.3	36.7	-12.1	6.2	11.8	12.5
NRI Deposits	21.4	7.3	67.5	12.3	9.3	22.4
Rupee Debt Service	-16.6	-31.3	-29.6	-10.7	-12.0	-22.8
Other Capital	31.8	7.3	-7.2	29.8	18.5	-28.7

Table X-5 : External Assistance (Fiscal Years)

(Rs. crore)

Items	Authorisation			Utilisation			Debt Service payments			
	Loans	Grants	Total (2+3)	Loans	Grants	Total (5+6)	Amortisation	Interest payments	Total debt service Payments	Net inflow of aid (7-10)
1	2	3	4	5	6	7	8	9	10	11
1. a) 1980-81	3,237@	76	3,313	1,228@	397	1,625	518	286	804	821
	(4,094)	(96)	(4,190)	(1,553)	(501)	(2,054)	(655)	(362)	(1,017)	(1,038)
b) 1981-82	2,767	207	2,974	1,519	346	1,865	538	311	849	1,016
	(3,085)	(231)	(3,316)	(1,694)	(386)	(2,080)	(600)	(347)	(947)	(1,133)
c) 1982-83	2,550	423	2,973	1,909	343	2,252	587	360	947	1,305
	(2,638)	(438)	(3,076)	(1,975)	(355)	(2,330)	(607)	(372)	(979)	(1,351)
d) 1983-84	1,701	387	2,088	1,962	303	2,265	616	417	1,033	1,233
	(1,645)	(374)	(2,019)	(1,898)	(293)	(2,191)	(596)	(403)	(999)	(1,192)
e) 1984-85	4,409	471	4,880	1,962	397	2,359	647	529	1,176	1,183
	(3,709)	(396)	(4.105)	(1,650)	(334)	(1,984)	(544)	(445)	(989)	(995)
f) 1985-86	5,337	313	5,650	2,493	443	2,936	776	591	1,367	1,569
	(4,362)	(256)	(4,618)	(2,038)	(362)	(2,400)	(634)	(483)	(1,117)	(1,283)
g) 1986-87	5,730	430	6,160	3,176	429	3,605	1,176	853	2,029	1,576
	(4,484)	(336)	(4,820)	(2,485)	(336)	(2,821)	(920)	(668)	(1,588)	(1,233)
h) 1987-88	8,203	1,062	9,265	4,574	478	5,052	1,581	1,043	2,624	2,428
	(6,327)	(819)	(7,146)	(3,528)	(368)	(3,896)	(1,219)	(804)	(2,023)	(1,874)
i) 1988-89	12,856	214	13,070	4,739	566	5,305	1,646	1,300	2,946	2,359
	(8,877)	(148)	(9,025)	(3,272)	(391)	(3,663)	(1,136)	(898)	(2,034)	(1,629)
j) 1989-90	10,106	720	10,826	5,138	665	5,803	1,987	1,699	3,686	2,117
	(6,070)	(433)	(6,503)	(3,086)	(399)	(3,485)	(1,193)	(1,020)	(2,213)	(1,272)
k) 1990-91	7,601	522	8,123	6,170	534	6,704	2,329	1,953	4,282	2,422
	(4,236)	(291)	(4,527)	(3,439)	(298)	(3,737)	(1,298)	(1,088)	(2,386)	(1,350)
l) 1991-92	11,806	902	12,708	10,696	919	11,615	3,650	3,006	6,656	4,959
	(4,766)	(364)	(5,130)	(4,318)	(371)	(4,689)	(1,492)	(1,228)	(2,720)	(1,969)
m) 1992-93	13,082	1,012	14,094	10,102	880	10,982	4,788	4,314	9,102	1,880
	(4,276)	(331)	(4,607)	(3,302)	(287)	(3,589)	(1,562)	(1,408)	(2,970)	(619)
n) 1993-94	11,619	2,415	14,034	10,895	886	11,781	5,333	4,199	9,532	2,249
	(3,717)	(773)	(4,490)	(3,486)	(283)	(3,769)	(1,707)	(1,345)	(3,052)	(717)
o) 1994-95 (R)	12,384	1,076	13,460	10,024	916	10,940	5,773	4.635	10,408	532
	(3,944)	(343)	(4,287)	(3,192)	(292)	(3,484)	(1,839)	(1,476)	(3,315)	(169)
p) 1995-96 (P)	10,833	1,330	12,163	9,959	1,064	11,023	7,569	5,080	12,649	-1,626
	(3,239)	(398)	(3,636)	(2,978)	(318)	(3,296)	(2,263)	(1,519)	(3,782)	(-486)
2. Amount undisbursed as at the end of March 1996 (P)				56,621	7,446	64,067				
				(16,484)	(2,168)	(18,652)				

Note : 1. Amounts of authorisations and utilisation and debt service payments under loans are inclusive of Government and Non-Government loans.

2. Loan amounts are net of surrenders, de-obligations and cancellations etc.

3. Amount undisbursed as at the end of March 1996 represent rupee values calculated at the rates prevalent at end March 1996.

4. Figures in brackets represent amounts in millions of US dollars. These are converted at annual average rates for the respective years and amount undisbursed are converted from donor currencies to US dollar at end March 1996 rate.

5. Gross aid utilisation includes debt relief provided in the form of refinancing credits and grants. Debt service payments in these cases are covered in columns (8) and (9) above.

@ : Excludes IMF Trust Fund. R : Revised. P : Provisional

Table X-6 : Loans authorised and utilised during 1994-1995 and 1995-96. (Fiscal Years)

(Rs. Crore)

Country Institution	Authorisations		Utilisation		Loans Undisbursed as at the end of	
	1994-95 (R)	1995-96 (P)	1994-95 (R)	1995-96 (P)	March 1995 (R)	March 1996 (P)
1	2	3	4	5	6	7
1. IBRD	2638	1476	2354	1998	13096	13172
	(840)	(441)	(750)	(597)	(4158)	(3835)
2. IDA	3669	3250	3150	2438	16496	15848
	(1169)	(972)	(1003)	(729)	(5238)	(4614)
3. IFAD	87	49	27	29	333	360
	(28)	(15)	(9)	(9)	(106)	(105)
4. ADB	1580	833	1583	1960	8207	8066
	(503)	(249)	(504)	(586)	(2606)	(2348)
5. Austria	—	—	—	—	3	3
	(—)	(—)	(—)	(—)	(1)	(1)
6. Belgium	—	—	4	—	33	34
	(—)	(—)	(1)	(—)	(11)	(10)
7. United Kingdom	—	—	—	—	—	—
	(—)	(—)	(—)	(—)	(—)	(—)
8. Denmark	—	50	—	—	—	51
	(—)	(15)	(—)	(—)	(—)	(15)
9. France	146	250	74	84	869	948
	(46)	(75)	(24)	(25)	(276)	(276)
10. Germany	307	453	552	651	1795	1617
	(98)	(135)	(175)	(195)	(570)	(471)
11. Italy	—	—	—	—	73	—
	(—)	(—)	(—)	(—)	(23)	(—)
12. Japan	3957	4472	2127	2719	15173	15897
	(1260)	(1337)	(677)	(813)	(4817)	(4628)
13. Netherland	—	—	—	—	—	—
	(—)	(—)	(—)	(—)	(—)	(—)
14. Sweden	—	—	100	47	127	107
	(1)	(—)	(32)	(14)	(40)	(31)
15. Switzerland	—	—	30	5	82	88
	(—)	(—)	(32)	(1)	(26)	(26)
16. Spain	—	—	—	—	—	—
	(—)	(—)	(—)	(—)	(—)	(—)
17. U.S.A.	—	—	—	—	—	—
	(—)	(—)	(—)	(—)	(—)	(—)
18. Hungary	—	—	—	—	629	—
	(—)	(—)	(—)	(—)	(200)	(—)
19. OPEC*	—	—	7	17	386	423
	(—)	(—)	(2)	(5)	(122)	(122)
20. Australia	—	—	16	10	16	7
	(—)	(—)	(5)	(3)	(5)	(2)
Total	**12384**	**10833**	**10024**	**9958**	**57318**	**56621**
	(3944)	**(3239)**	**(3192)**	**(2977)**	**(18199)**	**(16484)**

* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia and OPEC Special Fund.

R : Revised P : Provisional.

Note : Figures in brakcets represent millions of US Dollars. These are converted at annual average rates for the respective years and amounts undisbursed are converted at end-March rates.

Table X-7 : Grants @ Authorised and Utilised during 1994-95 and 1995-1996. (Fiscal Years)

(Rs. Crore)

Country Institution	Authorisations		Utilisation		Grants Undisbursed as at the end of	
	1994-95 R	1995-96 P	1994-95 R	1995-96 P	March 1995 R	March 1996 P
1	2	3	4	5	6	7
1. Australia	—	—	—	—	80	—
	(—)	(—)	(—)	(—)	(25)	(—)
2. Canada	16	—	4	1	712	712
	(5)	(—)	(1)	(—)	(226)	(208)
3. Denmark	35	—	41	23	914	449
	(11)	(—)	(13)	(7)	(290)	(131)
4. France	9	3	3	3	19	18
	(3)	(1)	(1)	(1)	(6)	(5)
5. West Germany	376	187	87	15	635	523
	(120)	(56)	(28)	(4)	(202)	(152)
6. Japan	123	204	86	87	239	315
	(39)	(61)	(27)	(26)	(76)	(92)
7. Netherlands	179	293	132	368	301	223
	(57)	(88)	(42)	(110)	(96)	(65)
8. Sweden	32	192	104	67	396	590
	(10)	(57)	(33)	(20)	(126)	(172)
9. Norway	31	—	12	5	62	52
	(10)	(—)	(4)	(1)	(19)	(15)
10. Switzerland	4	1	38	8	282	306
	(1)	(—)	(12)	(3)	(90)	(89)
11. U.K.	268	110	212	282	2140	2145
	(85)	(33)	(67)	(84)	(679)	(624)
12. U.S.A. other	—	139	35	38	668	366
than P.L. 480/ P.L. 665	(—)	(42)	(11)	(11)	(212)	(107)
13. E.E.C.	—	201	115	136	1600	1743
	(—)	(60)	(37)	(41)	(508)	(507)
14. Other International	3	—	47	31	—	—
Institutions	(1)	(—)	(16)	(9)	(—)	(—)
15. IBRD					2	4
					(1)	(1)
Total	**1076**	**1330**	**916**	**1064**	**8050**	**7446**
	(343)	**(398)**	**(293)**	**(318)**	**(2556)**	**(2168)**

Note : Figures in brackets represent millions of US Dollars. These are converted at annual average rates for the respective years and amounts undisbursed are converted at end-March rates.

R : Revised P : Provisional.

@ Including debt relief as under :

Country	Authorisations		Utilisation	
	1995-95	1995-96 P	1994-95	1995-96 P
1	2	3	4	5
By way of Grants				
1. Japan	14.4	13.4	—	8.4
	(4.0)	(4.0)	(—)	(2.5)
2. Netherlands	—	248.0	—	248.0
	(—)	(74.1)	(—)	(74.1)

Table X-8 : India's External Debt

(US $ million)

Item	As at the end of March		
	1996 P	1995	1994
1	2	3	4
I. Multilateral	28562	28542	26263
II. Bilateral	18724	20270	17450
III. International Monetary Fund	2374	4300	5040
IV. Trade Credit @	5524	6629	5203
V. Commercial Borrowing @	12748	12991	12363
VI. NRI & FC(B&O) Deposits (above one-year maturity)	11011	12383	12665
VII. Rupee Debt *	8216	9624	10084
VIII. Total Long-term Debt (I to VII)	87159	94739	89068
IX. Short-term Debt **	5034	4269	3627
X. Gross Total	**92193**	**99008**	**92695**
Concessional Debt	41942	44845	41112
As % of Total Debt	45.5	45.3	44.4
Short Term Debt	5034	4269	3627
As % of Total Debt	5.5	4.3	3.9
Debt Indicators :			
Debt Stock - GDP Ratio (in per cent)	28.9#	33.0	36.9
Debt Service Ratio(%) (For fiscal year) (Including debt servicin on non-civilian credits)	26.4	27.5	26.7

P : Provisional.

* Debt owed to Russia denominated in Rupees and converted at current exchange rates,payable in exports. This also include Rupee suppliers' credit from end-March 1990 onwards.

** This does not include LC-based trade credit for which no estimates are available.

@ Data on external commercial borrowings (including trade credits) for 1993-94 1994-95 and 1995-96 furnished by the Ministry of Finance, are tentative and would be subject to revisions as details are drawn from returns. Subsequent revisions in these data therefore necessitate corresponding changes in the balance of payments and external debt statistics.

Based on GDP at market prices of Rs 10,91,548 crore for 1995-96 at a growth rate of 6.6 per cent.

Note : 1. The data on NRI deposits are inclusive of accrued interest credited to the accounts under FCNRA,FCNR(B) and NR(E)RA schemes. These data differ significantly from those published earlier as the latter included estimated accrued interest credited to FCNRA whereas the former include actual accrued interest which is based on an initial census count and are being subjected to a further special audit.

2. Multilateral loans do not include revaluation of IBRD pooled loans of US $ 1.32 billion and exchange rate adjustment. under IDA loans for Pre-1971 credits.

Table X-9 : Currency composition of External Debt

Currency	Total End March 1995 (in US $ mn)	Per centage End March 1995	Total End March 1996 (in US $ mn)	Per centage End March 1996
1	2	3	4	5
US Dollar	38751.4	39.1	39928.3	43.3
SDRs	15001.2	15.2	13056.7	14.2
Indian Rupee	14143.4	14.3	12156.0	13.2
Japanese Yen	15387.6	15.5	12774.0	13.9
Deutsche Mark	6856.5	6.9	6260.0	6.8
Pound Sterling	3319.3	3.4	3046.4	3.3
French Franc	1724.0	1.7	1714.0	1.9
Netherland Guilder	1159.3	1.2	984.0	1.1
Swiss Franc	941.3	1.0	834.1	0.9
Canadian dollar	644.0	0.7	417.0	0.5
Denish Kroner	178.3	0.2	168.1	0.2
Others	901.7	0.8	854.4	0.7
Total	99008.0	100.0	92193.0	100.0

L.C. : Lenders' Currency.

Note :The figures for end March 1996 is exclusive of IBRD pooled loan revaluation of US $ 1.32 billion.

External Debt at the end of March 1995	=	US $ 99,008	
External Debt at the end of March 1996	=	US $ 92,193	
Total decrease in the stock of external debt	=	US $ 6815	
Outflow of debt creating capital (as recorded in BOP table)	=	US $ 1541	(22.61 %)
Exchange rate changes on the dollar value of debt	=	US $ 5274	(77.39 %)

Table X - 10 : Foreign Investment Inflows by category

(US $ million)

	1993-94	1994-95	1995-96
1	2	3	4
A. Direct Investment	**586**	**1314**	**2133**
a. Government (SIA/FIPB)	280	701	1249
b. RBI	89	171	169
c. NRI	217	442	715
B. Portfolio Investment	**3649**	**3581**	**2214**
i. GDRs	1602	1839	149
ii. FIIs	1665	1503	2009
iii. Offshore funds and others	382	239	56
Total (A+B)	4235	4895	4347

GDRs : Global Depository Receipts.

FIIs : Foreign Institutional Investors.

Table X-11 : Private Non-debt creating flows to Developing Countries, 1991-95

(U.S. $ billion)

Category	1991	1992	1993	1994	1995 *
1	2	3	4	5	6
Total private non-debt creating flows	43	61	114	115	112
(India's share %)	(0.3)	(1.0)	(3.7)	(4.3)	(3.9)
Foreign direct invesment	35	47	68	80	90
(India's share %)	(0.3)	(1.0)	(0.9)	(1.6)	(2.4)
Portfolio equity investment (Estimated)	8	14	46	35	22
(India's share %)	Neg	Neg	(7.9)	(10.2)	(10.1)

* Projected.

Neg : Negligible.

Source : World Debt Table, 1996.

Table X-12 : Inflows (+) / Outflows (–) under various NRI deposit schemes @

(U.S. $ million)

	1993-94	1994-95	1995-96
1	2	3	4
1. FCNR (A)	– 1317	–2249	–2796
2. FCNR (B)	1075	1979	2669
3. NR(E)RA	728	964	–208
4. NR(NR)D	1187	682	1280
5. FC (B&O) D	–576	–558	0
Total	1097	818	945

@ All figures are inclusive of accrued interest.

Note : 1. FCNR(A) : Foreign Currency Non-Resident (Accopunts).

2. FCNR (B) : Foreign Currency Non-Resident (Banks).

3. NR(E)RA : Non-Resident (External) Rupee Accounts.

4. NR(NR)RD : Non-Resident (Non-Repatriable) Rupee Deposits.

Table X-13 : Outstanding balances under various NRI deposits @
(as at the end of March)

(US $ million)

	1994	1995	1996
1	2	3	4
1. FCNR(A)	9300	7051	4255
2. FCNR(B)	1075	3054	5723
3. NR(E)RA	3590	4556	3916
4. NR(NR)RD	1797	2479	3544
Total	**15762 ***	**17140**	**17438**

@ All figures are inclusive of accrued interest.

Note : 1. FCNR(A) : Foreign Currency Non-Resident (Accounts).

2. FCNR(B) : Foreign Currency Non-Resident (Banks).

3. NR(E)RA : Non-Resident (External)Rupee Accounts.

4. NR(NR)RD : Non-Resident (Non-Repatriable) Rupee Deposits.

* Inclusive of FC (B&O) D of U.S. $ 533 million, the total outstanding figure for end March 1994 would amount to U.S. $ 16,295 million.

Table X-14 : Exchange Rate of the Indian Rupee (Annual Averages)* (April–March)

(Rupees per unit of SDR/Foreign Currency)

Currency	1991–92	1992–93	1992–93	1993–94	1994–95	1995–96
	Official rate		Market rate			
1	2	3	4	5	6	7
SDR	33.4325	37.1415	—	43.8863@	45.7906@	50.4768@
		(–10.0)			(–4.2)	(–9.3)
U.S. Dollar	24.4700	26.4331	30.6488	31.3655	31.3986	33.4498
		(–7.4)		(–2.3)	(–0.1)	(–6.1)
Pound Sterling	42.5200	44.5440	51.6858	47.2064	48.8211	52.3526
		(–4.5)		(9.5)	(–3.3)	(–6.7)
Deutsche Mark	14.6200	16.9042	19.5877	18.7403	20.2017	23.3993
		(–13.5)		(4.5)	(–7.2)	(–13.7)
Japanese Yen	0.1845	0.2124	0.2459	0.2911	0.3163	0.3484
		(–13.1)		(–15.5)	(–8.0)	(–9.2)
French France	4.2985	4.9918	5.7895	5.4633	5.8551	6.7486
		(–13.9)		(6.0)	(–6.7)	(–13.2)
Canadian Dollar	21.2666	21.5047	24.9370	23.9564	22.7251	24.5409
		(–1.1)		(4.1)	(5.4)	(–7.4)
Swiss Frano	16.6702	18.6825	21.6690	21.4373	23.9576	28.6245
		(–10.8)		(1.1)	(–10.5)	(–16.3)
Italian Lira	0.0196	0.0203	0.0236	0.0196	0.0196	0.0208
		(–3.4)		(20.4)	(0.0)	(–5.8)
Netherlands Guilder	12.9830	15.0199	17.4190	16.7801	17.9876	20.8856
		(–13.6)		(3.8)	(–6.7)	(–13.9)
Bangladesh Taka	0.6806	0.6892	0.7992	0.7948	0.7929	0.8341
		(–1.2)		(–0.6)	(–0.2)	(–6.3)
Thailand Baht	0.9770	1.0419	1.2081	1.2398	1.2539	1.3376
		(–6.2)		(–2.6)	(–1.1)	(–6.3)
Indonesian Rupiah	0.0124	0.0129	0.0150	0.0149	0.0144	0.0148
		(–3.9)		(0.7)	(3.5)	(–2.7)
South Korean Won	0.0329	0.0337	0.0390	0.0389	0.0393	0.0434
		(–2.4)		(0.3)	(–1.0)	(–9.4)
Sri Lankan Rupee	0.5904	0.6021	0.6985	0.6450	0.6369	0.6461
		(–1.9)		(8.3)	(1.3)	(–1.4)
Pakistan Rupee	1.0214	1.0595	1.2291	1.0827	1.0240	1.0304
		(–3.6)		(13.5)	(5.7)	(–0.6)
Singapore Doller	14.4255	16.2180	18.8046	19.6413	21.0822	23.7216
		(–11.1)		(–4.3)	(–6.8)	(–11.1)
Hongkong Doller	3.1534	3.4181	3.9633	4.0543	4.0616	4.3244
		(–7.7)		(–2.2)	(–0.2)	(–6.1)
Malaysian Ringgit	8.9883	10.3888	12.0471	12.0477	12.1853	13.3338
		(–13.5)		(–0.0)	(–1.1)	(–8.6)

* Based on monthly averages.

@ Rupees per SDR is arrived by crossing U.S. Dollar/SDR rate with RBI Reference rate.

Note : 1. (a) The offical rates have been worked out as follows : The SDR rate is as given in the International Financial Statistics. Upto February 1992, the Pound Sterling rate was the middle rate of the RBI quotations and the rates for all other currencies were the average rates in London market crossed with the RBI middle rate for Pound Sterling. From March 1992 to February 1993, the U.S. Dollar rate was the middle rate of the RBI quotations and the rates for all other currencies were the average rates in the New York / London market crossed with RBI middle rate for the U.S. dollar. The rates for March 1993 have been worked out by crossing foreign currency / U.S. Dollar rate with Rupee/U.S. dollar (RBI Reference) rate.

(b) The market rates have been worked out by crossing foreign currency/U.S. Dollar rate with Rupee/U.S. Dollar FEDAI indicative rates.

2. Figures within brackets indicate percentage appreciation/depreciation(–) of the rupee over the preceding year.

Table X-15 : Exchenge Rate of Indian Rupee—Monthly Average

(Rupees per unit of SDR/Foreign Currency)

Month/Year	SDR	U.S. Dollar	Pound Sterling	Deutsche Mark	Japanese Yen @
		FEDAI Indicative Rates			
1	2	3	4	5	6
March 1994	43.9839	31.3727	46.7971	18.5319	29.8376
1994-95					
April	44.0616	31.3711	46.4942	18.4810	30.3346
	(-0.2)	(0.0)	(0.7)	(0.3)	(-1.6)
May	44.3973	31.3705	47.1676	18.9261	30.2888
	(-0.8)	(0.0)	(-1.4)	(-2.4)	(0.2)
June	44.7635	31.3705	47.8267	19.2448	30.5522
	(-0.8)	(0.0)	(-1.4)	(-1.7)	(-0.9)
July	45.7635	31.3707	48.4890	19.9639	31.8327
	(-2.1)	(-0.0)	(-1.4)	(-3.6)	(-4.0)
August	45.5772	31.3726	49.0444	20.2308	31.7709
	(0.3)	(-0.0)	(0.2)	(-0.3)	(1.5)
September	45.9299	31.3714	49.0444	20.2308	31.7709
	(-0.8)	(0.0)	(-1.3)	(-1.0)	(-1.3)
October	46.3613	31.3714	50.3967	21.3726	31.8764
	(-0.9)	(0.0)	(-2.7)	(-5.3)	(-0.3)
November	46.1840	31.3910	49.8302	20.3974	32.0332
	(0.4)	(-0.1)	(1.1)	(4.8)	(-0.5)
December	45.5758	31.3880	48.8625	19.9609	31.3103
	(1.3)	(0.0)	(2.0)	(2.2)	(2.3)
January	45.9777	31.3739	49.3578	20.4685	31.4523
	(-0.9)	(0.0)	(-1.0)	(-2.5)	(-0.5)
February	46.3326	31.3779	49.3380	20.8566	31.9248
	(-0.8)	(-0.0)	(0.0)	(-1.9)	(-1.5)
March	48.6186	31.6538	50.6595	22.4961	34.8852
	(-4.7)	(-0.9)	(-2.6)	(-7.3)	(-8.5)
1995-96					
April	49.5785	31.4132	50.5919	22.8559	37.7235
	(-1.9)	(0.8)	(0.1)	(-1.6)	(-7.5)
May	48.9507	31.4185	49.9048	22.3101	36.9455
	(1.3)	(-0.0)	(1.4)	(2.4)	(2.1)
June	49.0958	31.4017	50.0741	22.4095	37.1335
	(-0.3)	(0.1)	(-0.3)	(-0.4)	(-0.5)
July	48.8673	31.3789	50.0545	22.5936	35.9832
	(0.5)	(0.1)	(0.0)	(-0.8)	(3.2)
August	47.7551	31.5808	49.5849	21.9108	33.5040
	(2.3)	(-0.6)	(0.9)	(3.1)	(7.4)
September	49.2908	33.2038	51.7342	22.6759	33.0550
	(-3.1)	(-4.9)	(-4.2)	(-3.4)	(1.4)
October	51.8556	34.5372	54.5095	24.4238	34.2758
	(-4.9)	(-3.9)	(-5.1)	(-7.2)	(-3.6)
November	51.9156	34.7405	54.3393	24.5402	34.1173
	(-0.1)	(-0.6)	(0.3)	(-0.5)	(0.5)
December	51.9255	34.9568	53.8458	24.2771	34.3349
	(-0.0)	(-0.6)	(0.9)	(1.1)	(-0.6)
January	52.4834	35.7380	54.7688	24.5138	33.9103
	(-1.1)	(-2.2)	(-1.7)	(-1.0)	(1.3)
February	53.7062	36.6343	56.2717	24.9893	34.6312
	(-2.3)	(-2.4)	(-2.7)	(-1.9)	(-2.1)
March	50.2965	34.3936	52.5512	23.2919	32.4960
	(6.8)	(6.5)	(7.1)	(7.3)	(6.6)
1996-97					
Apirl	49.6513	34.2391	51.8774	22.7440	31.8697
	(1.3)	(0.5)	(1.3)	(2.4)	(2.0)
May	50.5275	35.0105	52.9799	22.8341	32.8993
	(-1.7)	(-2.2)	(-2.1)	(-0.4)	(-3.1)
June	50.4759	34.9803	53.9448	22.9014	32.1315
	(0.1)	(0.1)	(-1.8)	(-0.3)	(2.4)

@ Rupees per 100 units of foreign currency.

Note : 1. Figures in brackets indicate percentage appreciation / depreciation (–) of the rupee over preceding month.

Table X-16 : International Reserves (excluding gold)

(SDR million)

Country Group	Total Reserves (excluding gold)		SDRs		Reserve Position in the Fund		Foreign Exchange Reserves	
	1994	1995	1994	1995	1994	1995	1994	1995
1	2	3	4	5	6	7	8	9
All Countries	823,043	948,264	15,762	19,773	31,726	36,673	775,622	891,813
Industrial Countries	433,819	487,693	12,486	14,998	27,417	31,644	393,918	441,053
Developing Countries	389,224	460.571	3.276	4,775	4,309	5,029	381,704	450.759

Sourse : International Financial Statistics, August, 1996.

Table X-17 : External Debt and Debt-Service of Developing Countries.

(US $ billion)

	1993	1994	1995
1	2	3	4
External Debt			
All Developing Countries	1575.9	1708.4	1866.1
Africa	254.2	268.2	283.4
Asia	517.3	586.8	664.6
Middle East and Europe	270.9	277.0	289.5
Western Hemisphere	533.7	576.5	628.7
External Debt to Exports of Goods & Services (in per cent)			
All Developing Countries	128.2	121.7	111.2
Africa	262.2	271.6	251.9
Asia	68.8	66.0	61.1
Middle East and Europe	136.9	133.6	125.7
Western Hemisphere	291.1	276.2	254.7
External Debt to GDP (in per cent)			
All Developing Countries	34.1	33.0	31.7
Africa	68.3	74.8	66.7
Asia	25.2	24.6	23.6
Middle East and Europe	32.7	31.6	27.8
Western Hemisphere	39.0	37.0	38.9
Debt Service Ratio (in per cent)			
All Developing Countries	15.5	15.2	15.5
Africa	25.5	23.2	29.6
Asia	8.3	7.6	7.5
Middle East and Europe	12.9	16.8	15.3
Western Hemisphere	42.5	42.5	44.5

Source : World Economic Outlook, International Monetary Fund, October 1996.

Table X- 18 : Fund Purchases and Repurchases

(SDR billion)

	1993	1994	1995	January-June 1995	January-June 1996
1	2	3	4	5	6
1. Total Purchases @	5.0	5.0	17.0	8.7	3.0
2. Total Repurchases @	3.8	4.6	6.6	2.1	2.3
3. Net Purchases (1-2)	1.2	0.4	10.4	6.6	0.7

@ : Excludes reserve tranche Purchases/Repurchases.

Source : International Financial Statistics, August, 1996.

Table X-19 : SDR Interest and Remuneration Rates

(per cent per annum)

For the quarter ended	SDR Interest Rate/ Rate of Remuneration @
1	2
June 1995	4.71
September 1995	4.39
December 1995	4.25
March 1996	3.97
June 1996	3.92

@ Average of the weekly rates

Table X-20 : Rate of Charge and Remuneration

(per cent per annum)

For the quarter ended	Rate of charge			Rate of Renumeration		
	Basic Rate*	Adjustment#	Adjusted Rate	Unadjusted Average Rate@	Adjustment#	Adjusted Average Rate
1	2	3	4	5	6	7
July 31, 1995	4.72	0.31	5.03	4.60	0.92	3.68
October 31, 1995	4.46	0.29	4.75	4.35	0.87	3.48
January 31, 1996	4.26	0.24	4.50	4.16	0.83	3.33
April 30, 1996	4.02 (3.99)$	0.23	4.25 (4.22)$	3.92	0.78	3.14

* This is determined by assuming that all charges due and accrued would be paid.

\# This is on account of burden sharing of overdue charges and the amounts to be placed in Special Contingent Account-1 and Special Contingent Account-2.

@ This is equivalent to the average SDR rate of interest for the quarter concerned.

$ Rate after adjusting for the retroactive reduction of charge.

Table X-21 : Lending by the World Bank–Fiscal 1995 and 1996

(US $ million)

	IBRD		IDA		World Bank	
	1995	1996	1995	1996	1995	1996
1	2	3	4	5	6	7
1. Lending commitments	16,853 @ (+18.3)	14,488 @ (-14.0)	5,669 (-14.0)	6,864 (+21.1)	22,522 (+8.1)	21,352 (-5.1)
2. Disbursements	12,672 @ (+21.3)	13,372 @ (+5.5)	5,703 (+3.1)	5,884 (+3.1)	17,720 (+10.9)	19,256 (+8.7)

Figures in parentheses indicate percentage variation over the previous year.

@ Excludes guarantees and loans to IFC.

Source : World Bank Annual Report 1996.

Table X-22 : IBRD's Assistance to India–Sector-wise, fiscal years 1994-96

(US $ million)

Sector	1994	1995	1996
1	2	3	4
Agriculture and Rural Development	—	—	—
Education	—	—	—
Financial Sector	—	700.0	200.0
Oil, gas and coal	—	—	—
Power	—	—	350.0
Industry	—	—	—
Environment	—	143.0	—
Population, Health and Nutrition	—	—	—
Highways	94.0	—	—
Urban Development	—	—	—
Water supply and sewerage	—	275.8	—
Others	—	—	226.6
Total	94.0	1,118.8	776.6
Total loans sanctioned by IBRD	14,244.0	16,852.0	14,488.1
Percentage share of India	0.7	6.6	5.3

Table X-23 : IDA's Assistance to India–Sector-wise, fiscal years 1994-96

(US $ million)

Sector	1994	1995	1996
1	2	3	4
Agriculture and Rural Development	382.4	526.4	432.9
Education	—	260.3	425.2
Population, Health and Nutrition	206.4	133.0	350.0
Transportation-Highways	—	—	—
Area Development	246.0	—	—
Industry	—	—	63.0
Environment	—	25.0	—
Water Supply and Sewerage	—	—	—
Others	—	—	—
Total	834.8	944.7	1,301.1
Total loans sanctioned by IDA	6,592.1	5,669.2	6,864.1
Percentage share of India	12.7	16.7	19.0

Table X-24 : Lending Activities of Asian Development Bank

(US $ million)

	1994	1995	1966-1995 #
1	2	3	4
Total lending			
Amount	3,686.5	5,504.4	56,686.8 *
Number of Projects @	48	72	1,294 *
OCR loans			
Amount	2,509.8	4,049.5	39,194.5 *
Number of loans	24	37	736 *
Disbursements	2,501.4	2,442.1	21,683.3
ADF loans			
Amount	1,176.7	1,454.9	17,492.3
Number of loans	26	37	672
Disbursements	1,186.5	1,144.9	10,747.2
Equity Investments *			
Amount	50.9	110.4	347.2
Number of Investments	14	11	85
Equity Underwriting *			
Amount	—	—	40.5
Number of Commitments	—	—	6

\# Cumulative totals may not add due to rounding.

* Amounts and numbers adjusted to exclude cancellations.

@ Projects financed from both OCR and ADF are counted only once.
Cumulative number of projects excludes supplementary loans.

CHAPTER XI

MAJOR DEVELOPMENTS IN STATES AND UNION TERRITORIES*

This Chapter analyses some of the important economic aspects relating to the developments in the States and Union Territories (UTs).

State Domestic Product

The latest data on net State Domestic Product (SDP) relate to the year 1994-95. Annual growth rates in SDP of States and Union Territories together with those on Net Domestic Product (NDP) at factor cost at 1980-81 prices for all-India for the period 1989-90 - 1994-95 are presented in Table XI-1. The all-India NDP grew by 6.2 per cent during 1994-95 as compared to a growth rate of 4.7 per cent in 1993-94. Data for 1994-95 in respect of Himachal Pradesh, Jammu and Kashmir, Manipur, Nagaland, Tripura, Delhi and Pondicherry are not available. Among other States/UTs the lowest and highest annual growth rates recorded during the year 1994-95 were 0.4 per cent for Madhya Pradesh and 17.0 per cent for Rajasthan, respectively.

During 1994-95, Andhra Pradesh recorded a negative growth of 1.0 per cent as against a positive growth of 10.3 per cent in 1993-94. Assam, Gujarat, Haryana, Maharashtra, Meghalaya, Rajasthan, Tamil Nadu, West Bengal and Andaman and Nicobar Islands recorded growth in their NSDP above 5 per cent. The States/UTs in different size-class categories of annual compound growth rates during the period 1989-90 through 1994-95 are listed below :

Sectoral Growth Rates

Sectoral Growth Rates in different States/UTs during 1993-94 and 1994-95 for selected sectors are

Compound Annual Growth Rates of NSDP of States/UTs – 1989-90 to 1994-95

Sr. No.	Compound Annual Growth Rates, Size-class	No. of States/ Union Territories	Names of States / Union Territories
1	2	3	4
1)	Less than 3 per cent	8	Andhra Pradesh, Assam@ Bihar, Himachal Pradesh@, Nagaland*. Orissa, Uttar Pradesh and Pondicherry@@.
2)	Between 3 per cent and less than 4 per cent	1	Jammu and Kashmir@
3)	Between 4 per cent and less than 5 per cent	3	Haryana, Madhya Pradesh and Punjab
4)	Between 5 per cent and less less than 6 per cent	9	Gujarat, Karnataka, Kerala, Manipur@, Meghalaya, Rajasthan, Tripura@@, West Bengal and Andaman & Nicobar Islands.
5)	Between 6 per cent and less than 7 per cent	3	Goa, Maharashtra and Tamil Nadu
6)	Between 7 per cent and less than 8 per cent	1	Delhi@
7)	Between 8 per cent and above	1	Arunachal Pradesh

Note : NSDP data are at constant (1980-81) prices.

@ : Compound growth rates are calculated between 1989-90 and 1993-94 due to non-availability of data for 1994-95.

@@ : Compound growth rates are calculated between 1989-90 and 1992-93 due to non-availability of data for 1993-94 and 1994-95.

* : Compound growth rates are calculated between 1989-90 and 1991-92 due to non-availability of data for 1992-93, 1993-94 and 1994-95.

* This Chapter is prepared on the basis of information/data available upto end-November 1996.

presented in Table XI-2. At the all-India level there was improvement in the 'agricultural' sector which registered a growth rate of 5.1 per cent during 1994-95 as against 3.3 per cent during the previous year. State-wise Andhra Pradesh, Arunachal Pradesh, Goa, Kerala, Madhya Pradesh, Maharashtra and Orissa recorded declines during 1994-95 in agricultural sector. Five States recorded growth rates of more than 7 per cent. These were Gujarat, Haryana, Meghalaya, Rajasthan and Tamil Nadu. At all-India level 'Forestry and Logging' sector recorded a rate of growth of 0.5 per cent in 1994-95. All States excepting Andhra Pradesh, Bihar, Meghalaya, Tamil Nadu and Uttar Pradesh recorded positive growth in forestry and logging which varied between 0.7 per cent for Assam and 13.5 per cent for Goa. At the all-India level 'Fishing' and 'Mining and Quarrying' sectors recorded a growth rate of 3.7 per cent and 2.1 per cent in 1994-95, respectively. In the 'Fishing' sector Assam, Bihar, Goa, Karnataka, Maharashtra and Meghalaya recorded negative growth rates and the remaining States/UTs recorded positive growth rates during 1994-95. Except Andhra Pradesh and Arunachal Pradesh which recorded a negative growth rate, all other States/UTs recorded positive growth rates in the 'Mining and Quarrying' sector during 1994-95. The 'Manufacturing' sector recorded a growth rate of 9.1 per cent in 1994-95 at the all-India level. Excepting Andhra Pradesh and Orissa, all other States and UTs recorded positive growth in manufacturing and these varied between 0.1 per cent for Goa and 29.1 per cent for Meghalaya.

The sector-wise compound annual growth rates during the period 1989-90 through 1994-95 are indicated in Table XI-3. Data in respect of Himachal Pradesh, Jammu and Kashmir, Manipur, Delhi and Pondicherry have been computed for the years 1989-90 and 1993-94 and that for Tripura have been computed only for the period 1989-90 to 1992-93 due to non-availability of data for 1994-95 and 1993-94, respectively. Similarly, in the case of Nagaland data have been computed for the years 1989-90 and 1991-92 due to non-availability of data for the years 1992-93, 1993-94 and 1994-95.

The data show that barring Assam, Bihar, Himachal Pradesh, Orissa and Tripura, the rest of the States/UTs have recorded positive compound growth rates in agriculture. In regard to 'Fishing' three States viz., Assam, Jammu & Kashmir and Maharashtra recorded negative growth rates whereas in respect of 'Manufacturing' Assam, Himachal Pradesh, Orissa and Pondicherry posted negative growth rates during the period under review.

Shares of Agriculture and Manufacturing

Shares of agriculture and manufacturing in the aggregate State Domestic Product (SDP) for two years 1993-94 and 1994-95 are presented in Table XI-4. These data show that output from agriculture provides an important source of income for most States/UTs. For eleven States/UTs in 1993-94, agriculture output contributed between 30 and 40 per cent of State Domestic Product. The agricultural sector of Haryana, Madhya Pradesh, Punjab and Uttar Pradesh accounts for more than 40 per cent of the State Domestic Product. For as many as twelve States agricultural output in 1994-95 was more than the all-India level of 29.2 per cent. In Haryana, Madhya Pradesh, Punjab and Uttar Pradesh, agricultural sector contributed more than 40 per cent of the State Domestic Product. In case of Goa, the share of agriculture in SDP of Maharashtra was 10.4 per cent. The share of agriculture in SDP of Maharashtra was 16.7 per cent. The share of the manufacturing sector in the NDP at the all-India level stood at around 20 per cent during the two years viz., 1993-94 and 1994-95. The contribution of the manufacturing sector to the SDP in the case of Bihar, Goa, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu and West Bengal ranged between 15-30 per cent while in respect of Goa, the share of the manufacturing sector in its SDP was around 35 per cent during these years. The States/UTs where the contribution of manufacturing sector to their SDP was below 10 per cent were : Arunachal Pradesh, Assam and Meghalaya.

State-wise share in All-India NDP

Details of state-wise share in all-India NDP at constant (1980-81) prices are given in Table XI-5. During the period 1989-90 to 1994-95, the shares of most of the States in all-India NDP have remained nearly constant. State-wise, Maharashtra led with a share of 15.8 per cent in 1994-95. The other States/UTs whose share in the national NDP was above five per cent were : Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Tamil Nadu, Uttar Pradesh and West Bengal.

Agricultural Production

Data on production of selected foodgrains in respect of States/Union Territories are available upto 1994-95 and these are presented in Statement 21 of Volume II of the Report. During 1994-95, 10 States registered a rise in the foodgrains output over the level of 1993-94 while there was a decline, in twelve states, viz., Andhra Pradesh, Arunachal Pradesh, Assam, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Nagaland, Orissa and Sikkim. Eight major states viz., Andhra Pradesh, Assam, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra and Orissa, recorded a decline in cereal production in 1994-95 over 1993-94. Similarly, six major states viz., Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Uttar Pradesh and West Bengal registered a fall in production of pulses in 1994-95 over 1993-94. Rice production in 1994-95 showed increase over the level reached in the preceding year in most of the states except Andhra Pradesh, Arunachal Pradesh, Assam, Kerala, Maharashtra, Manipur, Nagaland, Orissa and Uttar Pradesh. Similarly, wheat production increased in 1994-95 in Andhra Pradesh, Assam, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal over the level reached in 1993-94.

State-wise data on production of selected non-foodgrains are presented in Statement 22 of Volume II of this Report. Among the states which are major producers of oilseeds[1], almost all the states recorded a rise in output in 1994-95 over that of the previous year, excepting Andhra Pradesh, Karnataka, Madhya Pradesh and Maharashtra. In the case of cotton, among the major cotton producing states,[2] Andhra Pradesh, Gujarat, Haryana, Karnataka, Punjab, Rajasthan and Tamil Nadu recorded increases in output in 1994-95 and only Maharashtra recorded a decline in output in 1994-95 compared with a poor performance in the previous year. In respect of sugarcane,[3] all the major producers of sugarcane excepting Rajasthan recorded a rise in output in 1994-95. As regards raw jute and mesta, all the major producing states[4] like Andhra Pradesh, Assam, Bihar, Orissa and West Bengal registered an increase in output in 1994-95.

1. The states are identified on the basis of the annual average output of 1 million tonnes a year during the five-year period ending 1994-95.
2. The states are identified on the basis of the mean output level of more than 500 thousand bales (of 170 kgs. each) per year during the period 1990-91 to 1994-95.
3. The states are identified on the basis of the annual average output of a minimum 1 million tonnes a year during the five-year period ending 1994-95.
4. The states are identified on the basis of the mean output level of more than 500 thousand bales (of 180 kgs. each) per year during the period 1990-91 to 1994-95.

Consumption of Fertilisers

The region-wise information on consumption of fertilisers (NPK) in terms of kilograms per hectare is available upto 1995-96. The consumption of fertilisers showed a rise in all the states except Arunachal Pradesh, Himachal Pradesh, Kerala, Meghalaya, Nagaland, Sikkim, Tamil Nadu and Tripura as compared to the position in 1989-90 (Table XI-6). The per hectare consumption in 1995-96 was the highest in Punjab at 167.28 kgs. followed by Andhra Pradesh (137.30 kgs.), Haryana (123.68 kgs.), Tamil Nadu (106.89 kgs.), Uttar Pradesh (101.45 kgs.), West Bengal (99.26 kgs.) and Bihar (76.96 kgs.). In comparison with the top rankers, per hectare consumption was low in the case of Arunachal Pradesh, Assam, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura. Gujarat, Karnataka, Kerala, Maharashtra and Manipur crossed the level of consumption of fertilisers at 50 kgs. per hectare. Arunachal Pradesh recorded the lowest level of consumption of fertilisers at 1.53 kgs. In 1995-96 as many as 16 states were having average consumption of fertilisers lower than the average consumption level for the country as a whole. The average consumption of fertilisers for the country as a whole moved up from 63.49 kgs. per hectare in 1989-90 to 74.81 kgs. per hectare in 1995-96.

Industrial Sector

The main aspects of industrialisation in the States/UTs are captured from the data indicated in the Annual Survey of Industries (ASI) published by the Central Statistical Organisation (CSO). The latest survey pertains to 1992-93. Some of the indicators culled out from the survey are presented in Table XI-7 for two reference years viz., 1988-89 and 1992-93 covering in the process a period of five years.

One of the striking features was the concentration at registered factories only in a few states. In 1988-89, the number of factories was the highest in Maharashtra. However, during 1992-93 Tamil Nadu had the highest number of factories followed by Andhra Pradesh, Maharashtra, Gujarat, Uttar Pradesh, Punjab, Karnataka, West Bengal, Madhya Pradesh and Rajasthan. These ten states accounted for over 83 per cent of factories all-over India in 1988-89 as well as 1992-93. In both the reference years, Meghalaya had the lowest number of factories. The number of employees in 10 out of 28 States/UTs viz. Maharashtra, Tamil Nadu, Andhra Pradesh, Uttar Pradesh, West Bengal, Gujarat, Madhya Pradesh, Karnataka, Punjab and Bihar accounted for over 83 per cent in both the reference years viz., 1988-89 and 1992-93 of the total employees all over India. The number of employees in States/UTs was higher during 1992-93 compared to 1988-89 in all states/UTs excepting in Bihar, Jammu & Kashmir, Tripura, West Bengal and Chandigarh where it declined. The total number of employees at the all-India level indicated a rise of 12.4 per cent during 1992-93 compared to the 1988-89 level. The value of fixed capital installed was the highest in Maharashtra in 1992-93 followed by Uttar Pradesh, Andhra Pradesh, Gujarat, West Bengal, Tamil Nadu and Madhya Pradesh.

In terms of value of output, the top four states during 1992-93 were : Maharashtra, Gujarat, Tamil Nadu and Madhya Pradesh. During the period 1988-89 to 1992-93, the nominal value of output rose in all States/UTs. Output value in nominal terms nearly doubled at the all-India level. During 1992-93, the nominal net value added was the highest in Maharashtra. The states which followed in the order were Gujarat, Tamil Nadu, Uttar Pradesh, West Bengal and Karnataka in 1992-93.

Some of the structural and technical ratios based on important indicators of the industrial sector are indicated in Table XI-8. Gross output per employee, which may be regarded as a very rough measure of labour - output relationship rose in all the States/UTs over the period. Similarly, fixed capital per employee, a proxy measure of non-inventory investment to labour ratio had also shown a rise over the five-year period except Tripura. The ratio of fixed capital to output increased over the period in Andhra Pradesh, Goa, Gujarat, Madhya Pradesh, Maharashtra, Meghalaya, Uttar Pradesh, West Bengal and Andaman and Nicobar Islands and recorded a fall in the remaining States/UTs.

The Annual Survey of Industries (ASI) also provides information about share of seven most important industry-groups in the total value of gross output in the major States. The share of seven industry-groups together ranged between 73 per cent and 92 per cent of the total industrial output during 1992-93. The industry-groups which had more than 10 per cent share in the value of industrial output in a State during 1992-93 are enumerated below.

Industry-Groups with share of 10 per cent and above in industrial output

Sr. No.	Industry Group	States
1.	Food Products	Andhra Pradesh, Gujarat, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu and Uttar Pradesh.
2.	Chemicals and Chemical Products	Andhra Pradesh, Gujarat, Maharashtra, and Uttar Pradesh.
3.	Basic Metal and Alloys	Andhra Pradesh, Bihar, Madhya Pradesh Punjab and West Bengal
4.	Rubber, Petroleum and Coal Products	Bihar, Gujarat and West Bengal
5.	Cotton Textiles	Tamil Nadu
6.	Electricity	Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Punjab, Uttar Pradesh and West Bengal
7.	Machinery other than Transport	Karnataka, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal.

Of these industry groups 'Food Products' and 'Electricity' were the ones which had considerable presence in most of these selected States. Next in terms of the number of Industry-Groups with shares above 10 per cent, came 'Basic Metals and Alloys' and 'Machinery other than Transport' followed by 'Chemical and Chemical Products' and 'Rubber, Petroleum and Coal Products'.

Banking Developments

Latest data on selected banking indicators available for the States/UTs pertain to the period ended March 1996. The details of the number of scheduled commercial bank offices, deposits, credit and credit - deposit (CD) ratios, based on BSR data, for the two reference years viz., March 1991 and March 1996 are indicated in Table XI-9. With a view to get a broad overview of the medium-term trends in banking developments in various regions and States/UTs, the above period of five years has been chosen. The number of bank offices in the country as on March 31, 1996 was slightly higher at 62,849 as compared with that of 60,113 as on March 31, 1991. While the number of offices had spurted up between the two reference years, growth was the highest in the Northern Region (6.3 per cent) followed by Southern Region (6.0 per cent), Western Region (4.9 per cent), North-Eastern Region (3.4 per cent), Eastern Region (2.9 per cent) and Central Region (2.8 per cent). As on the last Friday of March 1991, the highest CD ratio was recorded by the Southern Region at 84.6 per cent, followed by Western Region 71.4 per cent while the lowest CD ratio of 45.6 per cent was recorded by the North-Eastern Region as compared with the all-India position at 66.3 per cent. As on the last Friday of March 1996 the Credit-Deposit ratio of 34.5 per cent in North-Eastern was the lowest in the country, whereas the Southern Region recorded the highest CD ratio of 76.6 per cent as against the all-India CD ratio of 61.9 per cent. During the five-year period all the Regions recorded declines in CD ratio.

The performance of the banking sector in the States/UTs can be assessed on the basis of data on bank deposits and bank credit per office (Table XI-10). Bank Deposits per office moved up in all States/UTs during the period under review. Over the period of 5 years, deposits per bank office went up from Rs.3.33 crore in March 1991 to Rs.6.78 crore in March 1996 at the all-India level. Arunachal Pradesh, Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Maharashtra, Manipur, Orissa, Rajasthan, Tamil Nadu, Tripura, Chandigarh, Dadra & Nagar Haveli, Daman & Diu, Delhi, Lakshadweep and Pondicherry recorded more than 100 per cent rise in per branch office deposits. The increase in the remaining states ranged between 50 per cent and 100 per cent.

The bank credit per branch office moved up from Rs.2.21 crore in March 1991 to Rs.4.20 crore in March 1996 at the all-India level. The increase in bank credit per office was more than 100 per cent during the period in Maharashtra, Tamil Nadu and Chandigarh as against the all-India rise of 90 per cent. A decline of 9.7 per cent was registered in Andaman & Nicobar Islands. Except in Delhi where the increase was more than the all-India increase of 90 per cent, in all other states the increases were less than the all-India increase.

In recent years, the banking habit has spread in a substantial way. In March 1991, 58.3 per cent bank offices were located in rural areas. During the last five years, the growth of new bank offices in rural areas some-what slowed down. As a result the share of bank branch offices in rural areas decelerated to 52.7 per cent in March 1996 at the all-India level. The share of rural offices in total number of offices declined in all the States/UTs except Himachal Pradesh, Dadra & Nagar Haveli and Lakshadweep where the share of rural offices remained constant (Table XI-11). This share as on the last Friday of March 1996 was significantly high in North-Eastern Region (69.7 per cent), Eastern Region (65.2 per cent) and Central Region (62.9 per cent). The share of deposits of rural branches in total deposits of scheduled commercial banks declined from 15.3 per cent in March 1991 to 14.4 per cent in March 1996. The share of rural credit in total credit also declined from 13.9 per cent in March 1991 to 11.1 per cent in March 1996. The share of rural credit in total bank credit exceeded the relative shares of deposits with rural offices in North-Eastern Region and Southern Region as on the last Friday of March 1996.

The performance of scheduled commercial banks in rural areas is indicated in Table XI-12. The negative growth rates in rural offices were recorded in all the regions. In Jammu and Kashmir, Arunachal Pradesh, Orissa, Sikkim and Andaman and Nicobar Islands positive growth rates in rural offices were recorded whereas in all the remaining States/UTs negative growth rates were registered. Deposits with rural offices in majority of the States/UTs increased substantially. The highest growth rate in bank deposits between Fridays of March 1991 and 1996 was observed in North-Eastern Region (112.7 per cent) followed by Eastern Region (105.9 per cent), Northern Region (99.9 per cent) and Western Region (99.3 per cent), Central Region (97.6 per cent) and Southern Region (91.7 per cent) as against the all-India growth rate of 99.2 per cent. Similarly, the highest growth rate in the bank credit during the period was observed in North-Eastern Region (71.9 per cent) and the lowest in Central Region (38.9 per cent) as against the all-India growth rate of 58.1 per cent.

Credit-deposit ratio of rural offices, was the highest in Southern Region (91.5 per cent) and the lowest in Northern Region (45.9 per cent) as on the last Friday of March 1991. The credit-deposit ratio of rural offices continued to be the highest in the Southern Region (79.4 per cent) while it was the lowest in Central Region (36.6 per cent) as on the last Friday of March 1996.

Priority Sector Advances

The data on state-wise share of priority sector advances by scheduled commercial banks are indicated in Table XI-13. At the end of March 1995, North-Eastern and Central Regions had achieved the stipulated target of 40 per cent of total advances. The Southern and Eastern Regions were close to the target whereas Western and Northern Regions were far behind the target. The Western Region showed an improvement in its share over March 1993 while there was a deterioration in the case of Northern and Southern Regions. Majority of the States and Union Territories had achieved the target of 40 per cent lending as at the end of March 1995 excepting Jammu and Kashmir, Chandigarh, Delhi, Sikkim, West Bengal, Goa, Gujarat, Maharashtra, Tamil Nadu and Pondicherry.

The sub-target of 18 per cent of total bank advances for direct and indirect finance to agriculture and allied activities was achieved by Haryana, Punjab, Rajasthan, Arunachal Pradesh, Nagaland, Tripura, Bihar, Orissa, Madhya Pradesh, Uttar Pradesh and Andhra Pradesh as at the end of March 1995 (Table XI-14). The share of Assam, Manipur, Sikkim, Karnataka and Pondicherry was close to the target. In Jammu and Kashmir, Chandigarh, West Bengal, Goa, Maharashtra and Daman and Diu the share of lending to agricultural sector was below 10 per cent.

State-wise Financial Assistance by All-India Financial Institutions, Industrial Development Bank of India and State Financial Corporations

The data on State-wise financial assistance sanctioned and disbursed by All-India Financial Institutions for the years 1990-91, 1993-94, 1994-95 and the cumulative position upto end-March 1995 are presented in Table XI-15. The financial assistance sanctioned and disbursed by Industrial Development Bank of India for the year 1994-95 formed 34.1 per cent of the amount sanctioned and 34.6 per cent of the amount disbursed by All-India Financial Institutions. The share of each State/Union Territory in financial assistance sanctioned and disbursed by these institutions is indicated in Table XI-16. Of the total amount sanctioned by All-India Financial Institutions during 1994-95, Maharashtra accounted for 23.75 per cent followed by Gujarat (17.52 per cent), Tamil Nadu (8.35 per cent), Andhra Pradesh (5.13 per cent) and Uttar Pradesh (4.42 per cent). The States which had relatively lower share of less than 1 per cent each were : Arunachal Pradesh, Assam, Bihar, Goa, Jammu & Kashmir, Kerala and Meghalaya.

As regards disbursements during 1994-95, Maharashtra had the largest share of 24.00 per cent followed by Gujarat (13.36 per cent), Tamil Nadu (8.38 per cent), Uttar Pradesh (6.64 per cent) and Andhra Pradesh (5.85 per cent). As in the case of sanctions, the share of smaller States in the amount of disbursements was very low. The data on cumulative position upto end-March 1995 indicated similar trends. The data on State-wise share of financial assistance sanctioned and disbursed by the Industrial Development Bank of India are indicated in Table XI-17. The State-wise sanctions and disbursals by IDBI indicated similar trends as in the case of All-India Financial Institutions during 1994-95.

The data on State-wise financial assistance sanctioned and disbursed by State Financial Corporations indicated that the financial assistance sanctioned by State Financial Corporations improved in Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Maharashtra, Rajasthan, Tamil Nadu, Uttar Pradesh and Delhi in 1994-95 over 1990-91 (Table XI-18). In Haryana, the amount sanctioned increased sharply from Rs.45.0 crore in 1990-91 to Rs.304.1 crore in 1994-95 whereas in Tamil Nadu the amount sanctioned nearly doubled from Rs.185.9 crore in 1990-91 to Rs.388.8 crore in 1994-95. Andhra Pradesh, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh crossed the level of amount sanctioned at Rs.100 crore. Jammu & Kashmir had the lowest amount sanctioned at Rs.0.5 crore in 1994-95. Disbursements were higher in 1994-95 in Gujarat, Haryana, Himachal Pradesh, Karnataka, Kerala, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and Delhi as compared to 1990-91. The amount disbursed indicated a significant rise in Haryana from Rs.38.4 crore in 1990-91 to Rs.252.1 crore in 1994-95 whereas in Karnataka, Maharashtra and Tamil Nadu disbursements more than doubled during the period 1990-91 to 1994-95. The data on cumulative assistance sanctioned upto end-March 1995 indicated that Karnataka had the highest cumulative assistance sanctioned at Rs.2,426.6 crore followed by Gujarat (Rs.2,242.5 crore), Maharashtra (Rs.2,239.2 crore), Tamil Nadu (Rs.2,231.3 crore), Uttar Pradesh (Rs.1,697.6 crore), Andhra Pradesh (Rs.1,515.1 crore) and Rajasthan (Rs.1,218.1 crore). Cumulative disbursements showed similar trends.

Small Savings Collections

Gross collections of small savings improved in all States/Union Territories in 1995-96 over 1992-93 (Table XI-19). Similarly, net collections also recorded a rise in 1995-96 in all States/Union Territories, over the year 1992-93 except Karnataka, Maharashtra, Meghalaya Tamil Nadu and Andaman and Nicobar Islands. At the all-India level net collections more than doubled from Rs.4,372.80 crore in 1992-93 to Rs.9,708.13 crore in 1995-96. Uttar Pradesh recorded the highest net collections at Rs.1,904.59 crore in 1995-96 followed by West Bengal (Rs.1,880.20 crore), Gujarat (Rs.1,005.65 crore), Delhi (Rs.639.55 crore), Punjab (Rs.633.42 crore), Andhra Pradesh (Rs.581.08 crore), Rajasthan (Rs.483.33 crore) and Bihar (Rs.431.21 crore). Andaman & Nicobar Islands was at the bottom line with net collections at Rs.1.23 crore. Andhra Pradesh, Bihar, Goa, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Nagaland, Rajasthan, Tamil Nadu, Andaman & Nicobar Islands, Chandigarh, Daman & Diu and Pondicherry did not achieve the target of net collections in 1995-96 whereas the remaining States/Union Territories were able to achieve the target of net collections. The States/Union Territories like Bihar, Kerala, Madhya Pradesh and Rajasthan were very close to the target.

Socio-Economic Indicators

(i) Minor Irrigation Facilities

There was an improvement in the total cropped area in all the States/Union Territories excepting Andhra Pradesh, Kerala and Maharashtra during the period 1988-89 to 1994-95. In Andhra Pradesh the total cropped area declined from 131.51 lakh hectares in 1988-89 to 127.83 lakh hectares in 1994-95 whereas in Kerala the fall was from 29.64 lakh hectares in 1988-89 to 26.10 lakh hectares in 1994-95(Table XI-20). In Maharashtra there was a marginal decline in the total cropped area from 214.86 lakh hectares in 1988-89 to 214.18 lakh hectares in 1994-95. The proportion of area covered under minor irrigation moved up in all the States/Union Territories barring Tamil Nadu, Pondicherry and Nagaland during the period under review. In Pondicherry this proportion was 50 per cent. Among the States for which the data on wells, tube wells and canals are available, the number of wells was the highest in Tamil Nadu at 16,90,684 in 1994-95 followed by Madhya Pradesh (13,23,682), Rajasthan (13,08,233), Andhra Pradesh (12,14,039), Gujarat (7,94,515) and Karnataka (5,64,511) and Uttar Pradesh (2,02,000). The number of tube wells was the highest in Bihar at 9,37,836 followed by Punjab (8,60,000), Uttar Pradesh (5,09,000), Karnataka (4,39,626) Andhra Pradesh (2,96,023), Madhya Pradesh (1,21,520), Tamil Nadu (1,09,696) and Rajasthan (1,04,842) during the same year. The number of canals was higher in Bihar, Gujarat, Karnataka, Madhya Pradesh, Meghalaya, Orissa and Tamil Nadu during the year 1994-95.

(ii) Health Facilities

According to the data on health facilities available for some States/Union Territories, the number of hospitals moved up in all the States/Union Territories excepting Andhra Pradesh, Madhya Pradesh, Mizoram, Nagaland, Punjab and West Bengal during the period 1988-89 to 1995-96(Table XI-21). Uttar Pradesh had the highest number of hospitals at 8,309 in 1995-96 followed by Gujarat (2,640), Maharashtra (898), West Bengal (397), Madhya Pradesh (341), Andhra Pradesh (340), Bihar (310), Tamil Nadu (275), Rajasthan (219) and Punjab (208). The population covered per hospital in 1995-96 was the highest in Bihar at 2,99,775 persons while it was the lowest in Goa at 9,590 persons. Gujarat had the highest number of dispensaries at 7,255 followed by Karnataka (2,777), Andhra Pradesh (2,743), Bihar (2,488), Maharashtra (1,585) and Punjab (1,462). In Kerala, the number of dispensaries declined from 72 in 1988-89 to 53 in 1995-96. As a result, the population covered per dispensary increased from 4,00,973 in 1988-89 to 5,75,283 in 1995-96 which was the highest in all States/Union Territories. The number of beds rose in all the States/Union Territories during the period under review. The population covered per bed was the highest in Bihar at 2,898 persons in 1995-96 while it was the lowest in Goa at 257 persons.

(iii) Educational Institutions and Students' Enrolment in Schools

The data on the number of schools and students' enrolment in schools (Table XI-22) indicate that the number of primary, middle, secondary/higher secondary schools increased in all the States/Union Territories except Bihar, Himachal Pradesh, Kerala, Meghalaya, Sikkim, Tamil Nadu, Tripura, West Bengal and Pondicherry during the period 1988-89 to 1995-96. In Kerala, Meghalaya, Tripura and Pondicherry the number of primary schools declined marginally whereas in Himachal Pradesh, Sikkim, Tamil Nadu and West Bengal the number of middle schools showed a fall during the period under review. In Bihar the number of secondary/higher secondary schools registered a fall during the period under review. Students' enrolment improved in all the States/Union Territories at the primary level excepting Andhra Pradesh, Assam, Goa, Kerala and Pondicherry during the period 1988-89 to 1995-96. At the middle school level enrolment of students moved in all the States/Union Territories barring Goa, Kerala, Nagaland and Pondicherry during the period 1988-89 to 1995-96. Similarly, at the secondary/higher secondary level the enrolment increased in all the States/Union Territories excepting Bihar, Meghalaya and Punjab during the period 1988-89 to 1995-96.

(iv) Drinking Water Facilities

The number of villages where drinking water facilities are available increased in all the States/ Union Territories for which such information was reported excepting Madhya Pradesh and Delhi during the period 1988-89 to 1995-96 (Table XI-23). In Haryana, Sikkim and Lakshadweep all the villages were reported to have drinking water facilities during 1995-96. In States like Bihar, Gujarat, Kerala, Meghalaya, Rajasthan, Tamil Nadu and Pondicherry the coverage of villages where drinking water facilities were available was close to the number of villages in 1995-96. In Mizoram and Punjab the coverage of number of villages where drinking water facilities were available was less than 50 per cent in 1995-96.

(v) Rural Road Length

The proportion of rural road length to total road length improved in all the States/Union Territories except Andhra Pradesh, Karnataka, Kerala, West Bengal, Pondicherry, Maharashtra and Nagaland between the period 1988-89 to 1995-96 (Table XI-24). Lakshadweep had 100 per cent proportion of rural road length to total road length during 1995-96 followed by Haryana (76.05 per cent), Kerala (75.10 per cent), Andhra Pradesh (69.06 per cent), Madhya Pradesh (68.14 per cent) and Karnataka (61.64 per cent). In West Bengal this proportion was the lowest at 14.65 per cent in 1995-96.

(vi) Rural Electrification

According to the available data on the number of villages electrified, out of the total number of villages in the States/Union Territories during 1987-88 and 1994-95 (Table XI-25) all the villages were electrified during 1995-96 in Haryana, Himachal Pradesh, Kerala, Nagaland, Punjab, Sikkim, Chandigarh and Lakshadweep whereas in Andhra Pradesh, Goa, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Mizoram, Tamil Nadu and Pondicherry the coverage of villages under rural electrification was nearer to the 100 per cent level. In Assam, Orissa, Rajasthan, Tripura, Uttar Pradesh, West Bengal and Manipur the coverage of villages under rural electrification was above 70 per cent.

(vii) Expenditure on Employment Schemes

The data on expenditure on Employment Schemes for the years 1988-89 and 1995-96 (Table XI-26) indicated that expenditure on employment schemes increased in all the States/Union Territories except Arunachal Pradesh, Meghalaya and West Bengal. Madhya Pradesh had the highest expenditure on Employment Schemes at Rs.770.06 crore in 1995-96 followed by Andhra Pradesh (Rs.353.77 crore), Maharashtra (Rs.272.37 crore), Bihar (Rs.245.69 crore), Punjab (Rs.187.96 crore), Orissa (Rs.171.21 crore), Rajasthan (Rs.165.43 crore) and Kerala (Rs.111.30 crore). The expenditure was the lowest at Rs.0.10 crore in Meghalaya during the same year. Similarly, the expenditure on Jawahar Rojgar Yojana improved in all the States/Union Territories excepting Arunachal Pradesh, Maharashtra, Nagaland, Punjab, Tripura and Pondicherry during the period 1989-90 to 1995-96. The expenditure on Jawahar Rojgar Yojana was the highest in Bihar at Rs.625.33 crore in 1995-96 followed by Madhya Pradesh (Rs.393.44 crore), Tamil Nadu (Rs.363.65 crore), Andhra Pradesh (Rs.317.06 crore), West Bengal (Rs.309.71 crore) and Orissa (Rs.246.84 crore). The expenditure was the lowest at Rs.0.25 crore in Tripura.

Table XI-1 : Annual Growth Rates and Compound Growth Rates of Net State Domestic Product at Constant (1980-81) Prices

(Per cent)

Sr. No.	States/Union Territories	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	Compound Growth Rates	Average Growth Rates
1	2	3	4	5	6	7	8	9	10
1	Andhra Pradesh	4.7	1.6	2.5	0.2	10.3	–1.0	2.7	3.1
2	Arunachal Pradesh	–3.7	26.6	14.3	2.5	4.0	3.1	9.7	7.8
3	Assam	6.3	4.9	7.0	–12.1	5.3	5.1	1.8	2.7
4	Bihar	–1.6	9.0	–3.8	4.1	0.4	4.5	2.7	2.1
5	Goa	4.4	14.0	–0.1	14.3	3.5	–0.2	6.1	6.0
6	Gujarat	–1.8	2.6	–7.2	25.2	–2.8	14.5	5.8	5.1
7	Haryana	1.3	10.4	2.1	–	5.7	6.3	4.8	4.3
8	Himachal Pradesh	11.7	2.4	–2.4	1.5	1.9	N.A.	0.9	3.0
9	Jammu & Kashmir	2.2	5.9	1.9	4.0	3.9	N.A.	3.9	3.6
10	Karnataka	5.6	0.8	12.6	2.4	7.9	4.8	5.6	5.7
11	Kerala	6.7	7.6	2.0	7.2	7.2	4.8	5.7	5.9
12	Madhya Pradesh	2.1	14.3	–7.3	7.4	11.2	0.4	4.9	4.7
13	Maharashtra	13.9	6.0	–0.7	13.4	8.7	6.5	6.7	8.0
14	Manipur	1.4	5.6	8.5	5.1	4.0	N.A.	5.8	4.9
15	Meghalaya	14.6	10.8	4.5	–4.8	7.2	11.1	5.6	7.2
16	Nagaland	3.9	–1.1	4.1	N.A.	N.A.	N.A.	1.5	2.3
17	Orissa	6.7	–17.0	12.7	–1.7	6.4	4.4	0.4	1.9
18	Punjab	8.4	2.1	4.7	4.3	5.1	4.8	4.2	4.9
19	Rajasthan	–2.1	15.7	–6.7	11.5	–7.0	17.0	5.5	4.7
20	Tamil Nadu	6.9	10.2	2.8	5.1	4.9	7.4	6.0	6.2
21	Tripura	7.5	7.7	4.0	3.8	N.A.	N.A.	5.1	5.8
22	Uttar Pradesh	2.8	5.9	0.4	1.3	3.0	3.3	2.8	2.8
23	West Bengal	3.6	3.3	6.0	4.2	5.5	6.6	5.1	4.9
24	Andaman & Nicobar Islands	0.4	–3.8	–7.5	29.5	8.3	6.3	5.8	5.5
25	Delhi	11.7	6.5	11.1	5.4	7.3	N.A.	7.6	8.4
26	Pondicherry	5.2	3.3	4.7	2.4	–3.3	N.A.	1.7	2.5
	All-India	**6.9**	**5.3**	**0.2**	**5.0**	**4.7**	**6.2**	**4.2**	**4.7**

Source : Data obtained from C.S.O. are based on data compiled by Directorate of Economics and Statistics of respective State Governments.

Table XI-2 : Sectoral Growth Rates, 1993-94 and 1994-95

(Per cent)

Sr. No.	States/ Union Territories	Agriculture		Forestry & Logging		Fishing		Mining and Quarrying		Manufacturing	
		1993-94	1994-95	1993-94	1994-95	1993-94	1994-95	1993-94	1994-95	1993-94	1994-95
1	2	3	4	5	6	7	8	9	10	11	12
1	Andhra Pradesh	11.1	-4.7	-4.5	-0.3	10.0	9.2	23.7	-8.7	5.8	-0.6
2	Arunachal Pradesh	8.6	-8.3	-25.0	–	6.0	5.6	-7.8	-30.9	8.5	7.8
3	Assam	2.4	2.8	-4.3	0.7	-3.1	-1.1	10.8	0.9	-0.9	4.4
4	Bihar	-8.0	1.9	-9.9	-9.9	19.3	-0.2	-0.4	4.2	7.8	6.0
5	Goa	1.6	-2.7	2.0	13.5	7.2	-3.9	15.8	1.7	0.9	0.1
6	Gujarat	-28.0	35.5	1.5	1.6	1.6	20.5	4.9	22.0	7.0	8.7
7	Haryana	3.3	7.8	2.1	5.1	12.0	6.9	7.2	14.4	9.9	6.2
8	Jammu & Kashmir	0.5	N.A.	-1.0	N.A.	-8.6	N.A.	7.2	N.A.	2.0	N.A.
9	Karnataka	8.8	1.3	1.7	4.9	8.3	-4.0	3.4	2.0	5.3	8.9
10	Kerala	6.1	-0.1	6.1	3.3	6.1	3.3	7.9	7.0	7.9	7.6
11	Madhya Pradesh	16.9	-5.8	-7.8	2.4	-3.9	54.6	-7.3	0.5	8.2	7.5
12	Maharashtra	7.7	-3.5	-13.2	5.6	-10.7	-15.4	-9.8	15.2	12.6	11.7
13	Meghalaya	4.2	23.4	76.2	-51.2	-27.3	-1.9	-8.9	27.1	0.6	29.1
14	Orissa	15.2	-1.1	-2.4	1.7	12.8	36.6	15.1	6.7	0.8	-1.7
15	Punjab	4.5	3.6	1.8	1.8	19.6	26.3	106.2	3.7	8.0	8.0
16	Rajasthan	-20.2	33.7	2.1	2.0	13.0	13.0	20.9	0.2	6.0	6.1
17	Tamil Nadu	9.4	8.5	-2.1	-1.4	7.5	5.9	-6.7	14.5	-3.1	8.7
18	Uttar Pradesh	4.1	2.4	5.6	-25.0	9.0	5.7	0.2	1.1	2.7	3.7
19	West Bengal	3.5	2.9	-1.4	1.6	6.6	5.6	-4.0	0.9	4.7	5.9
20	Andaman & Nicobar Islands	6.8	7.0	1.9	2.0	4.2	4.0	6.4	9.1	-7.3	10.6
21	Pondicherry	-7.8	N.A.	N.A.	N.A.	-4.6	N.A.	N.A.	N.A.	-8.4	N.A.
	All-India	**3.3**	**5.1**	**-2.3**	**0.5**	**6.5**	**3.7**	**2.9**	**-2.1**	**3.6**	**9.1**

Note : Computed on the basis of data at Constant (1980–81) prices. N.A. - Not available

Source : Data obtained from C.S.O. based on data compiled by Directorate of Economics & Statistics of respective State Governments.

Table XI-3 : Compound Annual Growth Rates, Major Sector-wise (period 1989-90 to 1994-95) Based on Data at Constant(1980-81) Prices

(Per cent)

Sr. No.	States/Union Territories	Agriculture	Forestry & Logging	Fishing	Mining and Quarrying	Manufac-turing	SDP
1	2	3	4	5	6	7	8
1	Andhra Pradesh	0.6	-4.6	7.5	7.2	1.3	2.7
2	Arunachal Pradesh	4.5	8.5	12.9	6.7	8.4	9.7
3	Assam	-0.5	3.6	-5.2	1.6	-14.4	1.8
4	Bihar	-1.5	-5.6	4.5	3.8	5.4	2.7
5	Goa	1.3	-12.3	11.8	5.4	10.5	6.1
6	Gujarat	2.5	0.8	14.4	7.7	8.9	5.8
7	Haryana	4.7	5.6	3.4	22.6	4.6	4.8
8	Himachal Pradesh	-3.1	7.8	9.9	-22.2	-4.6	0.9
9	Jammu & Kashmir	3.7	-21.6	-1.4	29.3	3.8	3.9
10	Karnataka	5.0	2.2	1.4	-3.0	6.6	5.6
11	Kerala	4.6	1.7	12.9	12.8	5.0	5.7
12	Madhya Pradesh	5.0	-4.8	18.3	0.7	5.3	4.9
13	Maharashtra	2.0	-4.2	-0.7	4.1	8.0	6.7
14	Manipur	4.7	-10.5	7.3	-	3.0	5.8
15	Meghalaya	2.9	-11.8	24.2	6.8	13.2	5.6
16	Nagaland	7.0	11.5	16.8	-	-	1.5
17	Orissa	-4.5	-5.7	15.8	11.3	-1.5	0.4
18	Punjab	3.3	1.4	25.4	11.7	7.8	4.2
19	Rajasthan	5.5	1.8	18.1	12.9	4.3	5.5
20	Tamil Nadu	7.1	-3.0	3.9	8.2	2.2	6.0
21	Tripura	-0.7	7.8	9.2	-	19.1	5.1
22	Uttar Pradesh	2.8	-4.5	8.5	12.9	2.2	2.8
23	West Bengal	3.2	1.2	6.5	2.8	3.7	5.1
24	Andaman & Nicobar Islands	5.8	-1.7	15.6	-4.4	17.5	5.8
25	Delhi	9.1	6.7	5.2	-16.8	3.7	7.6
26	Pondicherry	1.3	—	2.4	—	-2.2	1.7
	All-India	**3.2**	**-2.0**	**4.6**	**2.9**	**3.2**	**4.2**

Source :Data obtained from C.S.O. based on data compiled by Directorate of Economics & Statistics of respective State Governments.

Table XI-4 : Share of Real Output from Agriculture and Manufacturing to SDP.

(Per cent)

Sr. No.	States/Union Territories	1993-94 Agriculture/ SDP	1993-94 Manufacturing/ SDP	1994-95 Agriculture/ SDP	1994-95 Manufacturing/ SDP
1	2	3	4	5	6
1	Andhra Pradesh	37.2	10.3	35.8	10.3
2	Arunachal Pradesh	37.1	6.8	33.0	6.6
3	Assam	34.5	5.2	33.7	5.2
4	Bihar	29.5	19.8	28.8	20.1
5	Goa	10.6	34.5	10.4	34.6
6	Gujarat	19.6	31.3	23.2	29.7
7	Haryana	43.9	19.2	44.5	19.2
8	Himachal Pradesh	30.0	7.7	N.A.	N.A.
9	Jammu & Kashmir	33.7	6.4	N.A.	N.A.
10	Karnataka	36.0	17.2	34.8	17.8
11	Kerala	31.4	15.7	30.0	16.1
12	Madhya Pradesh	44.0	14.6	41.3	15.6
13	Maharashtra	18.5	28.1	16.7	29.5
14	Manipur	30.8	5.2	N.A.	N.A.
15	Meghalaya	22.0	4.6	24.5	5.4
16	Nagaland	N.A.	N.A.	N.A.	N.A.
17	Orissa	35.1	10.5	33.2	10.8
18	Punjab	47.7	17.9	47.1	18.4
19	Rajasthan	37.5	12.2	42.9	11.1
20	Sikkim	N.A.	N.A.	N.A.	N.A.
21	Tamil Nadu	23.7	19.7	24.0	19.9
22	Tripura	N.A.	N.A.	N.A.	N.A.
23	Uttar Pradesh	42.0	14.7	41.6	14.8
24	West Bengal	28.1	17.6	27.2	17.5
25	Andaman & Nicobar Islands	39.4	13.6	39.6	14.2
26	Delhi	3.4	21.4	N.A.	N.A.
27	Pondicherry	6.8	19.0	N.A.	N.A.
	All-India	**29.5**	**19.1**	**29.2**	**19.6**

Note : Computed on the basis of data at constant (1980-81) prices N.A. : Not Available

Source : Data obtained from C.S.O. based on data compiled by Directorate of Economics and Statistics of respective State Governments.

Table XI-5 : State-wise Percentage Share in All-India NDP at Constant (1980-81) Prices

(Per cent)

Sr. No.	States/Union Territories	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
1	2	3	4	5	6	7	8
1	Andhra Pradesh	6.4	6.2	6.3	6.0	6.3	5.9
2	Arunachal Pradesh	0.1	0.1	0.1	0.1	0.1	0.1
3	Assam	2.1	2.1	2.2	1.9	1.9	1.9
4	Bihar	5.2	5.4	5.2	5.1	4.9	4.8
5	Goa	0.3	0.3	0.3	0.3	0.3	0.3
6	Gujarat	5.9	5.8	5.3	6.4	5.9	6.4
7	Haryana	2.9	3.0	3.1	2.9	2.9	3.0
8	Himachal Pradesh	0.6	0.6	0.6	0.6	0.6	N.A.
9	Jammu & Kashmir	0.7	0.7	0.7	0.7	0.7	N.A.
10	Karnataka	5.0	4.8	5.4	5.3	5.4	5.3
11	Kerala	2.7	2.8	2.8	2.9	2.9	2.9
12	Madhya Pradesh	5.4	5.8	5.4	5.5	5.9	5.6
13	Maharashtra	14.1	14.2	14.1	15.2	15.8	15.8
14	Manipur	0.2	0.2	0.2	0.2	0.2	N.A.
15	Meghalaya	0.2	0.2	0.2	0.2	0.2	0.2
16	Nagaland	0.1	0.1	0.1	N.A.	N.A.	N.A.
17	Orissa	2.9	2.3	2.6	2.4	2.4	2.4
18	Punjab	4.1	3.9	4.1	4.1	4.1	4.1
19	Rajasthan	4.1	4.5	4.1	4.4	3.9	4.3
20	Sikkim	0.1	0.1	N.A.	N.A.	N.A.	N.A.
21	Tamil Nadu	6.3	6.6	6.8	6.8	6.8	6.9
22	Tripura	0.2	0.2	0.2	0.2	N.A.	N.A.
23	Uttar Pradesh	11.9	12.0	12.0	11.6	11.4	11.1
24	West Bengal	7.6	7.5	7.9	7.8	7.9	7.9
25	Andaman & Nicobar Islands	—	—	—	—	—	0.1
26	Delhi	2.4	2.4	2.7	2.7	2.8	N.A.
27	Pondicherry	0.2	0.2	0.2	0.2	0.1	N.A.
	All-India	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

N.A. : Not available.

Source : Central Statistical Organisation.

Table XI-6 : Per Hectare State-wise Consumption of Fertilisers (N+P+K) For Cropped Area during 1989-90 to 1995-96

(Kg / Ha)

Sr. No.	State	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
1	2	3	4	5	6	7	8	9
1	Andhra Pradesh	115.58	127.28	119.94	118.72	121.91	128.92	137.30
2	Arunachal Pradesh	1.59	1.79	1.86	1.96	2.27	2.17	1.53
3	Assam	6.30	9.92	9.20	6.91	8.70	9.65	12.81
4	Bihar	54.14	57.08	59.49	63.68	62.56	69.79	76.96
5	Gujarat	64.50	61.77	69.82	65.18	60.81	74.37	66.48
6	Haryana	94.78	99.05	114.39	104.01	114.78	121.71	123.68
7	Himachal Pradesh	33.69	39.16	34.37	31.45	29.41	30.83	30.50
8	Jammu & Kashmir	44.74	39.96	44.44	41.35	39.41	43.12	47.50
9	Karnataka	64.31	73.83	73.09	62.85	64.86	66.29	75.46
10	Kerala	70.37	80.02	74.30	66.61	58.03	66.42	66.73
11	Maharashtra	54.91	59.82	62.78	53.83	56.79	66.10	65.84
12	Madhya Pradesh	30.05	31.82	33.07	33.31	32.51	37.68	34.71
13	Manipur	37.52	10.87	45.98	48.98	48.68	45.74	63.22
14	Meghalaya	11.86	11.03	13.90	12.49	13.43	13.51	11.72
15	Mizoram	6.86	9.20	8.33	11.75	9.23	9.21	7.62
16	Nagaland	3.46	5.30	3.29	3.25	4.77	2.83	2.29
17	Orissa	21.68	20.28	19.97	21.55	22.56	23.36	25.23
18	Punjab	154.86	159.67	165.56	158.81	158.83	170.16	167.28
19	Rajasthan	15.95	19.14	24.37	24.32	24.91	29.85	31.86
20	Sikkim	11.03	10.11	11.79	8.77	8.90	6.20	8.40
21	Tamil Nadu	114.65	125.29	120.28	113.13	110.50	123.76	106.89
22	Tripura	21.88	19.96	23.32	20.15	17.76	17.35	19.07
23	Uttar Pradesh	82.53	87.95	88.94	84.88	89.25	96.58	101.45
24	West Bengal	79.55	86.93	87.18	85.63	87.25	88.24	99.26
	All-India	**63.49**	**67.49**	**69.84**	**66.53**	**66.67**	**73.12**	**74.81**

Source : Ministry of Agriculture, Fertiliser Division, Government of India, New Delhi.

Note : Figures from 1992-93 are estimated figures.

Table XI-7 : Some Indicators of Industrial Sector

(Value in Rs. crore)

Sr. No.	States/Union Territories	No. of Factories		No.of Employees		Fixed Capital		Value of Output		Net Value Added	
		1988-89	1992-93	1988-89	1992-93	1988-89	1992-93	1988-89	1992-93	1988-89	1992-93
1	2	3	4	5	6	7	8	9	10	11	12
1	Andhra Pradesh	14292	17472	724606	934569	6075	19966	11448	25127	1821	4298
2	Assam	1644	1708	116377	131938	1157	1599	2171	3735	378	830
3	Bihar	3449	3885	381732	364206	6053	9287	9960	15846	2577	3434
4	Goa	218	244*	16017	17144*	200	361*	746	1129*	133	216*
5	Gujarat	11103	11210	668635	726152	8240	19431	20116	41429	3389	8038
6	Haryana	2761	3143	227960	265885	2827	4775	6468	12687	1007	1609
7	Himachal Pradesh	261	435	53149	58600	961	1522	809	1524	299	442
8	Jammu & Kashmir	264	265	16278	14667	86	91	344	652	33	91
9	Karnataka	5649	6165	401399	438466	3746	6762	7996	17542	1626	4122
10	Kerala	3072	3918	235499	321499	2040	3518	4863	9356	950	1814
11	Madhya Pradesh	3636	4037	318036	454925	4628	15175	8779	21443	1715	3907
12	Maharashtra	15127	16556	1214162	1281819	14743	31939	39043	78073	8215	16210
13	Manipur	44	73	1410	1739	8	20	7	27	5	-3
14	Meghalaya	28	32	1564	6416	2	314	11	65	4	31
15	Nagaland	N.A.	68	N.A.	4244	N.A.	84	N.A.	49	N.A.	7
16	Orissa	1430	1554	155296	178947	4712	7566	4381	7663	883	1411
17	Punjab	5997	6449	375412	422582	4251	8719	8396	17235	1069	2927
18	Rajasthan	3162	3958	230849	260707	3950	7607	5514	12150	884	2326
19	Tamil Nadu	13099	17702	897288	1067977	8523	15545	19552	37986	3760	7303
20	Tripura	266	222	13776	10208	77	40	49	70	9	22
21	Uttar Pradesh	9404	10313	755228	786168	9771	21202	16698	33926	2975	6491
22	West Bengal	5419	5828	763099	758933	6317	15728	12263	20577	2195	4174
23	Delhi	3101	3451	137422	148709	482	938	3778	7318	576	1206
24	Andaman & Nicobar Islands	52	37	4746	6069	7	50	25	61	1	11
25	Chandigarh	299	289	12813	9856	37	56	301	578	56	91
26	Dadra & Nagar Haweli	105	154	4408	6102	67	188	373	1060	27	59
27	Daman & Diu	N.A.	70	N.A.	2831	N.A.	65	N.A.	322	N.A.	37
28	Pondicherry	195	256	16183	23589	138	326	259	985	47	144
	All-India	**104077**	**119494**	**7743344**	**8704947**	**89099**	**192871**	**184349**	**368614**	**34635**	**71248**

* Includes Daman & Diu. N.A. - Not available.

Table XI-8 : Selected Ratios relating to the Industrial Sector

Sr. No.	States/Union Territories	Gross output per Employee*		Fixed Capital per Employee*		Fixed Capital to output		Net Value Added to output		Fixed Capital to Net Value added	
		1988-89	1992-93	1988-89	1992-93	1988-89	1992-93	1988-89	1992-93	1988-89	1992-93
1	2	3	4	5	6	7	8	9	10	11	12
1	Andhra Pradesh	1.58	2.69	0.84	2.14	0.53	0.80	0.16	0.18	3.34	4.65
2	Assam	1.87	2.84	1.00	1.22	0.54	0.43	0.18	0.23	3.07	1.93
3	Bihar	2.61	4.35	1.59	2.55	0.61	0.59	0.26	0.22	2.35	2.71
4	Goa	4.66**	6.59	1.26**	2.11	0.27**	0.32	0.18**	0.19	1.51**	1.68
5	Gujarat	3.01	5.71	1.24	2.68	0.41	0.47	0.17	0.20	2.44	2.42
6	Haryana	2.84	4.78	1.24	1.80	0.44	0.38	0.16	0.13	2.81	2.97
7	Himachal Pradesh	1.53	2.60	1.81	2.60	1.19	1.00	0.37	0.29	3.21	3.45
8	Jammu & Kashmir	2.12	4.45	0.53	0.62	0.25	0.14	0.10	0.14	2.62	1.00
9	Karnataka	2.00	4.00	0.94	1.55	0.47	0.39	0.21	0.24	2.31	1.64
10	Kerala	2.07	2.91	0.87	1.10	0.42	0.38	0.20	0.20	2.15	1.94
11	Madhya Pradesh	2.76	4.72	1.46	3.34	0.53	0.71	0.20	0.19	2.70	3.89
12	Maharashtra	3.22	6.09	1.22	2.50	0.38	0.41	0.21	0.21	1.80	1.97
13	Manipur	0.47	1.55	0.60	1.16	1.27	0.75	0.69	-0.12	1.84	-6.33
14	Meghalaya	0.70	1.02	0.16	4.89	0.22	4.82	0.38	0.47	0.59	10.27
15	Nagaland	N.A.	1.17	N.A.	1.99	N.A.	1.71	N.A.	0.15	N.A.	11.61
16	Orissa	2.82	4.29	3.04	4.23	1.08	0.99	0.21	0.19	5.34	5.36
17	Punjab	2.24	4.08	1.14	2.07	0.51	0.51	0.13	0.17	3.98	2.98
18	Rajasthan	2.39	4.66	1.72	2.92	0.72	0.63	0.16	0.20	4.47	3.27
19	Tamil Nadu	2.18	3.56	0.95	1.46	0.44	0.41	0.20	0.20	2.27	2.13
20	Tripura	0.36	0.69	0.56	0.39	1.56	0.57	0.19	0.33	8.34	1.77
21	Uttar Pradesh	2.22	4.32	1.30	2.70	0.59	0.63	0.18	0.20	3.29	3.27
22	West Bengal	1.61	2.72	0.83	2.08	0.52	0.77	0.18	0.21	2.88	3.77
23	Delhi	2.75	4.92	0.35	0.63	0.13	0.13	0.16	0.17	0.84	0.78
24	Andaman & Nicobar Islands	0.54	1.01	0.16	0.83	0.29	0.83	0.04	0.18	7.75	4.60
25	Chandigarh	2.35	5.87	0.29	0.58	0.13	0.10	0.19	0.16	0.66	0.62
26	Dadra & Nagar Haweli	8.47	17.37	1.53	3.08	0.18	0.18	0.08	0.06	2.53	3.19
27	Daman & Diu	N.A.	11.38	N.A.	2.31	N.A.	0.21	N.A.	0.12	N.A.	1.75
28	Pondicherry	1.60	4.18	0.86	1.39	0.54	0.34	0.19	0.15	2.92	2.26
	All-India	**2.38**	**4.24**	**1.15**	**2.22**	**0.49**	**0.53**	**0.19**	**0.20**	**2.58**	**2.71**

* In Rs. lakhs.

** Includes Daman & Diu. N.A. - Not available.

Table XI-9 : State-Wise Distribution Of The Number Of Reporting Offices, Aggregate Deposits And Gross Bank Credit of All Scheduled Commercial Banks

(Rs. lakhs)

States / Union Territories	As on the last Friday of March 1991				As on the last Friday of March 1996			
	No. of Offices	Bank Deposits	Bank Credit	Credit Deposit Ratio (per cent)	No. of Offices	Bank Deposits	Bank Credit	Credit Deposit Ratio (per cent)
1	2	3	4	5	6	7	8	9
I. Northern Region	**9161**	**4279835**	**2723098**	**63.6**	**9738**	**9442087**	**5741596**	**60.8**
Haryana	1260	395576	238620	60.3	1361	893049	410782	46.0
Himachal Pradesh	725	140851	52694	37.4	760	313893	81004	25.8
Jammu & Kashmir	766	196867	95808	48.7	795	403149	154012	38.2
Punjab	2136	992147	444579	44.8	2275	2007545	840690	41.9
Rajasthan	3044	553965	313137	56.5	3191	1201711	560187	46.6
Chandigarh	108	142936	117427	82.2	133	375077	520455	138.8
Delhi	1122	1857493	1460833	78.6	1223	4247663	3174467	74.7
II. North-Eastern Region	**1830**	**340258**	**155237**	**45.6**	**1893**	**688153**	**237461**	**34.5**
Arunachal Pradesh	67	14636	2405	16.4	68	35987	3743	10.4
Assam	1206	217836	111713	51.3	1232	439272	172613	39.3
Manipur	84	10780	7060	65.5	85	23093	12406	53.7
Meghalaya	156	37383	7233	19.3	179	73009	10505	14.4
Mizoram	72	10339	2289	22.1	78	20929	3385	16.2
Nagaland	70	21424	8252	38.5	71	37740	10348	27.4
Tripura	175	27862	16285	58.4	180	58122	24461	42.1
III. Eastern Region	**11129**	**3112147**	**1612601**	**51.8**	**11451**	**5541362**	**2643984**	**47.7**
Bihar	4830	933214	369773	39.6	4934	1792166	573159	32.0
Orissa	2071	273515	209326	76.5	2154	600596	329182	54.8
Sikkim	29	11031	2027	18.4	42	20589	3968	19.3
West Bengal	4178	1888682	1029519	54.5	4291	3112703	1735155	55.7
Andaman & Nicobar Islands	21	5706	1955	34.3	30	15308	2520	16.5
IV. Central Region	**12735**	**2813297**	**1453988**	**51.7**	**13091**	**5710194**	**2312919**	**40.5**
Madhya Pradesh	4330	773714	519292	67.1	4421	1565113	893428	57.1
Uttar Pradesh	8405	2039583	934696	45.8	8670	4145081	1419491	34.2
V. Western Region	**9206**	**5242402**	**3741657**	**71.4**	**9660**	**11779354**	**8180528**	**69.4**
Goa	256	146019	48555	33.3	275	312739	84192	26.9
Gujarat	3367	1172261	699975	59.7	3512	2526528	1339306	53.0
Maharashtra	5566	3916673	2990955	76.4	5854	8917262	6751864	75.7
Dadra & Nagar Haveli	7	1514	783	51.7	7	5987	1240	20.7
Daman & Diu	10	5934	1391	23.4	12	16838	3925	23.3
VI. Southern Region	**16052**	**4215630**	**3564436**	**84.6**	**17016**	**9446187**	**7236834**	**76.6**
Andhra Pradesh	4584	1101235	910026	82.6	4851	2160476	1746052	80.8
Karnataka	4263	963161	826258	85.8	4445	2325777	1620536	69.7
Kerala	2842	769598	455165	59.1	3073	1979283	898457	45.4
Tamil Nadu	4286	1349388	1355542	100.4	4567	2905234	2940978	101.2
Lakshadweep	8	884	150	17.0	8	2478	237	9.6
Pondicherry	69	31384	17295	55.1	72	72939	30574	41.9
All-India	**60113**	**20003569**	**13251018**	**66.3**	**62849**	**42607337**	**26353322**	**61.9**

Note : Data are inclusive of those relating to RRBs.

Source : Banking Statistics - Quarterly Handouts, Reserve Bank of India.

Table XI-10 : Per Office Bank Deposits and Credit (As on last Friday of March)

(Rs. Crore)

Sr. No.	States/Union Territories	Bank Deposits		Bank Credit	
		1991	1996	1991	1996
1	2	3	4	5	6
1.	Andhra Pradesh	2.41	4.46	1.99	3.60
2.	Arunachal Pradesh	2.19	5.30	0.36	0.55
3.	Assam	1.81	3.57	0.93	1.41
4.	Bihar	1.94	3.64	0.77	1.17
5.	Goa	5.71	11.38	1.90	3.07
6.	Gujarat	3.49	7.20	2.08	3.82
7.	Haryana	3.14	6.57	1.90	3.02
8.	Himachal Pradesh	1.95	4.13	0.73	1.07
9.	Jammu & Kashmir	2.57	5.08	1.25	1.94
10.	Karnataka	2.26	5.24	1.94	3.65
11.	Kerala	2.71	6.44	1.61	2.93
12.	Madhya Pradesh	1.79	3.54	1.20	2.02
13.	Maharashtra	7.04	15.23	5.38	11.54
14.	Manipur	1.29	2.72	0.84	1.46
15.	Meghalaya	2.40	4.08	0.47	0.59
16.	Mizoram	1.44	2.69	0.32	0.44
17.	Nagaland	3.06	5.32	1.18	1.46
18.	Orissa	1.32	2.79	1.01	1.53
19.	Punjab	4.65	8.83	2.09	3.70
20.	Rajasthan	1.82	3.77	1.03	1.76
21	Sikkim	3.81	4.91	0.70	0.95
22.	Tamil Nadu	3.15	6.37	3.17	6.44
23.	Tripura	1.60	3.23	0.93	1.36
24.	Uttar Pradesh	2.43	4.78	1.12	1.64
25.	West Bengal	4.52	7.26	2.47	4.05
26.	Andaman & Nicobar Islands	2.72	5.11	0.93	0.84
27.	Chandigarh	13.24	28.21	10.88	39.14
28.	Dadra & Nagar Haveli	2.17	8.56	1.12	1.78
29.	Daman & Diu	5.94	14.04	1.40	3.27
30.	Delhi	16.56	34.74	13.02	25.96
31.	Lakshadweep	1.11	3.10	0.19	0.30
32.	Pondicherry	4.55	10.13	2.51	4.25
	All-India	**3.33**	**6.78**	**2.21**	**4.20**

Source : Computed from Quarterly Handouts, Banking Statistics, Reserve Bank of India.

Table XI -11 : Share Of Rural To Total Offices, Deposits And Credit Of Scheduled Commercial Banks (As on last Friday of March)

(Per cent)

States/Union Territories	Rural/Total Offices		Rural/Total Deposits		Rural/Total Credit	
	1991	1996	1991	1996	1991	1996
1	2	3	4	5	6	7
I. Northern Region	**57.1**	**51.6**	**16.1**	**14.6**	**11.6**	**9.5**
Haryana	58.5	51.2	24.8	22.6	26.6	21.9
Himachal Pradesh	89.3	85.1	68.7	63.7	66.3	67.5
Jammu & Kashmir	72.2	72.1	30.1	36.3	14.0	14.4
Punjab	55.1	48.7	28.5	24.9	27.4	27.2
Rajasthan	66.8	60.6	21.3	21.9	24.3	22.8
Chandigarh	11.1	7.5	2.1	1.4	0.9	0.8
Delhi	6.8	4.7	1.8	1.5	0.4	0.5
II. North-Eastern Region	**73.8**	**69.7**	**25.5**	**26.8**	**31.6**	**35.7**
Arunachal Pradesh	98.5	98.5	98.5	98.5	99.3	99.2
Assam	72.6	68.7	23.7	24.6	29.5	33.8
Manipur	66.7	58.8	18.8	15.6	24.9	35.9
Meghalaya	74.4	73.2	15.3	21.0	35.4	39.0
Mizoram	88.9	79.5	20.2	14.5	34.0	24.7
Nagaland	65.7	56.3	18.4	12.6	22.3	17.6
Tripura	72.0	68.3	25.2	24.5	43.1	47.1
III. Eastern Region	**69.1**	**65.2**	**18.1**	**21.0**	**18.8**	**17.9**
Bihar	76.1	71.5	29.6	30.8	38.3	35.9
Orissa	77.6	75.0	27.5	31.5	32.0	34.5
Sikkim	86.2	78.6	23.2	30.8	26.6	31.9
West Bengal	56.6	53.0	11.1	13.2	9.0	8.8
Andaman & Nicobar Islands	61.9	56.7	23.0	25.1	21.4	30.0
IV. Central Region	**69.2**	**62.9**	**25.8**	**25.2**	**26.0**	**22.7**
Madhya Pradesh	71.0	62.6	21.5	19.5	21.9	17.4
Uttar Pradesh	68.3	63.1	27.5	27.3	28.3	26.1
V. Western Region	**47.8**	**42.4**	**7.9**	**7.0**	**7.0**	**4.8**
Goa	60.2	56.0	31.0	32.4	20.0	20.0
Gujarat	50.5	45.5	16.8	15.6	16.9	13.0
Maharashtra	45.6	39.9	4.4	3.6	4.4	3.0
Dadra & Nagar Haveli	100.0	100.0	100.0	100.0	100.0	100.0
Daman & Diu	10.0	8.3	3.4	2.8	2.9	2.1
VI. Southern Region	**47.2**	**40.9**	**13.9**	**11.9**	**15.0**	**12.3**
Andhra Pradesh	58.2	50.9	17.3	15.0	19.9	16.2
Karnataka	55.8	50.7	17.1	15.1	17.8	16.0
Kerala	19.4	11.4	7.9	5.4	8.6	6.4
Tamil Nadu	45.0	40.4	12.2	11.4	12.3	9.8
Lakshadweep	100.0	100.0	100.0	100.0	100.0	100.0
Pondicherry	40.6	32.0	15.8	10.4	16.0	11.3
All-India	**58.3**	**52.7**	**15.3**	**14.4**	**13.9**	**11.1**

Source : Computed from the data taken from BSR - Quarterly Handouts, Reserve Bank of India.

Table XI-12 : Performance of Scheduled Commercial Banks in Rural Areas

(Per cent)

States/Union Territories	Growth between the last Fridays of March 1991 and 1996			Credit Deposit Ratio as on last Friday of	
	No. of Offices	Bank Deposits	Bank Credit	March 1991	March 1996
1	2	3	4	5	6
I. Northern Region	**-4.0**	**99.9**	**71.1**	**45.9**	**39.3**
Haryana	-5.4	106.1	42.0	64.8	44.6
Himachal Pradesh	—	106.6	56.5	36.1	27.4
Jammu & Kashmir	3.6	147.4	65.5	22.7	15.2
Punjab	-5.9	76.4	87.5	43.0	45.7
Rajasthan	-4.9	123.7	67.5	64.7	48.4
Chandigarh	16.7	74.9	303.9	33.4	77.0
Delhi	-25.0	96.2	148.6	19.0	24.1
II. North-Eastern Region	**-2.3**	**112.7**	**71.9**	**56.8**	**45.9**
Arunachal Pradesh	1.5	146.1	55.5	16.6	10.5
Assam	-3.4	109.7	76.9	63.9	53.9
Manipur	-10.7	77.4	154.2	86.4	123.8
Meghalaya	12.9	167.9	60.1	44.8	26.8
Mizoram	-3.1	44.8	7.7	37.1	27.6
Nagaland	-13.0	21.0	-1.1	46.8	38.2
Tripura	-2.4	102.7	64.0	100.1	81.0
III. Eastern Region	**-2.8**	**105.9**	**56.5**	**53.6**	**40.8**
Bihar	-4.0	99.9	45.3	51.3	37.3
Orissa	0.6	152.3	69.4	89.3	59.9
Sikkim	32.0	148.0	135.1	21.0	19.9
West Bengal	-3.8	96.1	63.6	44.5	37.1
Andaman & Nicobar Islands	30.8	192.1	80.7	31.9	19.7
IV. Central Region	**-6.5**	**97.6**	**38.9**	**52.1**	**36.6**
Madhya Pradesh	-9.9	83.4	36.4	68.5	50.9
Uttar Pradesh	-4.7	101.8	40.1	47.2	32.8
V. Western Region	**-7.0**	**99.3**	**52.1**	**62.7**	**47.9**
Goa	—	123.6	73.3	21.4	16.6
Gujarat	-6.1	100.5	46.9	60.1	44.0
Maharashtra	-8.0	89.6	55.2	76.8	62.9
Dadra & Nagar Haveli	—	295.4	58.4	51.7	20.7
Daman & Diu	—	137.0	102.5	20.0	17.1
VI. Southern Region	**-8.2**	**91.7**	**66.3**	**91.5**	**79.4**
Andhra Pradesh	-7.4	69.8	55.8	95.2	87.4
Karnataka	-5.2	114.1	76.1	89.3	73.4
Kerala	-36.8	73.8	48.3	64.0	54.6
Tamil Nadu	-4.3	101.8	74.1	101.0	87.1
Lakshadweep	—	180.3	58.0	17.0	9.6
Pondicherry	-17.9	53.2	24.7	55.8	45.4
All-India	**-5.6**	**99.2**	**58.1**	**60.1**	**47.7**

Source : Computed from the data taken from BSR – Quarterly Handouts, Reserve Bank of India.

Table XI-13 : State-Wise Share of Priority Sector Advances Relating to Scheduled Commercial Banks in Total Bank Credit

(Per cent)

States/Union Territories	Share of Priority Sector Advances in Total Bank Credit		
	March 1993	March 1994	March 1995
1	2	3	4
I. Northern Region	**26.78**	**27.28**	**25.74**
Haryana	59.78	62.85	67.17
Himachal Pradesh	53.20	57.03	55.11
Jammu & Kashmir	37.94	28.95	27.42
Punjab	52.77	52.42	49.80
Rajasthan	49.17	51.00	48.65
Chandigarh	31.27	16.92	11.31
Delhi	10.49	12.01	12.76
II. North-Eastern Region	**53.85**	**60.36**	**58.18**
Arunachal Pradesh	46.15	46.46	48.48
Assam	51.65	58.27	56.47
Manipur	64.71	81.15	73.68
Meghalaya	57.14	52.74	45.74
Mizoram	63.16	69.63	71.43
Nagaland	64.95	67.02	71.43
Sikkim	31.03	46.46	38.89
Tripura	62.20	70.07	67.88
III. Eastern Region	**35.77**	**40.27**	**37.22**
Bihar	61.00	61.97	58.77
Orissa	52.51	58.00	54.52
West Bengal	24.86	30.33	27.88
Andaman & Nicobar Islands	43.48	50.88	52.38
IV. Central Region	**53.67**	**56.28**	**54.57**
Madhya Pradesh	51.03	51.46	47.17
Uttar Pradesh	55.16	59.08	59.07
V. Western Region	**20.64**	**23.82**	**22.37**
Goa	25.99	31.29	29.02
Gujarat	35.64	37.01	36.56
Maharashtra	17.37	21.03	19.53
Dadra & Nagar Haveli	62.50	63.53	55.56
Daman & Diu	86.67	97.80	90.00
VI. Southern Region	**39.43**	**39.55**	**39.01**
Andhra Pradesh	43.14	44.08	40.09
Karnataka	39.99	38.42	41.05
Kerala	39.40	42.39	43.55
Tamil Nadu	36.66	36.43	35.76
Pondicherry	43.30	40.92	36.92
Lakshadweep	100.00	69.93	100.00
All-India	**32.08**	**33.79**	**32.00**

Table XI-14 :Priority Sector Advances for Agriculture and Allied Activities – March 1995

(Rs. crore)

States / Union Territories	Direct and Indirect Finance for Agriculture and Allied Activities	Total Bank Credit	Percentage of Col.2 to Col.3
1	2	3	4
I. Northern Region	**4173**	**49837**	**8.37**
Haryana	963	3217	29.93
Himachal Pradesh	96	66	14.41
Jammu & Kashmir	65	1448	4.49
Punjab	1546	7201	21.47
Rajasthan	985	4479	21.99
Chandigarh	190	3695	5.14
Delhi	328	29131	1.13
II. North-Eastern Region	**329**	**1865**	**17.64**
Arunachal Pradesh	8	33	24.24
Assam	215	1344	16.00
Manipur	16	95	16.84
Meghalaya	13	94	13.83
Mizoram	3	21	14.29
Nagaland	32	105	30.48
Sikkim	6	36	16.67
Tripura	36	137	26.28
III. Eastern Region	**2417**	**21811**	**11.08**
Bihar	1004	4407	22.78
Orrisa	532	2511	21.19
West Bengal	878	14872	5.90
Andaman & Nicobar Islands	3	21	14.29
IV. Central Region	**3904**	**17698**	**22.06**
Madhya Pradesh	1454	6685	21.75
Uttar Pradesh	2450	11013	22.25
V. Western Region	**3848**	**67701**	**5.68**
Goa	41	727	5.64
Gujarat	1328	10800	12.30
Maharashtra	2477	56145	4.41
Dadra & Nagar Haveli	1	9	11.10
Daman & Diu	1	20	5.00
VI. Southern Region	**9528**	**57368**	**16.61**
Andhra Pradesh	3077	14324	21.48
Karnataka	2134	12608	16.93
Kerala	1074	7354	14.62
Tamil Nadu	3201	22829	14.02
Pondicherry	42	260	16.15
Lakshadweep	—	2	—
All India	**24199**	**216280**	**11.19**

Table XI-15 : State-wise Financial Assistance Sanctioned and Disbursed by All-India Financial Institutions* and IDBI

(Rs. crore)

Sr. No.	States/Union Territories	All-India Financial Institutions (AIFIs)								Industrial Development Bank of India (IDBI)							
		1990-91		1993-94		1994-95		Cumulative upto end-March 1995		1990-91		1993-94		1994-95		Cumulative upto end-March 1995@@	
		S	D	S	D	S	D	S	D	S	D	S	D	S	D	S	D
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	Andhra Pradesh	1367.7	951.5	1944.0	1121.7	2965.9	1792.9	15199.4	10568.0	484.3	487.5	977.9	495.4	1403.4	944.9	7641.8	5497.8
2	Arunachal Pradesh	3.9	1.3	0.6	1.1	3.8	3.1	25.7	22.7	1.1	0.6	—	0.2	2.3	1.7	16.8	14.4
3	Assam	65.7	71.7	84.6	85.7	136.4	89.8	1098.0	827.8	35.6	31.4	28.6	16.0	31.2	26.6	525.0	444.9
4	Bihar	186.9	115.6	294.8	211.3	153.1	248.0	3717.9	2723.5	47.0	42.9	82.7	62.8	59.6	76.2	1652.9	1130.1
5	Goa	84.3	83.1	297.9	144.5	270.4	207.5	1589.7	1115.1	33.6	37.9	88.1	46.2	29.6	38.1	687.1	518.8
6	Gujarat	2457.3	1414.5	6863.0	2769.0	10125.0	4093.4	35264.9	19729.9	736.4	470.3	2200.2	937.2	3773.5	1630.5	13434.1	8217.6
7	Haryana	331.7	317.5	739.6	464.1	923.0	541.1	5397.5	3542.1	115.9	146.0	268.5	171.0	368.4	194.0	2417.5	1654.7
8	Himachal Pradesh	276.2	75.4	95.3	256.8	844.3	477.7	2519.2	1706.5	137.3	26.3	33.0	144.2	479.7	331.6	1295.6	1074.2
9	Jammu & Kashmir	49.1	39.8	5.4	2.7	13.4	12.2	553.2	458.3	15.9	10.2	2.7	—	6.9	8.3	384.4	325.4
10	Karnataka	867.6	560.4	1918.6	1453.5	3830.7	1608.1	13924.2	8895.3	332.2	209.7	551.3	478.2	1379.6	583.1	5747.6	3916.2
11	Kerala	272.6	200.1	423.6	347.5	405.5	279.5	3459.3	2608.2	111.7	76.2	188.9	152.1	163.1	87.4	1906.9	1440.8
12	Madhya Pradesh	1042.8	633.8	1679.1	1202.3	2242.6	1360.9	11233.1	7477.3	444.7	300.0	763.2	589.2	867.6	632.2	5052.8	3663.1
13	Maharashtra	3943.3	2245.9	8620.5	5760.1	13726.8	7352.0	54990.4	35323.4	1226.2	679.2	3163.2	1919.1	4911.1	2447.4	18270.6	11209.5
14	Manipur	2.4	4.8	1.1	1.1	0.2	0.2	42.5	37.4	0.6	2.0	—	—	—	—	31.2	25.9
15	Meghalaya	5.4	7.8	2.6	2.4	5.5	4.4	100.7	85.4	2.7	4.0	—	—	3.4	2.4	75.1	62.3
16	Mizoram	3.6	4.1	0.2	0.2	0.1	0.1	32.9	29.5	0.2	0.5	—	—	—	—	27.5	24.2
17	Nagaland	3.3	3.7	0.4	0.5	1.5	1.4	45.9	43.7	0.8	0.6	—	—	0.1	0.1	31.3	29.6
18	Orissa	291.5	293.3	366.0	482.8	1161.3	308.9	4557.8	3097.0	109.1	129.6	202.9	344.9	389.1	143.2	2239.3	1836.4
19	Punjab	448.5	357.5	676.8	468.2	1162.6	648.1	5678.6	3936.0	127.4	108.4	261.3	159.9	353.5	197.4	2499.1	1672.5
20	Rajasthan	741.0	429.2	1230.7	1010.5	1883.1	1373.0	8948.1	6509.0	302.5	157.9	540.4	453.4	706.0	540.0	4078.6	3054.7
21	Sikkim	1.1	3.6	0.4	0.4	1.2	0.4	36.0	30.9	0.2	2.0	—	—	—	—	24.7	20.9
22	Tamil Nadu	1366.4	981.3	2531.3	1706.1	4827.9	2567.6	20078.6	13513.9	500.8	361.1	847.5	727.2	1731.4	929.1	8388.7	6044.3
23	Tripura	1.3	2.3	0.6	0.7	1.8	1.1	41.2	29.7	—	0.3	0.1	0.1	—	—	27.2	20.1
24	Uttar Pradesh	1288.0	907.6	2768.8	1172.8	2556.0	2033.2	16752.1	11370.1	545.2	340.4	1129.6	509.2	783.8	756.3	7645.8	5372.6
25	West Bengal	641.9	443.4	1244.0	955.7	1925.5	775.5	10576.5	6455.4	190.1	155.9	394.7	282.5	951.1	415.9	4357.4	2765.6
26	Delhi	252.5	130.1	1541.5	671.7	2802.0	1346.9	7827.6	4535.3	39.6	24.8	407.9	221.6	1018.1	396.0	2406.8	1359.0
27	Union Territories	143.0	79.6	165.6	109.1	801.7	256.3	1866.2	989.8	44.9	30.1	74.9	50.8	276.2	109.1	845.2	502.2
	Total	**16139.0**	**10358.9**	**39100.9#**	**24368.0!!**	**57791.7$**	**30631.1$$**	**241107.9++**	**156592.7****	**5586.0**	**3835.8**	**12207.6**	**7761.2**	**19688.7**	**10491.5**	**91711.4@**	**61898.1%**

Source : IDBI Report on Development Banking in India, 1994-95.

S - Sanctioned. D - Disbursed.

* The expression All-India Financial Institutions (AIFIs) refer to All-India Development Banks (AIDBs) viz., IDBI, IFCI, ICICI, SIDBI, IRBI and SCICI, Specialised Financial Institutions viz., RCTC, TDICI, and TFCI and investment institutions viz., LIC, UTI and GIC.

\# Including assistance of Rs.26.3 crore and Rs.27.6 crore sanctioned by ICICI to Malaysia and Saudi-Arabia respectively and Rs.5,550 crore sanctioned by UTI in respect of proposals in more than one state and non-specific areas.

$ Including assistance of Rs.5020.4 crore sanctioned by UTI in respect of proposals in more than one state and non-specific areas.

++ Including assistance of Rs.0.4 crore sanctioned by IDBI to Bhutan, Rs.28 crore and Rs.27.6 crore sanctioned by ICICI to Malaysia and Saudj Arabia and Rs.15,494.7 crore sanctioned by UTI in respect of proposals in more than one state and non-specific areas.

!! Including assitance of Rs.3,965.5 crore disbursed by UTI in respect of proposals in more than one state and non-specifc areas.

$$ Including assitance of Rs.2,989.6 crore and Rs.258 crore disbursed by UTI and LIC in respect of proposals in more than one state and non-specific areas.

** Including assistance of Rs.0.3 crore disbursed by IDBI to Bhutan, Rs.1.7 crore disbursed by ICICI to Malaysia and Rs.10,671.5 crore and Rs.258 crore disbursed by UTI and LIC respectively in respect of proposals in more than one state and non-specific areas.

@ Includes Rs.0.4 crore sanctioned to Bhutan.

@@ Inclusive of assistance to small scale sector up to end-March 1990.

% Includs Rs.0.3 crore disbursed to Bhutan.

Table XI-16 : State-wise Share of Financial Assistance Sanctioned and Disbursed by All-India Financial Institutions

(Per cent)

Sr. No.	States/Union Territories	1990-91		1993-94		1994-95		Cumulative upto end-March 1995	
		S	D	S	D	S	D	S	D
1	2	3	4	5	6	7	8	9	10
1	Andhra Pradesh	8.47	9.19	4.97	4.60	5.13	5.85	6.30	6.75
2	Arunachal Pradesh	0.02	0.01	—	—	0.01	0.01	0.01	0.01
3	Assam	0.41	0.69	0.22	0.35	0.24	0.29	0.46	0.53
4	Bihar	1.16	1.12	0.75	0.87	0.27	0.81	1.54	1.74
5	Goa	0.52	0.80	0.76	0.59	0.47	0.68	0.66	0.71
6	Gujarat	15.23	13.65	17.55	11.36	17.52	13.36	14.63	12.60
7	Haryana	2.06	3.07	1.89	1.91	1.60	1.77	2.24	2.26
8	Himachal Pradesh	1.71	0.73	0.24	1.05	1.46	1.56	1.04	1.09
9	Jammu & Kashmir	0.30	0.38	0.01	0.01	0.02	0.04	0.23	0.29
10	Karnataka	5.38	5.41	4.91	5.97	6.63	5.25	5.78	5.68
11	Kerala	1.69	1.93	1.08	1.43	0.70	0.91	1.43	1.67
12	Madhya Pradesh	6.46	6.12	4.29	4.93	3.88	4.44	4.66	4.78
13	Maharashtra	24.43	21.68	22.05	23.64	23.75	24.00	22.81	22.56
14	Manipur	0.02	0.05	—	—	—	—	0.02	0.02
15	Meghalaya	0.03	0.08	0.01	0.01	0.01	0.01	0.04	0.05
16	Mizoram	0.02	0.04	—	—	—	—	0.01	0.02
17	Nagaland	0.02	0.04	—	—	—	—	0.02	0.03
18	Orissa	1.81	2.83	0.94	1.98	2.01	1.01	1.89	1.98
19	Punjab	2.78	3.45	1.73	1.92	2.01	2.12	2.36	2.51
20	Rajasthan	4.59	4.14	3.15	4.15	3.26	4.48	3.71	4.16
21	Sikkim	0.01	0.04	—	—	—	—	0.02	0.02
22	Tamil Nadu	8.47	9.47	6.47	7.00	8.35	8.38	8.33	8.63
23	Tripura	0.01	0.02	—	—	—	—	0.02	0.02
24	Uttar Pradesh	7.98	8.76	7.08	4.81	4.42	6.64	6.95	7.26
25	West Bengal	3.98	4.28	3.18	3.92	3.33	2.53	4.39	4.12
26	Delhi	1.56	1.26	3.94	2.76	4.85	4.40	3.25	2.90
27	Union Territories	0.89	0.77	0.42	0.45	1.39	0.84	0.77	0.63

S - Sanctioned D - Disbursed

Table XI-17 : State-wise Share of Financial Assistance Sanctioned and Disbursed by IDBI

(Per cent)

Sr. No.	States/Union Territories	1990-91		1993-94		1994-95		Cumulative upto end-March 1995	
		S	D	S	D	S	D	S	D
1	2	3	4	5	6	7	8	9	10
1	Andhra Pradesh	8.67	12.71	8.01	6.38	7.13	9.01	8.33	8.88
2	Arunachal Pradesh	0.02	0.02	—	—	0.01	0.02	0.02	0.02
3	Assam	0.64	0.82	0.23	0.21	0.16	0.25	0.57	0.72
4	Bihar	0.84	1.12	0.68	0.81	0.30	0.73	1.80	1.83
5	Goa	0.60	0.99	0.72	0.60	0.15	0.36	0.75	0.84
6	Gujarat	13.18	12.26	18.02	12.08	19.17	15.54	14.65	13.28
7	Haryana	2.08	3.81	2.20	2.20	1.87	1.85	2.64	2.67
8	Himachal Pradesh	2.46	0.69	0.27	1.86	2.44	3.16	1.41	1.74
9	Jammu & Kashmir	0.29	0.27	0.02	—	0.04	0.08	0.42	0.53
10	Karnataka	5.95	5.47	4.52	6.16	7.01	5.56	6.27	6.33
11	Kerala	2.00	1.99	1.55	1.96	0.83	0.83	2.08	2.33
12	Madhya Pradesh	7.96	7.82	6.25	7.59	4.41	6.03	5.51	5.92
13	Maharashtra	21.95	17.71	25.91	24.73	24.94	23.33	19.92	18.11
14	Manipur	0.01	0.05	—	—	—	—	0.03	0.04
15	Meghalaya	0.05	0.10	—	—	0.02	0.02	0.08	0.10
16	Mizoram	—	0.01	—	—	—	—	0.03	0.04
17	Nagaland	0.01	0.01	—	—	—	—	0.03	0.05
18	Orissa	1.95	3.38	1.66	4.44	1.98	1.37	2.44	2.97
19	Punjab	2.28	2.83	2.14	2.06	1.80	1.88	2.73	2.70
20	Rajasthan	5.42	4.12	4.43	5.84	3.59	5.15	4.45	4.94
21	Sikkim	—	0.05	—	—	—	—	0.03	0.03
22	Tamil Nadu	8.97	9.41	6.94	9.37	8.79	8.86	9.15	9.77
23	Tripura	—	—	—	—	—	—	0.03	0.03
24	Uttar Pradesh	9.76	8.87	9.25	6.56	3.98	7.21	8.34	8.68
25	West Bengal	3.40	4.06	3.23	3.64	4.83	3.96	4.75	4.47
26	Delhi	0.71	0.65	3.34	2.86	5.17	3.77	2.62	2.20
27	Union Territories	0.80	0.79	0.61	0.66	1.40	1.04	0.92	0.81

S - Sanctioned D - Disbursed

Table XI-18 : State-wise Financial Assistance Sanctioned and Disbursed by State Financial Corporations

(Rs. crore)

Sr. No.	States/Union Territories	1990-91		1993-94		1994-95		Cumulative upto end-March 1995	
		S	D	S	D	S	D	S	D
1	2	3	4	5	6	7	8	9	10
1	Andhra Pradesh	266.9	145.7	94.0	79.8	139.7	86.3	1515.1	1372.0
2	Assam	13.4	11.2	5.4	4.7	5.3	4.7	105.2	92.4
3	Bihar	23.2	27.5	0.1	0.6	—	0.3	737.5	411.4
4	Gujarat	215.9	132.4	231.2	206.1	239.4	175.1	2242.5	1533.5
5	Haryana	45.0	38.4	102.4	115.2	304.1	252.1	919.2	757.8
6	Himachal Pradesh	5.9	12.9	11.3	12.2	16.5	15.2	177.5	165.1
7	Jammu & Kashmir	31.7	33.4	1.0	6.2	0.5	1.6	310.3	292.1
8	Karnataka	246.5	190.7	337.7	308.0	454.9	389.7	2426.6	2204.0
9	Kerala	75.5	60.2	81.6	68.4	114.3	75.4	783.6	595.8
10	Madhya Pradesh	75.3	44.7	52.9	43.0	53.5	40.6	637.4	530.8
11	Maharashtra	167.3	99.2	281.5	180.5	388.3	262.8	2239.2	1472.8
12	Orissa	49.7	49.7	50.9	45.8	38.9	35.1	682.3	635.8
13	Punjab	68.1	59.3	89.5	74.4	38.0	70.3	700.0	599.4
14	Rajasthan	125.3	80.9	162.4	106.3	173.7	120.7	1218.1	1012.5
15	Tamil Nadu	185.9	104.2	318.5	198.3	388.8	246.8	2231.3	1537.3
16	Uttar Pradesh	194.3	121.7	42.8	75.2	322.7	175.9	1697.6	1502.7
17	West Bengal	62.3	42.8	32.0	22.9	44.8	30.7	490.8	412.6
18	Delhi	11.7	15.9	13.6	15.8	36.8	22.1	235.3	209.0
	Total	**1863.9**	**1270.8**	**1908.8**	**1563.4**	**2760.2**	**2005.4**	**19349.5**	**15337.0**

S - Sanctioned D - Disbursed

Table XI-19 : Small Savings Collections

(Rs. crore)

Sr. No.	States/Union Territories	1992-93 Target*	1992-93 Gross Collections	1992-93 Net Collections	1995-96 Target*	1995-96 Gross Collections	1995-96 Net Collections
1	2	3	4	5	6	7	8
1	Andhra Pradesh	370.00	798.15	203.16	700.00	1967.01	581.08
2	Arunachal Pradesh	2.00	5.20	2.18	4.00	12.24	5.23
3	Assam	130.00	335.98	106.06	175.00	654.54	233.17
4	Bihar	250.00	1022.95	141.34	500.00	1930.82	431.21
5	Goa	25.00	36.85	3.64	30.00	69.54	8.92
6	Gujarat	650.00	1394.60	375.62	1000.00	2591.67	1005.65
7	Haryana	210.00	571.55	134.27	300.00	952.68	321.07
8	Himachal Pradesh	70.00	248.80	25.07	150.00	898.32	389.95
9	Jammu & Kashmir	55.00	147.20	58.40	200.00	303.50	159.28
10	Karnataka	375.00	900.80	311.64	500.00	1343.89	284.27
11	Kerala	170.00	467.85	132.03	350.00	938.33	297.08
12	Madhya Pradesh	310.00	563.20	115.28	420.00	1200.86	381.56
13	Maharashtra	1055.00	1878.25	100.58	800.00	3364.21	-585.59
14	Manipur	4.00	7.60	2.80	9.00	22.25	11.69
15	Meghalaya	10.00	19.76	5.43	20.00	35.44	-8.31
16	Mizoram	4.00	7.65	3.95	3.00	16.04	5.33
17	Nagaland	2.00	4.85	1.17	3.00	9.10	2.39
18	Orissa	200.00	415.86	26.17	200.00	724.57	275.46
19	Punjab	325.00	755.88	255.92	500.00	1425.81	633.42
20	Rajasthan	425.00	808.66	290.62	500.00	1435.41	483.33
21	Sikkim	2.00	2.00	0.27	3.00	8.57	6.02
22	Tamil Nadu	400.00	1655.20	563.45	500.00	1900.27	310.96
23	Tripura	18.00	53.28	10.02	20.00	95.25	30.63
24	Uttar Pradesh	1150.00	2805.35	784.02	1200.00	4953.66	1904.59
25	West Bengal	825.00	2008.25	582.71	1200.00	4305.38	1880.20
26	Andaman & Nicobar Islands	1.00	5.25	1.88	3.00	7.00	1.23
27	Chandigarh	35.00	63.15	7.09	30.00	97.36	9.51
28	Daman & Diu	1.00	4.55	1.25	2.00	5.93	1.28
29	Delhi	175.00	574.03	119.99	400.00	1251.48	639.55
30	Lakshadweep	1.00	0.28	0.02	1.00	—	—
31	Base@	—	33.98	5.09	—	56.70	5.65
32	Pondicherry	30.00	7.87	1.68	5.00	12.79	2.32
	Total	**7280.00**	**17605.13**	**4372.80**	**9728.00**	**32590.62**	**9708.13**

* : The targets relates to net collections.

@ : Base stands for collections through Army Post Offices.

Source : Office of the National Savings Commissioner, G.O.I., Ministry of Finance.

Table XI-20 : Minor Irrigation Facilities

(Area : Lakh hectares)

Sr. No.	States/Union Territories	Total cropped area		Area covered by minor irrigation facilities		Precentage of column (5 to 3) (6 to 4)		Number of					
								Wells		Tube Wells		Canals	
		1988-89	1994-95	1988-89	1994-95	1988-89	1994-95	1988-89	1994-95	1988-89	1994-95	1988-89	1994-95
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Andhra Pradesh	131.51	127.83	29.82	29.82	22.68	23.33	1229828	1214039	130533	296023	93	93
2	Arunachal Pradesh	1.76	1.90	0.60	0.79	34.09	41.58	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
3	Assam	32.97	34.64 **	1.17	2.95 **	3.55	8.52 **	N.A	214 **	N.A	84 **	N.A	N.A
4	Bihar	105.15	N.A.	41.15	54.55	39.13	—	71523	122847	541247	937836	2513	3122
5	Goa	1.31	1.63	0.16	0.29	12.21	17.79	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6	Gujarat	107.04	107.29 **	25.00	25.57 **	23.36	23.83 **	772832	794515 **	16336	19610 **	924	1105 **
7	Haryana	60.12	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
8	Karnataka	118.19	120.13	15.27	16.92	12.90	14.08	440438	564511	51157	439626	107	127
9	Kerala	29.64	26.10	1.38	2.00	4.66	7.66	10116	10552	693	802	—	—
10	Madhya Pradesh	228.23	249.44 **	21.28	35.16 **	9.32	14.10 **	1145745	1323682 **	37554	121520 **	2750	3430 **
11	Maharashtra	214.86	214.18	5.28	7.25	2.46	3.39	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
12	Meghalaya	2.42	2.39	0.24	0.27	10.03	11.29	625	625	5	5	93	105
13	Mizoram	0.72	1.11	0.01	0.09	0.74	7.98	N.A	N.A	N.A	N.A	N.A	N.A
14	Nagaland	1.86	2.39	0.64	30.65	26.78	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
15	Orissa	91.69	N.A.	3.46	3.94	3.78	—	—	—	—	—	3111	3362
16	Punjab	73.87	76.93	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	742000	860000	N.A.	N.A.
17	Rajasthan	188.39	203.80	43.65	58.15	23.17	28.53	1166766	1308233	69678	104842	N.A	N.A
18	Sikkim	0.50	0.50	0.20	0.24	40.00	48.00	—	—	—	—	—	—
19	Tamil Nadu	64.51	69.31 **	19.34	19.86 **	29.98	28.65 **	1654022	1690684 **	87215	109696 **	2290	2322 **
20	Tripura	4.45	N.A.	0.41	N.A.	9.20	N.A.	N.A.	N.A.	240	N.A.	N.A.	N.A.
21	Uttar Pradesh	171.34	N.A.	71.08	83.66 **	41.48	N.A.	N.A.	202000 **	400000	509000 **	N.A	N.A
22	West Bengal	86.62 *	87.18	25.65	28.94	29.60	33.20	3016	7170	6247	7754	3244	N.A
23	Pondicherry	0.41	0.46	0.23	0.23	56.10	50.00	1	—	13545	13942	9586	8859

* : Data relates to 1990-91.

** : Data relates to 1993-94.

Table XI-21 : Health Facilities Available

Sr. No.	States/Union Territories	No. of Hospitals		Population covered per Hospital		No. of Dispensaries		Population Covered per Dispensary		No. of Beds		Population covered per Bed	
		1988-89	1995-96	1988-89	1995-96	1988-89	1995-96	1988-89	1995-96	1988-89	1995-96	1988-89	1995-96
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Andhra Pradesh	343	340 *	191137	207441	3583	2743 *	18298	25713	30203	33578 *	2171	2101
2	Arunachal Pradesh	12	12	70833	78334	31	38	27420	24737	2228	2539	382	371
3	Assam	118	161 *	186865	149690	324	316 **	68056	76266	11565	12873 *	1907	1872
4	Bihar	229	310	372183	299775	1994	2488	42743	37352	27820	32070	3064	2898
5	Goa	113	122	8920	9590	517	536	1950	2183	3683	4558	274	257
6	Gujarat	1563	2640 *	26162	16610	5858	7255 *	6981	6045	51024	72360 *	802	606
7	Haryana	77	79 *	210390	224178	226	234 *	71682	75684	10621	11308 *	1526	1567
8	Himachal Pradesh	69	69 *	74058	79855	857	1052 *	5963	5237	7747	9492 *	659	580
9	Karnataka	286	312	155700	151827	1869	2777	23826	17058	41249	57737	1080	916
10	Kerala	143	150	201889	203267	72	53	400973	575283	27806	29754	1039	1025
11	Madhya Pradesh	357	341	182297	207566	296	126	219865	561746	27570	28754	2361	2462
12	Maharashtra	768	898 *	101146	93542	1799	1585 *	43180	53168	104374	129229 *	745	652
13	Meghalaya	8	9 **	217500	213334	24	21 **	72500	91429	1771	2242 **	983	857
14	Mizoram	10	7	68000	1100000	33	38	20606	20264	890	1068	764	721
15	Nagaland	30	29 *	39000	46207	67	65 *	17463	20616	1440	1454 *	813	922
16	Orissa	186	189	168065	178096	173	154	180694	218572	12320	13658	2537	2465
17	Punjab	265	208 *	75699	102452	1567	1462 *	12802	14576	23910	24892 *	839	856
18	Rajasthan	199	219	218041	215754	476	273	91156	173077	26147	36364	1660	1300
19	Sikkim	5	5	80000	90000	143	171	2798	2632	725	815	552	553
20	Tamil Nadu	260	275	212847	209964	268	295	206493	195729	34794	39448	1591	1464
21	Tripura	10	15 *	270000	198667	353	473 *	7649	6301	1810	2086 *	1492	1429
22	Uttar Pradesh	5980	8309 *	22937	17764	—	—	—	—	61889	72723 *	2217	2030
23	West Bengal	410	397 *	163464	181562	551	551 *	121634	130817	65650	67697 *	1021	1065
24	Chandigarh	2	4	315000	185000	36	46 *	17500	16087	2000	2200 *	315	336
25	Lakshadweep	2	2	25000	30000	3	3	16667	20000	140	200	357	300
26	Pondicherry	8	8 *	98750	107500	121	140 *	6529	6143	1969	2087 *	402	412

* : Data relates to 1994-95.
** : Data relates to 1993-94.

Table XI-22 : Educational Institutions and Students' Enrolment in Schools

Sr. No.	States/Union Territories	Number of Schools						Students' Enrolment in Schools					
		Primary		Middle		Secondary/Higher Secondary		Primary		Middle		Secondary/Higher Secondary	
		1988-89	1995-96	1988-89	1995-96	1988-89	1995-96	1988-89	1995-96	1988-89	1995-96	1988-89	1995-96
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Andhra Pradesh	46927	49125	5878	7298	6474	7983	5686000	5483000	1880000	1999000	2939000	350700
2.	Arunachal Pradesh	1101 **	1236 *	241 **	283 *	108 **	147 *	118635 **	158780 *	24829 **	36263 *	15029 **	20457
3.	Assam	28807	29173 *	5635	6729 *	3110	3793 *	3433077	3024398 *	1231297	1288100 *	1218063	1368674 *
4.	Bihar	52790	53220	12876	13558	3970	3861	5613274	6476598	3964749	4250643	1683027	1556404
5.	Goa	1240	1281	419	458	338	439	114915	98966	84492	78891	77111	90905
6.	Gujarat	12932	14277 *	16941	19050 *	4931	5622 *	1234409	1620629 *	5380194	6021695 *	1519285	1938409 *
7.	Haryana	5032	5414 *	1232	1403 *	2118	2618 *	1629000	1880000	687000	786000 *	367000	441000 *
8.	Himachal Pradesh	7165	7740 *	1111	1101 *	1001	1231 *	653700	726000 *	335200	354000 *	155700	254000 *
9.	Karnataka	23078	23210 *	15905	19295 *	4713	6171 *	4632000	5428000 *	1981000	2515000 *	1179000	1472000 *
10.	Kerala	6819	6728	2891	2964	2439	2581	2596018	2198084	1847843	1812775	1408090	1616894
11.	Madhya Pradesh	67182	75060	13862	17790	3698	6126	7114000	8969000	2356000	3418000	1291000	1889000
12.	Maharashtra	57158 **	62707	9480 **	13228	1580 **	3123	10115000 **	11764000	5615000 **	6499000	335000 **	1063000
13.	Meghalaya	4182	4099 @	747	816 @	369	392 @	235250	278120 @	53030	73550 @	68270	40120
14.	Mizoram	1053	1254	498	694	180	321	93961	99730	40595	47408	21188	30983
15.	Nagaland	1286	1399 *	293	418 *	120	236 *	152093	121464 *	76691	75781 *	54662	111065 *
16.	Orissa	39293	42104	9125	11510	4239	5808	3502000	3887000	970000	1270000	766000	822000
17.	Punjab	12359	12511 *	1413	1516 *	2740	2973 *	1903000	2077000 *	185000	933000 *	1289000	68100
18.	Rajasthan	29258	32986 *	8377	11235 *	3091 *	4562 *	3030072	3510839 *	2105302	2717959 *	1286303	1984218 *
19.	Sikkim	489	536	123	119	68	91	29504	41959	22576	25885	32692	47652
20.	Tamil Nadu	29359	30471	5707	5549	4709	5909	5363000	5778000	298000	3196000	362000	5066000
21.	Tripura	2083	2055 *	430	435 *	428	498 *	386831	419410 *	116795	122197 *	63288	79832 *
22.	Uttar Pradesh	73967	80223 *	14446	15976 *	5775	6637 *	10782000	1672700 *	2324000	4026000 *	4279000	5820000 *
23.	West Bengal	51019	51021	3179	2828	6586	7306	8702000	10327000	3697000	4076000	1630000	1653000
24.	Chandigarh	—	54	—	28	—	103	—	14278	—	13467	—	110717
25.	Lakshadweep	19	19 *	4	4 *	11	12 *	6810	7261 *	3501	4837 *	2603	3631
26.	Pondicherry	351	345 *	101	110 *	96	135 *	49481	46173 *	46851	46086 *	73087	112912 *

@ : Data relates to 1993-94.

* : Data relates to 1994-95.

** : Data relates to 1989-90.

Table XI-23 : Number of Villages Having Drinking Water Facilities

Sr. No.	States/Union Territories	Total No. of Villages		No. of Villages where drinking water is available	
		1988-89	1995-96	1988-89	1995-96
1	2	3	4	5	6
1	Andhra Pradesh	27379	27379	19688	25064
2	Arunachal Pradesh	3257	3649	2314	3295
3	Assam	21995	24685	18547	24685
4	Bihar	67566	205436	65843	191605
5	Goa	419	383	N.A.	N.A.
6	Gujarat	18114	18569	16418	18206
7	Haryana	6744	6759 *	5455	6759 *
8	Himachal Pradesh	16807	16807	16807	16807
9	Karnataka	29386	29193	26483	27066
10	Kerala	1219	1384	1206	1357
11	Madhya Pradesh	71352	71526	67070	67044
12	Meghalaya	4902	5492**	2844	5083**
13	Mizoram	721	699**	152	222**
14	Orissa	42221	80387	39863	64206
15	Punjab	12342	12342 *	3497	5531 *
16	Rajasthan	34968	37889	30923	37099
17	Sikkim	440 @	1679	415 @	1679
18	Tamil Nadu	51090	66631	51090	66477
19	Uttar Pradesh	112566	112804	84381	107846
20	West Bengal	38024	80377	17311	47544
21	Lakshadweep	10	10	10	10
22	Pondicherry	292	264**	291	263**
23	Chandigarh	22	18	22	18

@ : Data relates to 1992-93

* : Data relates to 1993-94

** : Data relates to 1994-95

N.A : Not available

Table XI-24 : Rural Roads Length

Sr. No.	States/Union Territories	Total Road Length (Km)		Rural Road Length (Km)		Percentage of Col.5 to Col.3	Percentage of Col.6 to Col.4
		1988-89	1995-96	1988-89	1995-96	1988-89	1995-96
1	2	3	4	5	6	7	8
1	Andhra Pradesh	125584	146944 *	89223	101484 *	71.00	69.06 *
2	Arunachal Pradesh	9034	12250	831	1464	9.20	11.95
3	Assam	29035	—	—	—	—	—
4	Bihar	31230	35626	13249	16531	42.42	46.40
5	Goa	7094	7543	—	—	—	—
6	Gujarat	64180	70609	15600	18665	24.31	26.43
7	Haryana	21250	22452 *	15865	17074 *	74.66	76.05 *
8	Karnataka	126611	135104 *	85171	83282 *	67.27	61.64 *
9	Kerala	120481	142343 *	94481	106920 *	78.42	75.10 *
10	Madhya Pradesh	85738	96443 *	55441	65715 *	64.66	68.14 *
11	Maharashtra	169921	184861 *	61095	66079 *	36.00	35.75 *
12	Manipur	4727	—	4627	—	97.88	—
13	Mizoram	N.A.	N.A.	N.A.	3593	—	—
14	Nagaland	7075	7954 **	4656	4745 **	65.81	59.66 **
15	Rajasthan	55801	66837	27138	34250	48.63	51.24
16	Tamil Nadu	164568	174645	102515	117207	62.30	67.10
17	Tripura	5734	5705 *	N.A.	N.A.	N.A.	N.A.
18	West Bengal	41022 @	43951 **	7422 @	6439 **	18.10	14.65 **
19	Lakshadweep	4	70	4	70	100.00	100.00
20	Pondicherry	2295	2182 *	1492	1131 *	65.00	51.80 *
21	Uttar Pradesh	65665	84789 *	19588	36429 *	29.83	42.96 *
22	Chandigarh	1453	1497 **	41	43 **	2.82	2.87 **

* Data relates to 1994-95

** Data relates to 1993-94

@ Data relates to 1989-90

Table XI-25 : Rural Electrification

Sr. No.	States/Union Territories	Total No. of Villages		No. of Villages Electrified		Percentage of Col. 5 to Col. 3	Percentage of Col. 6 to Col. 4
		1988-89	1995-96	1988-89	1995-96		
1	2	3	4	5	6	7	8
1	Andhra Pradesh	27339	27379	27288	27358	99.70	99.90
2	Arunachal Pradesh	3257	3649	882	1827	27.08	50.07
3	Assam	2301	25590 **	19548	21495 **	84.62	84.00 **
4	Bihar	77848	77848	43152	47160	55.43	60.10
5	Goa	419	383	377	360	89.98	94.00
6	Gujarat	18114	18114 *	17892	17985 *	98.77	99.29 *
7	Haryana	6745	6759	6745	6759	100.00	100.00
8	Himachal Pradesh	16807	16807	16807	16807	100.00	100.00
9	Karnataka	27024	27066	26483	26483	98.00	97.85
10	Kerala	1219	1384	1219	1384	100.00	100.00
11	Madhya Pradesh	71352	71352	55956	67741	78.42	94.94
12	Maharashtra	39413	40412	39413	39413	100.00	97.55
13	Manipur	2035	2182 *	1057	1590 *	51.94	99.60 *
14	Meghalaya	4902	5484	1937	2408	39.51	43.91
15	Mizoram	721	698	313	663	43.41	94.99
16	Nagaland	1112	1225 *	1099	1225 *	98.83	100.00 *
17	Orissa	46992	46992	29186	33943	62.11	72.23
18	Punjab	12342	12428	12342	12428	100.00	100.00
19	Rajasthan	34968	37889	25024	31187	71.56	82.31
20	Sikkim	405	414	333	414	82.20	100.00
21	Tamil Nadu	15831	16780	15813	18522	99.90	94.29
22	Tripura	4727	4727 *	2454	3578 *	51.91	75.69 *
23	Uttar Pradesh	112566	112804 *	78526	84352 *	69.76	74.78 *
24	West Bengal	38024	38024	24891	29205	65.50	76.80
25	Chandigarh	22	18	22	18	100.00	100.00
26	Lakshadweep	10	10	10	10	100.00	100.00
27	Pondicherry	292	264 *	291	263 *	99.70	99.60 *

* : Data relates to 1994-95.

** : Data relates to 1993-94.

Table XI-26 : Expenditure on Employment Schemes

(Rs. Crore)

Sr. No.	States/Union Territories	Expenditure on Employment Schemes		Expenditure on Jawahar Rojgar Yojana	
		1988-89	1995-96	1989-90	1995-96
1	2	3	4	5	6
1	Andhra Pradesh	68.71 @	353.77	184.16	317.06
2	Arunachal Pradesh	0.92	0.51	1.65	0.08
3	Assam	N.A.	N.A.	N.A.	103.87 *
4	Bihar	228.09	245.69	316.91	625.33
5	Gujarat	52.52	57.52	80.76	128.24
6	Haryana	N.A.	N.A.	3.94	6.61
7	Karnataka	78.70	—	109.43	183.32 *
8	Kerala	83.03	111.30	65.87	88.88
9	Madhya Pradesh	185.29	376.62	205.63	393.43
10	Maharashtra	231.54 @	272.37	209.35	117.59
11	Meghalaya	1.32	0.10	1.05	2.00
12	Mizoram	0.24	0.43	1.18	1.50
13	Nagaland	2.31	—	5.05	4.15 *
14	Orissa	98.89 @	171.21	104.45	246.84
15	Punjab	38.02	187.96 *	17.39	16.73 *
16	Rajasthan	61.57	165.43	106.49	164.31
17	Sikkim	1.97 @	7.78	2.37	6.19
18	Tamil Nadu	150.02	—	201.63	363.65
19	Tripura	8.92	27.30 *	5.42	0.25 *
20	West Bengal	11.60 @	3.15 *	199.75	309.71 *
21	Pondicherry	—	—	1.94	1.68 *

@ : Data relates to 1989-90.

* : Data relates to 1994-95.

APPENDIX-I

IMPORTANT EXPORT CONTROL/PROMOTION ANNOUNCEMENTS (APRIL 1995 – MARCH 1996)

Sr. No.	Item/s	Month	Details
1	2	3	4
1.	Export of peacock tail feathers including handicrafts items and articles made thereof	June 1995	It was decided to allow export of peacock tail feathers and handicrafts/articles made thereof within a limited ceiling of 20 lakh pieces during 1995-96. For the purpose of licensing, the entire ceiling of 20 lakh pieces was distributed among Jt.DGFTs at Mumbai (7.5 lakh pieces), Chennai (4.0 lakh pieces), Calcutta (1.0 lakh pieces) and CLA, New Delhi (7.5 lakh pieces).
2.	Export of manufactured articles/Shavings of Shed Antlers of Sambhar and Chital	July 1995	It was decided to allow export of manufactured articles/shavings of Shed Antlers of Sambhar and Chital within the ceiling of 120 MT of manufactured articles and 180 MT of Shavings, allocated to the regional offices at Mumbai, Chennai, Calcutta and CLA, New Delhi.
3.	Export of grain and flour of barley, maize, bajra, ragi and jowar (excluding hybrid jowar grown as *kharif* crop)	July 1995	The ceiling of 30,000 MT for export of grain and flour of barley, maize, bajra, ragi and jowar (excluding Hybrid jowar grown as *kharif* crop) was released during the licensing year 1995-96 and placed at the disposal of APEDA. They were authorised to allocate the ceiling as per the procedure to be specified by them. Minimum Export Price (MEP) condition was removed for the aforesaid items. Neither registration of contracts nor any export was to be allowed by APEDA or customs authorities after 31st March 1996.
4.	Re-exports to erstwhile RPA countries to count for granting Special Import Licences to Export Houses etc.	August 1995	Ministry of Commerce amended the certificate of Chartered Accountant in Appendix XIV of the Handbook of Procedures (vol. I) for the purpose of granting Special Import Licences to export houses, trading houses, star trading houses. By this amendment, the exports in rupees to the erstwhile RPA countries also were to be counted for the grant of Special Import Licence.
5.	Export of goods manufactured by 100 per cent EOUs/EPZ unit to Nepal in Indian Currency – duty applicable	August 1995	It was clarified that the export of excisable goods to Nepal and Bhutan under bond were exempted from payment of excise duty subject to certain conditions only; one of the conditions being the payment for the exports is received in freely convertible currency and not in Indian currency.
6.	Fresh concessions to increase gem and jewellery exports	August 1995	With a view to giving further fillip to export of gems and jewellery in general and export of studded jewellery in particular, duty free import of cut and polished gemstones upto 10 per cent of gem, replenishment licence was allowed.
7.	Revised quality assurance system for fishery exports	August 1995	In order to ensure that fishery products consummate stringent regulations laid down by the developed and health conscious markets of US, EC and Japan and these markets continue to buy more of Indian fishery products, it was decided to set up the new Quality Assurance and Monitoring System. It was also decided to set apart 20-25 per cent of the fees collected by EIAs for this monitoring as a Revolving Quality Upgradation Fund.
8.	Release of export ceiling for branded dairy products	September 1995	For promoting the export of traded dairy products, it was decided to release a ceiling of 10,000 MT of powdered milk (skimmed or full cream) whole or infant milk food and 1,000 MT of pure milk ghee and butter and place it at the disposal of APEDA for disbursement. The ceiling for these dairy products was announced taking into account the utilisation of the quota released last year and the domestic availability during the current year.
9.	Export of cashew to Russia under Escrow Account/Rupee-debt repayment mechanism	September 1995	It was decided to allow export of cashew to Russia under Escrow/Rupee-debt repayment mechanism subject to registration of contracts with Cashew Export Promotion Council and quantitative/value ceiling notified by DGFT.
10.	Export of cashew to Russia under Escrow Account/ Rupee-debt repayment mechanism	September 1995	It was decided to release a quantitative ceiling of 6,000 MT or upto the value of Rs.100 crores of cashew for the export to Russia under the Escrow Account/ Rupee-debt repayment mechanism during the year 1995-96. As soon as the ceiling exhausted the fact was to be reported to Ministry of Commerce FT(EE) and EP (Agri.) Divisions.

APPENDIX-I *(Concld.)*

Sr. No.	Item/s	Month	Details
1	2	3	4
11.	Air freight subsidy scheme for export of horticultural items	September 1995	A scheme for providing Air Freight Subsidy for export of perishable horticulture products in the country was announced. Under this scheme subsidy will be provided by APEDA for export of a number of fruits, floriculture products and high value vegetables. It is expected that the scheme will greatly help in enhancing exports of these products. For exports to nearby destinations like West Asia, South-East Asia and CIS countries, the rate of subsidy will be 25 per cent of the prescribed IATA rate subject to a ceiling of Rs 6 per kg. The ceiling will be Rs 10 per kg for other markets like Europe, North America and Far-East. Government has announced that the Scheme would be applicable for export from 1st September, 1995 to 31st March 1996, only. The operation of the Scheme will be reviewed early next year and its further continuation would be considered thereafter.
12.	Specified forms of sandalwood	December 1995	The export of finished and polished handicrafts products of sandalwood and machine finished handicrafts products will continue to be freely allowed against licence issued by DGFT. These licences will be issued in 1995-96 and export should be completed by 31.3.1996.
13.	Export of cotton waste	January 1996	It was decided by the Government of India to allow the export of the following varieties of cotton waste, in the quantities mentioned against each of them, for the shipment uptil 31.12.1996 : 1. combers waste 75,000 bales (of 170 kg each) 2. unwillow droppings 5,000 bales 3. hard waste 5,000 bales
14.	Export of poultry products	January 1996	The customs should not insist for the counter signature of Quarantine officer on the Health Certificate issued by various designated agencies i.e. Directorate of Marketing and Inspection, Export Inspection Agency or the Animal Husbandry Department of the concerned state.
15.	Asian Clearing Union Revised Procedures	January 1996	With a view to remove inconsistencies in treatment (such as ineligibility for credit facilities available under PCFC and PSCFC Schemes) and to remove the hardships faced by the trade, the Reserve Bank of India (RBI) has decided to switch over to a dollar dominated trade among the ACU countries with effect from 1st January, 1996.
16.	Export policy for 1996-98 in respect of garments and knitwear to countries covered by regulatory controls	February 1996	Government have announced the policy for exports during the period 1996-98 in respect of garments and knitwear to countries where such exports are covered by restraints under the provisions of the Agreement on Textiles and Clothing.
17.	Export of maize through STC to Singapore	February 1996	It was decided to enhance the existing ceiling of 30,000 MT for export of grain and flour of Barley, Maize, Ragi,and Jowar (excluding hybrid jowar as *kharif* crop) during the licensing year 1995-96 by an additional quantity of 3,000 MT Maize only and placed it at the disposal of APEDA who were authorised to issue RCAC for the same to STC for export of Maize to Singapore.
18.	Scheme for supply of gold/ silver, gold/silver intermediates etc. by MMTC to the units set up under 1005 EOU Scheme and EPZ units.	March 1996	It was decided that gold issued on loan basis to the approved units was to be repaid by purchasing the equivalent quantity by the approved units within 60 days from the date of issue of gold on loan. One extension of 30 days was allowed on payment of penalty of 5 per cent of the total price of gold on the sale price of MMTC as on date of purchase.
19.	Drawback rates for handloom terry towelling restored	March 1996	The Department of Revenue has revived the All Industry rate of drawback in respect of export goods i.e. terry towelling cloth and terry towels, when dyed, and was decided to restore the same on only handloom terry towelling cloth and terry towels, when dyed, at the rate of 3 percent f.o.b. value and 4 percent of the f.o.b. value respectively with effect from 16.6.1995.

APPENDIX-II

IMPORTANT ANNOUNCEMENTS WITH REGARD TO IMPORT CONTROL POLICY (APRIL 1995 – MARCH 1996)

Sr. No.	Item/s	Month	Description
1	2	3	4
1	Newsprint	April 1995	The item 'Newsprint' has been deleted from negative list of imports. Import of all types of newsprint including glazed newsprint shall become freely importable by all persons.
2	Import of Cars	April 1995	Export Houses/Trading Houses/Star Trading Houses and Super Star Trading Houses may import cars according to their entitlement once every five years. Such cars may be disposed of at the end of five years from the date of import.
3	Second-Hand Capital Goods	April 1995	Import of "Second-hand Capital Goods" for value exceeding rupees one crore will require certification from one of the notified international agencies certifying the residual life of the capital goods and the reasonableness of the price.
4	Coastal Ships and Trawlers	April 1995	No licence will be required for import of coastal ships and trawlers.
5	Duty Exemption Scheme	April 1995	A duty-free licence holder (quantity-based or value-based) may now have the name of a co-manufacturer added to the licence. Imports may be made by either co-licencee and the obligation shall be joint and several.
6	Cinematograph Feature Films and Video Films	April 1995	Import of "Cinematograph feature films and video films" can be made upto 31st March 1996.
7	Amendment to facilitate Imports	April 1995	All second-hand capital goods having a minimum residual life of five years can be imported by actual users without a licence, subject to actual user condition.
8	Second-hand Machinery	May 1995	In case of import of second-hand machinery, the export obligation will be determined with reference to the price of the second-hand machinery and not with reference to the price of the new machine.
9	Gift Items	May 1995	No Customs Clearance permit will be necessary for import of gift items which do not appear in the negative list of imports. The importer will be required to produce only the donor's letter in original and a proforma invoice.
10	Spares of Motor Vechicles etc.	May 1995	The import of spares for motor vehicles, tractors & earth-moving machinery becomes freely importable without any restriction.
11	Special Import Licences	May 1995	Policy for grant of special import licences to Export Houses, Star Trading Houses, and Super Star Trading Houses has been liberalised.
12	Machinery Import under EPCG Licences	June 1995	The imports of machinery at 15 per cent customs duty shall execute a legal undertaking with the licencing authority under para 45 of Import Policy in addition to a bond.
13	Import of Capital goods at Zero Rate of Duty	June 1995	Imports of capital goods at zero rate of duty covers import of components required for assembly or manufacturing of capital goods by the importer and import of spare parts required for maintenance of the capital goods so imported, assembled or manufactured.
14	Goods for Ordnance Factories	August 1995	Exemption from customs or additional duty is given to machinery, instruments, tools including accessories of such machinery, instruments and tools required for setting up of indigenous manufacturing facilities in the ordnance factories for the manufacture of armaments of Infantry Combat Vehicle (ICV) FMP-I project of the Ministry of Defence when imported into India by the Ordnance Factory Board, Calcutta.
15	Newsprint	August 1995	Newsprint which is already freely importable will be fully exempt from customs duty irrespective of its end-use.

APPENDIX-II *(Concld.)*

Sr. No.	Item/s	Month	Description
1	2	3	4
16	Import from the SAARC countries	December 1995	Customs duty concession is allowed on imports of specific commodities from the SAARC countries. In respect of some commodities the concessional rate of duty is applicable for imports from all members of the SAARC countries, while in the case of some commodities, the concession in custom duty is valid only for imports from least developed countries referred in the agreement on the SAARC, namely, Bangladesh, Bhutan, Maldives & Nepal.
17	Imports from Nepal	January 1996	Prohibition is imposed on the import from Nepal into India of goods which have been exported to Nepal from countries other than India. However, this prohibition will not apply to machinery and equipment used in Nepal for the execution of a project to be imported into India, from Nepal, after completion of the project subject to certain conditions.
18	Paper	January 1996	Duty concession at 20 per cent ad valorem is allowed on imports of paper impregnated or coated with diagnostic or laboratory regents of specified description.

Subject Index