# Weekly Notes

## *More State Budgets*

LIKE Orissa, but unlike the other States that had submitted their budgets till we went to press last week, Madras has proposed a number of new taxes to augment its resources. A surcharge of two to eight annas in the rupee has been proposed on the land revenue assessment on large holdings, A tax is to be levied on that part of the income derived from plantation products like tea, coffee, rubber and cardamom which has not been subject to income-tax hitherto, being treated as agricultural income, while a betterment levy is to be imposed an landholders who had benefited by the Government irrigation works after January 1, 1947. Other measures are a revision of the Court Fees Act, levy of sales tax at luxury rates on gold and silver ware, precious stones and imitation stones, and the levy of a special sales tax at one point of fifteen pies in the rupee, in addition to the existing tax? on all mill-made cloth, including woollen and silk, but excluding coarse cotton cloth of sixteen counts or less.

The revenue from these measures has been estimated at only Rs 40 lakhs because of certain administrative difficulties likely to be met during the year, but when these have been overcome, the annual revenue will be much greater. The Madras Finance Minister was influenced in introducing these new taxes by the fact that only Rs 45 crores would have been spent by the end of the current year out of the total of Rs 92 crores envisaged in the State Five-Year Plan.

In Madhya Pradesh, where no new taxes have been proposed, Rs 44.55 crores will have been spent on projects in the Plan by the end of 1954-55 out of the total of Rs 65 crores. The target of expenditure for the five-year period could thus be easily achieved by some slight stepping-up during the last year. This has encouraged the Finance Minister Shri Brijlal Biyani to leave a deficit of Rs 1.85 crores uncovered and to propose a reduction in the entertainment duty from 331/3 to 25 per cent.

Madhya Bharat showing a small surplus of Rs 14 lakhs has also not proposed any tax changes. For 1954-55, Rs 4.81 crores were provided for developmental schemes against a total Plan expenditure of Rs 21.58 crores. The Finance Minister was confident that targets of expenditure would be reached by the end of the Plan period, though he has not made any attempt this year to cover the short fall of resources to the extent of Rs 1.16 crores which he believes will arise in meeting this expenditure.

Hyderabad budgeted for a deficit of Rs 1. 16 crores, proposed two new measures: an increase of 20 per cent in the motor vehicles tax, which is relatively low in the State and an increase in the cess on sugarcane from Rs 2 to Rs 4 per ton, which together would yield Rs 10 lakhs annual revenue. Delhi, with a net surplus of Rs 5 lakhs did not go in for any new taxes.

## *Indo-British Trade*

TRADE between India and Britain remained at the same level in 1953 as in 1952, a fall in India's exports to Britain from £115 to £113 million being balanced by a corresponding increase in imports from £112 million to £114 million. The 'balance of trade turned from a favourable one of £3 million in 1952 to a deficit of £1 million during 1953, Due to these changes India ranked fifth as a market for UK exports in 1953 as compared with her sixth position last year. As a supplier of goods to Britain, India ranked eighth in 1953 as compared with seventh *in* 1952.

As usual machinery dominated the imports, accounting for 30 per cent of the total, as against 32 per cent in the previous year. Vehicles imported fell, however, by *12* per cent to £15 million. Electrical goods and chemicals, drugs, dyes and colours showed little change. There was an increase in the imports of non-ferrous metals and manufactures from £2 million in 1952 to £3 million in 1953.

In India's exports to Britain, tea was as usual the largest item at £52 million accounting for 46 per cent of such exports, six per cent higher than in the previous year. In terms of volume, the UK imported 315 million lbs of tea from India against 304 million lbs in 1952 and 276 million lbs in 1951. Of UK's imports of tea, 62 per cent came from India.

## *Share of Indians in Foreign Trade*

FOREIGN capital and enterprise, it is now the accepted policy of the Government of India, arc no longer to be encouraged in the country's trade. And not only in trade but in the ancillary services of banking and insurance also —that is to say, exchange banking and insurance cover for foreign trade particularly—while there is no question of displacing existing interests, the Minister for Commerce and Industry, it will be recalled, told the Associated Chamber of Commerce in Calcutta that at least 50 per cent of the business should go to Indian firms,

As in the case of lndianisation of foreign commercial firms carrying on business in India, so in the matter of securing a larger share in the foreign trade and the ancillary services of exchange banking and insurance, the first step is necessarily a collection of relevant facts. The submission of proper returns of Indian and non-Indian employees in foreign firms has now been made obligatory by law. In the case of foreign trade, a beginning has been made with a sample survey of the relative shares of Indians and non-Indians, which has been conducted for the first time by the Reserve bank from the returns submitted to the Exchange Control Department. The preliminary results of this survey have been published in the February issue of the *Reserve Bank of India Bulletin.*

Since the introduction of exchange control, importers and ex porters have to fill in particular forms and submit them to the Exchange Control Department at the offices of the Reserve Bank in Bombay, Calcutta, Madras, Delhi and Kanpur, through authorised dealers in foreign exchange. These provided the basic data for the survey. But all firms do not have to submit such detailed information, the bigger ones being given the facilities of " Round Sum Remittance " and also " G R 3 " facilities, *viz,* that of re raining the proceeds of their exports and utilsing them for financing imports. In the preliminary survey exports and imports finalised through the e two sources were left out. Subsequently, however, some rough estimates were made of the relative proportion of the trade passing through Indian and non-Indian hands in the latter categories and the preliminary findings have been *adjusted accordingly.*

There is a preliminary difficulty about the definition of Indian firms. it should be noted that the Reserve Bank has not gone by the registration or the company or the ownership of capita! but has adapted the classification followed earlier in its Census 0f Foreign *Liabilities* and *Assets. All* branches of foreign firms and Indian firms whether subsidiary, partnership, etc, under the direct control of foreign firms are grouped together under the category of ' non-Indian ' and individuals are classified by nationality.

The broad picture that emerges from the survey of the data for the two years 1952 and 1952 is that 70 to 75 per cent of India's import is in the hands of Indian firms while their share of the export trade-is somewhat smaller. being 60 to 68 per cent These are exclusive of the trade entitled to the special facilities noted above. As the latter are mostly enjoyed by big European firms, when these *are* taken into account, the share of Indian firms in the import trade is somewhat lower being 61 to 66 per cent in the case of imports *us* against 70 to 75 per cent in the general categories mentioned above and 56 to 63 per cent as aganist 61 to 68 per cent in the case of exports. The overall distribution, exclusive of the trade enjoying special remittance facilities, is as shown below.

The commodity-wise analysis show that export trade in cotton manufactures, non-metallic products (rnica), oils, *raw* cotton and spices is largely in Indian hands, their share being more than 80 per cent. Indians also hold a major share in metallic ores,' hides and skins and jute manui factures. The tea trade is dominated by foreign firms who have more than 80 per cent share.

(Value in Rs lakhs)

| | Indian | Non-Indian | % of Indian to total |
|---|---|---|---|
| Export | | | |
| 1952 ... ... ... ... | 3,83,68 | 1,85,49 | 67.5 |
| 1951 ... ... ... ... | 4,14,34 | 2,77,36 | 60.2 |
| Import | | | |
| 1952 ... ... ... ... | 2,87.92 | 1,30,44 | 70.3 |
| 1951 ... ... ... ... | 3,50,20 | 1,42,31 | 74.3 |

A similar analysis of imports shows that import trade in commodities like raw cotton and metals (iron and steel and others) is concentrated in Indian hands who handle So per cent of the imports of these items. In the case *0f* raw *jute,* chemicals and drugs, machinery and vehicles also, Indian firms account for the major share varying from 60 to 80 per tent. Only in oils (vegetable, *mineral etc)* non-Indian firms hold the major share.

By centres, the share of Indians vares from about *60* per cent in Calcutta to 97 per cent in Delhi. Eveu in case of Calcutta, Indian share in *export* trade increased from 46.7 per cent in 1951 to 58.1 per cent mainly due *to* increasing Indian interest in export of jute manufactures. *Tea,* jute, metallic ores, oils must recount for relatively greater predominance of foreign firms in Calcutta. In Bombay the share of Indian firms is 75 per cent in the case of imports and 80-85 per cent in *the* case of exports.

In sharp contrast to the relatively large share of Indians firms hi the foreign trade of the country, the exchange business,, passing 'through Indian banks is pitifully small. British exchange banks are the largest single group, financing more than half of India's export trade and about 60-65 Per cent of the import trade, Indian banks come next in importance, handling 25 to 30 per cent of export trade and 20 to 25 per cent of import trade, followed by the Dutch and the American banks. Indian banks finance no more than 30-35 per cent of the total trade carried on by Indian firms.

### *Wasted Finesse*

ONE can understand the Opposition being forced to shout at its loudest to make itself heard or to adopt other crude methods to make its presence felt, since the majority which the Congress commands in Parliament makes all other instruments ineffective. But what of the Government benches? Do they understand only the sledge hammer and not the lancet?

The extreme delicacy of the Committee which enquired into the Industrial Finance Corporation, the sobriety of the recommendations and its firmness on essential points, though couched in polite language, have all been completely lost on the Government. It is a pity that Shrimati Sucheta Kripalani, Chairman of this Committee, had to act as a rough handed commentator on her own delicate piece of work and re-state the findings of the Committee in a language which the Treasury Benches are more likely to understand.

The manner in which the Gov-eminent has handled this question right from the beginning, first by refusing to take any note of the criticism levelled on the floor of the House against the operations of this Corporation and then yielding, but not gracefully, to the demand for an enquiry has covered the activities of this Corporation with a cloud of suspicion which should have been dispelled at the very start. Instead of doing that, the Government, unfortunately, appeared to avoid rattier welcome light being thrown on the sore spots. What could he more damaging than that the Government resolution on the Report should have been published without allowing the Parliament the benefit of looking at the ful Report? By accepting the recommendation of this Committee -in principle that it would be advantageous to have a wholetime paid Chairman for the Corporation, one would have thought the purpose the Committee had in mind had been adequately served. But for the inept handling of the whole issue, there would not have been an occasion for the Opposition to score the point against the Government that Treasury Benches do not appreciate moderation in language. If the sledge hammer and not the lancet is going to be the only instrument to be used, what will remain of Parliamentary decorum?

### *Pakistan Per Capita Income*

THE *per capita* income in Pakistan for the year 1948-49 has been estimated by the Central Statistical Office to be Rs 230.4. The total national income in that year is computed at Rs 1691.90 crores while the population is estimated at 73.62 millions. The contributions of agricultural and non-agricultural sectors of the economy are as follows:

| | (Rs crores) | Percent of total |
|---|---|---|
| Agricultural sector .. .. | 1171.47 | 69.3 |
| *of which major agricultural crops* .. .. | (629.72) | |
| Mining, manufacturing and other sectors .. .. | 520.53 | 30.3 |
| Total National Income .. | 1691.90 | |

The data available for national income computation with the Central Statistical Office, however, are incomplete, and hence no great reliability is claimed for these figures. Due to the predominance of non-monetised sectors in Pakistan's economy, the task of national income estimation is bound to be difficult.

It is interesting to note that while the agricultural sector accounts for about 70 per cent of the total national income in Pakistan, agriculture in India is estimated to have contributed about 42.5 per cent in the same year, according to the Final Report of the National Income Committee. This shows the relative industrial backwardness of Pakistan. The *per capita* income in India for the same year at Rs 246.9, however, does not show much of a difference, despite the larger contribution made to her national income by industry.

***Letter to the Editor***

## India Development and Finance Corporation

IF the new ' India Development and Finance Corporation ' were to be confined to providing equity capital, as Mr H T Parekh suggests, its investments would go exclusively to the big enterprises. It is, however, desirable that small and medium industrialists should also profit from the new venture that was, according to rumours, originally devised for their benefit.

How should then the sphere of activity of the new Corporation be marked out? For me, the course to be taken appears to be quite simple. The experts shall agree upon a broad plan for the proposed economic development and expansion of India that the Corporation is dedicated to promote. (To make here just one obvious point: India exports both iron ore and coal, while she has not sufficient steel, owing to the absence of the necessary furnaces.)

Once the general plan has been drafted, it is going to be comparatively easy for the board of directors to allocate the available financial resources between the various industrial units,—old or new, big or small, -which are likely to contribute to the fulfilment of the general plan.

_ As the economic development envisaged in India requires first and foremost the expansion of heavy industry, the bigger part *of* the investment capital will probably be earmarked for a number of big companies, in which case the holding of equity could be the technical arrangement. It is. however, important that the section of the Corporation funds left for the small and medium industrialists should be distributed alter a careful consideration of not only the material, but also the human " collado ". After all, Man is not only the end, but also the principal means of economics.

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27-2-1954

## BUDGET OF THE CENTRAL GOVERNMENT. 1954-1955

(in Rs crores)

| | 1952-53 Accounts | 1953-54 Budget | 1953-54 Revised | 1954-55 Budget |
|---|---|---|---|---|
| **I. REVENUE ACCOUNT** | | | | |
| A. (1) REVENUE .. | 435.10 | 439.26 | 413.69 | 452.87 |
| (2) Tax Revenue .. | 390.02 | 374.03 | 366.53 | 393.95 |
| (3) (2) as percentage of (1) .. | 89.6 | 85.1 | 88.6 | 87.0 |
| (4) Non-tax Revenue .. | 45.08 | 65.23 | 47.16 | 58.92 |
| B. (5) EXPENDITURE .. | 396.18 | 438.81 | 430.65 | 467.09 |
| (6) Defence Expenditure on Revenue Account .. | 179.52 | 199.84 | 199.68 | 205.62 |
| (7) (6) as percentage of (5) .. | 45.3 | 45.5 | 46.4 | 44.0 |
| (8) Civil Expenditure .. | 216.66 | 238.97 | 230.97 | 261.47 |
| C. Surplus (+) or deficit (—) on Revenue Account (A—B) .. | 38.93 | 0.45 | —16.96 | —14.21 |
| **II. CAPITAL ACCOUNT** | | | | |
| D. RECEIPTS .. | 74.25 | 160.47 | 170.13 | 367.72 |
| (1) Net long-term borrowing .. | 27.76 | —18.83 | —39.14 | 25.26 |
| (2) Floating Debt (*net*) .. | —17.10 | 109.86 | 79.85 | 250.00 |
| (3) Small Savings and Other Unfunded Debt (*net*) .. | 48.74 | 55.67 | 53.64 | 60.62 |
| (4) Other receipts* (*net*) .. | 14.85 | 13.77 | 75.78 | 31.84 |
| E. DISBURSEMENTS .. | 168.49 | 191.04 | 202.95 | 341.26 |
| (1) Capital Outlay outside Revenue Account .. | 38.22 | 80.27 | 70.93 | 155.91 |
| (2) EPT & Income-tax deposits repaid (*net*) .. | 36.72 | 10.92 | 15.35 | 4.25 |
| (3) Net Loans & Advance .. | 85.39 | 96.33 | 116.54 | 194.21 |
| (of which *net* Advance to States) .. | (78.17) | (75.71) | (99.68) | (157.89) |
| (4) Capital Outlay on State Trading .. | —18.43 | 3.52 | 0.13 | —3.11 |
| (5) Others† .. | 26.59 | — | — | — |
| F. Surplus (+) or Deficit (—) on Capital Account .. | —94.24 | 30.57 | —32.82 | 26.46 |
| **III.** Remittances, Transfers of Cash etc (*net*) .. | —8.23 | 1.97 | 1.49 | —0.12 |
| **IV.** Overall Surplus (+) or Deficit (—) [I(*c*)+II(F)+III] .. | —63.54 | —28.15 | —48.29 | +12.13 |
| **V.** Cash Balance | | | | |
| (1) Opening .. | 162.68 | 79.84 | 99.14 | 50.85 |
| (2) Closing .. | 99.14 | 51.69 | 50.85 | 62.97 |

* Includes Miscellaneous Deposits and Advances, Depreciation and other Reserve Funds, Appropriation for Reduction or Avoidance of Debt, and capital outlay on Sterling Pensions; excludes EPT and Income-tax Deposit Accounts.

† Transfer to Special Development Fund of Sale Proceeds of American Loan Wheat.