

8-hour day at which there is no such recurring deficit is obviously equal to the net value added per worker per 8-hour day, viz, 1 anna and 8 pies. I think no one would deny that it is an impossible wage even in a country as poor as India.

(d) The capital-output ratio: The net value added per Charkha per year, we have seen, is Rs 61-4-0. The cost of an Ambar Charkha is Rs 100. So the capital-output ratio is:-

$$\frac{100}{61.25} = 1.6$$

Putting it in another way, the output coefficient is:-

$$a = 0.61$$

The value of the output coefficient will be lower if we include the cost of housing. It is true that the worker may not need any extra building if he works in his

dwelling house, but it will be idle to pretend that the resultant loss of dwelling space in the already overcrowded rural homes will have no social cost. There are also costs of training and organization.

(e) The rate of surplus per unit of capital investment: The volume of recurring deficit per Charkha per year is equal to the difference between the net value added per year (Rs 61-4-0) and the wage bill per year (Rs 337-8-0 at Re 0-9-0 per day for 300 days to 2 workers). Thus it is Rs 276-4-0. Dividing this by the cost of the Charkha (Rs 100), we find that the rate of surplus per year per unit of capital is minus 276 per cent, equating the capital cost to the value of the Charkha.

It is not necessary to compare

this in detail with the factory techniques as the rate of investible surplus in factory spinning is known to be positive and quite high.

The Ambar Charkha programme must have inflationary effects and will affect capital accumulation adversely. Far from creating any flow of surplus, it produces a flow of output whose value is less than even the recurring costs. In order that the Ambar Charkha might have no recurring adverse effect on the national capital stock, the workers would have to be happy with less than two annas per 8-hour day. Even at the meagre wage of 9 annas per day the rate of investible surplus per unit of capital seems to be minus 276 per cent.

World Bank Loan for Pak I C I C

THE World Bank has approved a loan of \$ 412 million to help finance the development of private industry in Pakistan. The loan will be made to the Pakistan Industrial Credit and Investment Corporation Limited, a corporation being formed by private Pakistani, British, American and Japanese investors. The Bank will enter into a formal loan agreement when the Corporation is established a few months hence.

The initial share capital of the Corporation will be 21 million rupees (\$ 4.2 million). Arrangements have been made for the Pakistani investors to subscribe to 60 per cent of the shares, American and British investors to 15 per cent each and Japanese investors to 10 per cent. The Government of Pakistan will make a 30-year interest-free advance of 30 million rupees to the Corporation; so that the capital resources initially available to the Corporation, from capital subscription, the Government advance and the Bank loan, will be 70 million rupees (\$ 14.7 million).

The principal objectives of the Corporation will be to assist in the expansion or modernization of small and medium-sized industries and to help create new ones. To achieve these objectives, the Corporation will make loans and equity investments, and underwrite and distribute securities. It will also help private industry to obtain managerial, technical and administrative

services and advice. As rapidly as is prudent, the Corporation will sell its loans and share holdings to other investors to recover its own capital for further investment.

It is expected that the initial Board of Directors of the Corporation will comprise 14 Directors: 10 prominent Pakistani industrialists, businessmen and bankers to represent the Pakistani shareholders, one director each to represent the British, American and Japanese investors, and one Government Director. The General Manager of the Corporation will be Esgo T. Kuiper of the Netherlands, who organized and was the first Managing Director of the Indonesian Industrial Bank. Headquarters of the Corporation will be in Karachi and branches will be established in Lahore and Dacca.

The authorized capital of the Corporation will be 150 million rupees (\$ 31.5 million), divided into two million ordinary shares (common stock) and 13 million unclassified shares, all with a par value of 10 rupees (\$ 2.10) each. Initially the Corporation will issue only the two million ordinary shares with an aggregate par value of 20 million rupees (\$ 4.2 million) which will be offered for subscription at par. The Pakistani Steering Committee is arranging for the sale of 1,200,000 shares (12 million rupees) of capital in Pakistan: 800,000 shares through private placement and 400,000 by

public offering. The British investors some of the Eastern Exchange Banks, a number of insurance companies, four industrial concerns and the Commonwealth Development Finance Company Limited—intend to subscribe 30,000 shares (3 million rupees). American investors Bank of America, Henry J Kaiser Company, International Basic Economy Corporation, Transoceanic Development Corporation Limited, and others—intend to subscribe 300,000 share (3 million rupees). The Japanese investing group, consisting of the 12 Japanese foreign exchange banks, intend to subscribe 200,000 shares (2 million rupees).

The Government's 30-year interest-free advance of 30 million rupees will be repayable in 15 equal instalments, beginning in the 16th year. This advance will be provided out of funds derived from the sale of commodities provided to Pakistan under United States Government aid.

The proceeds of the \$ 4.2 million World Bank loan will be used to pay for imported materials, equipment and services required to carry out industrial projects financed by the Corporation. The loan will be for a term of about 15 years and interest will be determined at the time the loan documents are signed. The Government of Pakistan will guarantee the loan.