

stead of probing deeper into the matter and putting a curb on the speculative tendency, particularly in the industrial raw material sector.

An improvement in the state of the capital market is often referred to as an explanation for a decline in bank advances to the industrial sector. The phenomenal success of some floatations by well-known houses, however, cannot fully explain the decline in industrial advances. It should, therefore, be regarded more as an expression of the habitual preference of banks to commercial advances as compared with industrial advances. The attitude of banks in this matter thus requires re-orientation, and the study group proposed by the Reserve Bank could be helpful in this direction.

In spite of a large increase in the advances of banks, their earnings during the year recorded but a slight improvement over those of the previous year. Under the income-tax procedures introduced in the 1959-60 budget, the amount of tax retained at the source as interest on Government securities was higher than in the previous year. This partly explains the comparatively small rise in the earnings of banks during the year. As against a rise of Rs 9.8 crores in 1958, 25 large Indian Scheduled Banks, with deposits of Rs 5 crores and over, improved their earnings on account of interest and discount only by Rs 6.4 crores. At the same time, however, their expenses on account of interest on deposits and borrowings increased by Rs 3.8 crores only in the year as compared with Rs 7.5 crores in 1958. This improvement was undoubtedly due to the proper functioning of the Inter-Bank Agreement. Establishment expenses increased by Rs. 2.8 crores as against Rs. 2.9 crores in the previous year. Figures in the report cast doubt on the assertion made by various Chairmen that the banks could not show better results because of rapidly increasing wage bills. It was a decline in income rather than any rise in expenses which kept the net profit down.

The Report contains a valuable summary of the conclusions reached, and suggestions made, at the Seminar on the Financing of Small-Scale Industries in July 1959. The consensus of opinion at the Seminar was that the main emphasis in Government assistance should be on non-official assistance in the form of

technical advice, managerial training, raw material procurement, equity control etc. In so far as financial assistance is concerned, the role of Government should be largely supplementary in nature'. With a view to increasing the advances of commercial banks to small-scale industries, the Seminar recommended a system of guarantees, the guaranteeing authority being the State Government or a central institution linked with, or operated through, the Reserve Bank of India.

The Seventh Report

THE Seventh Evaluation Report of Project Evaluation Organisation, published last week, will probably be known more for the fire it drew at the Srinagar Conference than for its contribution towards a realistic appraisal of the working of community development and allied programmes. In what was clearly an attempt to forestall public criticism, the powers behind the programme sought frantically to malign the Report as the handiwork of a thoroughly prejudiced and extremely incompetent organisation. And having done so, they resorted to the Parkinsonian remedy of appointing a committee to evaluate the Evaluation Organisation, and blissfully proceeded to enjoy the beauties of Kashmir. Unfortunately, the P.E.O. by basing its Report on a sample of 18 of the 3,000 Blocks, selected not on any principles of statistical sampling, but by the dictates of expediency and convenience, has exposed itself to the charge of treating the problem in a slipshod manner. The conclusions of a scientifically designed study with an enlarged coverage may not necessarily have been different; but then, such a study would have had the stamp of authenticity which unfortunately the present Report lacks. Thereby also, the P.E.O. could have protected itself against many of the criticisms levelled against it at Srinagar.

This defect of design and coverage apart, the Seventh Report provides much food for thought to those who are engaged and genuinely interested in the development of our rural areas. True, the general part of the Report does not break any new ground as compared with the earlier Reports. That the tempo of developmental activities in the post-intensive phase is markedly in decline; that the programme has failed in the essential aspect of

rousing popular enthusiasm and inculcating a sense of self-reliance among the rural population; that the arrangements for the distribution of essential agricultural requirements such as improved seeds and implements, fertilisers, insecticides etc, are far from satisfactory; that most of the C.D. Blocks are inadequately staffed and ill-equipped — these and many other such conclusions have long ceased to be revelations. Their reiteration in the Report merely shows that there are as yet *no* signs of a change for the better.

'Case-Studies'

WHAT, however, is really significant is the 'Case-studies' part. The evaluation of the Rabi crop campaign in the Punjab, U.P. and Rajasthan reveals that it has achieved substantial success in organising the necessary supplies. The point is, however, made that if this initial success is to be fully integrated and exploited, the present *ad-hoc* arrangements will have to be converted into permanent features, and that for a rapid increase in agricultural output, greater reliance will have to be placed on institutional agencies for the distribution of improved seeds, fertilisers, implements, finance etc. Though the impact of the campaign was found uneven as between different parts of each State, it has apparently reached all categories of cultivators — an achievement which is indicative more of the receptiveness of farmers to new ideas than of organisational efficiency or of non-official support to the programme.

The case studies of successful Panchayats and co-operatives are even more revealing. The successful working of selected Panchayats has been attributed to their favourable location in respect of communication facilities, their contact with urban centres, the general prosperous condition of the village population and, above all, to a core of helpful leadership. Similarly, the success of selected co-operatives has been ascribed to their location, economic resources and commercial operations. The study also concludes that the co-operative movement would have better chances of success if it was linked up explicitly with the programmes for the overall development of the areas concerned. But there is, in respect of these bodies, an inner conflict.

Though energetic leadership forms, the basis of success for these insti-