slow progress in the financing of small-sale industries, given a lead and taken initiative in opening up new avenues for the extension of such credit. It has gone into medium-term and high purchase finance. It was the pioneer in introducing rupee travel cheques for the convenience of the travelling public and, not to be outdone, it has engaged- .the services; of professional efficiency experts and set up an O & M Section of its own. Its latest steps towards popularising the backing habit by offering a limited facility for the free transfer of funds, however, do not seem to have the merits of its many earlier •innovations. It is inhibited by too much caution and the scheme does not seem to have been thought out carefully even to meet a 'fell' need.

The free remittance facility which the State Hank now offers is this: If a man having an account with the State Hank happens to be away from the place where he has his account he will be able to deposit in any office of the State Bank anywhere in India an amount up to Rs 1.000 on any one day to be credited to his account in his home town, free of cost. But he will have to deposit the amount in *cash* and in *person.*

The high cost and the time taken for transfer of funds do constitute an impediment to the growth of the banking habit. There is no doubt about it. But it is difficult to be convinced that by this credit transfer scheme the State Bank is really grappling with the problem; the break-through is yet far away.

The major limitations of the scheme are, first, that it is limited to *personal* accounts and, second, that a depositor cannot tranfer amounts from his account at one place to a place where he does not haw an account. The exclusion of business deposit-holders from this scheme would not be a serious matter if the object is to help the. growth of the banking habit: for the purpose. it is personal account? which *need* building up. While business transactions will be put through the banking system even at a cost, personal accounts may respond appreciably to an added facility like free-of-cost remittance. The second limitation is more severe. Transfer of funds from one place to the account of the deposit-holder at another place is not so important as the transfer from an account at one place to another place where the deposit-holder has no account. This because payment through cheques is so costly. Moreover, since intra-office transfers are excluded, the scheme does not touch the real problem of transfer of funds, which is retarding banking development in the country. Why not think of an arrangement whereby cheques can be cleared at par between various centres?

Coal Washeries

THE one problem that has bedevilled the working of the steel plants in both the public and private sectors is the shortage of good quality metallurgical coal. The high and varying ash content of coal has created a variety of operational difficulties at the plants and has constituted a serious drag on increased production of steel It has also increased the quantity of coal that has to be carried by the railways for the steel plants. In view of the difficult transport situation, this is riot an aspect of the problem that can be ignored. Thus it has been estimated that, if the ash content of coal supplied to the steel plants is not reduced, the railways will have to carry an additional 2.5 million tons of coal in 1965-66 for the steel plants.

Since,our reserves of metallurgical coal are severly limited and contain a high percentage of ash, two measures of conservation have been accepted as essential: (1) to wash all metallurgical coal so as to lower the ash content and thereby enrich the coals: and (2) to use a blend of weakly-coking or semi-coking coals of Bokaro. Barakar and Kobra with the fully-coking coals of Jharia.

The Second Plan provided for additional washing capacity of 6.4 million tons of washed coal to be achieved by the establishment of four new coal washeries. The troubles now being experienced by the steel plants owing to the high ash content of coal can, in large measure, be attributed to the failure to achieve the target for washing capacity in the Second Plan. Thus. of the four washeries planned, only one the washery at Kargali with a capacity of 1.6 million tons — could be set up. The washery -at Dugda, which began operation on Saturday last, was originally to have been completed in the Second Plan.

Excluding the new washery, at Dugda, the situation with regard to coal washeries is roughly as follows. Tile requirements of washed coal for the three public sector steel plants and the TISCO and the USCO are estimated at 8.27 million tons per annum. their are at presen three washeries which supply washed coal to the private plants. Two of them are under the management of T I S C. *O* and the other supplies coal in the IJSCO. These, three washeries have a combined annual capacity of 1.72 million tons in terms of washed coal against the requirement of 1.07 million tons of washed coal for the two private plants. The rest of the existing washing capacity is provided by the N C D C's washery at Kargali which has an annual capacity *of* 1.6 million tons and supplies washed coal to the- Rourkela and Bhilai plants and the washery which is an adjunct to the Durgapur steel plant with a capacity of 0.8 million tons. This: leaves a balance of 1.15 million tons of washed coal for which no capacity existed till recently.

The new unit at Dugda has a capacity of 2.4 million tons of raw coal and can supply 1.8 million tons of washed coal per annum. Even after the washery starts working to capacity, there will still remain a demand for about 2.4 million tons of washed coal for which there will be no washing capacity, The other two washeries taken up in the Second Plan, but which still remain to be completed, are at Bhojudih and Patherdih. The Bhojudih washcry will have a capacity of 0.9 million tons of washed coal and will be completed late in 1962. The Patherdih washery will be completed even later towards the end of 1963. and will have a capacity of 1.3 million tons.

EVEN after these two washeries are completed, shortage of washed coal will continue if the steel programme included *in* the Third Plan is implemented. The expansion of steel production envisaged in the Third Plan is estimated to require additional washing capacity over and above 'that expected to be achieved in the Second Plan — of 12.7 million tons in terms of raw coal. This is proposed to be established by doubling the capacity of the Dugda and Bhojudih washeries (3.2 million Ions), by setting up two new washeries at Kallara (3 million tons), two washeries at Karanpura (3.5 million tons) and a washery in Central Jharia (3 million tons). Of these, the washery at Central Jharia will almost certainly spill over into the Fourth Plan and even the others will go into operation only late in the Third Plan. Thus it is to be expected that the present shortage of washed coal will continue to dog the steel industry throughout the Third Plan period. The implications of such a situation for the steel expansion programme hi the Third Plan are, we hope, engaging the urgent attention of the Steel Ministry.

Selective Credit Control in Reverse

SOME of the changes or innovations which the Reserve Bank have in mind are important and interesting. They merit wide attention in their own rights, quite apart from the peculiar manner of their release, whether it is a working paper for internal discussion or a directive or circular issued to the scheduled banks. The Bank has now got a special officer who bears the designation not that of Director of Public Relations, but of Director of Releases. But the manner of release whether inadvertent or not has so far been a familiar one of leakage to select (favoured?) papers. If the Reserve Bank wants to encourage scheduled hanks to lend more to small-scale industries, the decision will be widely acclaimed. The adoption of any such policy is not likely to upset the market or precipitate a crisis on the stock-exchange; nor is it likely to help any one to make easy money by .cashing in on the news. Why then this pathetic semblance of secrecy which the Reserve Bank is not even able to maintain in practice? A handsome neo-classic building is not necessarily a stamp of modernity. Central banks in other countries have found public relations worth cultivating. Even the Bank of England now brings out a quarterly bulletin. Why can't the Reserve Batik circulars to the scheduled banks be released to the press in a straight-forward manner in order that they may get the attention they deserve?

It is the Reserve Bank which is the loser in letting its policy decisions be messed up by the wrong kind of publicity.

The proposed liberalisation of bank credit for small-scale industries will enable the scheduled banks to borrow at the Bank Rate to the extent of the excess of such credit extended by the scheduled banks for the first half of the year over that of the previous year, provided that the excess is Rs 1 lakh or over. This facility will be extended during the first half of the next year at the end of which the position will be reviewed. This heralds a change from the previous policy of selective credit control which was negative and did not work, to a positive one by relaxing credit to the extent such credit is made available to the scheduled banks at the Bank Rate at a time when they can borrow only at a higher rate. A beginning will be made with the credits extended by the banks to small-scale industries.

The necessity for liberalising credit to small-scale industries was indicated by the results of a special survey which the Reserve Bank conducted some time ago. Apart from the benefit which the banks may derive in future from it. the measure will complement others in the same direction which the Reserve Bank has already initiated, such as the scheme of guarantee for loans made by banks to small-scale industries and the liberalisation of credit by the State Bank of India to small-scale industries.

While the guarantee scheme helped to overcome the reluctance of banks to advance credit to small-scale industries by. reducing or eliminating the risk involved in such operations, the present measure should strengthen the ability of the banks to lend more to the small-scale sector. It will certainly reduce the cost of such loans to the banks to an appreciable extent though it may not immediately reduce the cost of bank advances to small-scale industries.

Perhaps the real significance of the new measures will be found in the new dimension which it adds to the standard instrument of credit control viz, the Bank Rate. When the banks have already borrowed from the Reserve Bank in excess of their quota, which is the normal situation in the busy season, the Bank Rate in future could also act as an instrument of selective credit expansion. In a way; the selectivity thus imparted to an essentially quantitative weapon can be compared with the operation of the variable liquid assets ratio which discriminates between different types of assets as in many of the Latin American countries. It is in this wider sense that the monetary authorities have introduced an innovation.