The latest figures of the industrial production index refer to February. These show that the index rose in February to 113, compared with 111 in January, having fallen steadily from a peak of 116 in June-August of 1961. Although this appears to provide evidence for a rise in production, a more logical interpretation of these figures is that production is probably levelling out. The January figures were depressed because of the extremely bad weather, and the February rise is nothing more than making good what was lost iti the previous month. If the two months are taken together, we find that the industrial production index has remained practically unchanged in the past six months. When this is coupled with the fact that production in the engineering and electrical industries is thought to have fallen in February the outlook appears less promising. The decline in engineering output which began in the fourth quarter of last year has been closely connected with the tailing off of the capita] investment boom. The industrial index, therefore, fails to provide evidence of the "strong expansionary forces" which the Government have been predicting.

Other indicators which hardly tally with a picture of buoyant economic activity are the latest figure of unemployment which stands at 2 per cent. A year earlier this was 1.5 per cent. What is also evident is that unemployment is now definitely rising. Both in April and March the number of people completely without work fell by considerably less than the usual seasonal drop, and the number of unfilled vacancies rose by much less than the usual seasonal increase. From the latest figures which have been issued the following conclusions can be drawn :

(a) There is a concentration of unemployment in the North, in Wales and in Northern Ireland;

(b) There is a concentration of unemployment in the construction and service trades; manufacturing industry accounts for only one-quarter of the total;

(c) There is a continuing strong demand for young people in industry; and most significant,

(d) There is a shortage of skilled workers.

What these figures add up to is. that so far, there is no evidence of a significant rise in the demand for labour, and, therefore, there is little to support the view that the rise in industrial output predicted by the Government has materialised.

Our Delhi Letter

Legislation for Chit Funds

CHIT funds are an innocuous, if not particularly beneficial, institution but in the hands of unscrupulous people they have be. come instruments for cheating the unwary public. Originating from the idea of what is popularly known as 'committer', chit funds have become a wide-spread evil in the big cities of the country and are fast spreading in smaller towns. Its victims are generally from the lower and middle classes. Pressed for money, they join chit funds to meet expenditure on marriages etc, or even to purchase consumer durables like furniture. Since there is no law governing chit fund companies — they are outside the purview of banking laws since unlike banks, chit fund companies are not open to public but are confined to their members only there has been recently a large number of cases of fraud in the Capital. The Government of India and the Delhi Administration arc considerably exercised over the problem and it is expected that the Madras Chit Fund Act, 1961, with some minor amend ments, soon will be applied to Delhi.

Chit funds are a recent innovation in Delhi. The first company was started only in 1959. Thereafter chit fund companies registered a phenomenal growth. Of the total of 275 companies formed in Delhi last year, 60 were chit fund companies. Till the end of March this year 18 more have been registered while a dozen others have applied for registration. Only one of these is a public limited company, others being private limited companies. The number of people who subscribe to chit funds runs into a few lakhs. One company alone has nearly 7,000 members.

No Financial Backing

In an increasingly large number of cases, within a few weeks of registration of a chit fund company, the subscribers have keen driven to lodge complaints with the Department of Company Law Administration about the working of the company. Most of the companies have no financial backing and the vast number of people who subscribe to these chits come to grief sooner or later. In a number of cases the Department of Company Law Administration has discovered that the promoters of the company have deliberately resorted to illegal practices to cheat the subscribers.

The promoters of the chit Fund companies make huge profits and some of them have built fortunes. In one case it was found that all the members of a family were on the pay roll of the company, each drawing Rs 1,000 per month. In another case, an enterprising Government clerk having failed to pay his subscription to one chit fund company, himself floated another. However, he had to close down his 'business' after the first company attached his salary 'following a court order. There have also been cases when chit fund companies have 'disappeared' only to reappear under different names. A common *modus operandi* is for a number of representatives of the company to subscribe to a chit sc-ries. At the auction, they bid high to raise the rate of discount. In one case, for instance, it was found that a chit valuing Rs 2,500 was auctioned for as low as Rs 1,675. This way the promoters swell their commission which is a fixed percentage of dividends.

Only seven chit fund companies in the Capital have authorised capital of more than Rs one lakh each. Thirty-four have a capital of Rs one lakh each and most of the rest have only between Rs 20,000 and Rs 30,000. Their paid-up capital is much lower than their authorised capital. It is really intriguing how these companies with only a few thousand rupees of paid-up capital often advance loans running into lakhs. This lends substance to the suspicion that many of these transactions are bogus.

Complaints Go Unheeded

AY present complaints against the chit fund companies mostly go unheeded, since there is no specific law governing their activities. The Department of Company Law Administration is helpless since the Companies Art does not permit it to interfere in the affairs of a private limited company, and all chit fund companies in the Capital, except one, fall in this category. There is really no justification for these companies enjoying the privileges of a private limited company which is supposed to be managed by families and which has no investment from the public. The chit fund companies, on the other hand, are built on capital from public subscriptions. Prosecution for cheating can at present be launched only under the Indian Penal Code, but police would take up a case for investigation only if there is *prima facie* evidence of cheating. This explains why only four companies have been prosecuted so far though enquiries arc pending against another six.

Under the Madras Chit Funds Act which is proposed to be applied to Delhi, the laws and by-laws of a chit fund company have to be registered. Security equal to double the monthly collection has to be deposited with the Government. The foreman of the company will be responsible for maintaining proper accounts which will be open for inspection to subscribers and for paying and realising chit money regularly. The Act provides for the appointment of a director of chit funds and a registrar as well as inspecting officers and chit fund auditors. An official authorized by the director can inspect documents and accounts of a company. At present even though the chit fund companies are registered, only a few of them furnish their returns to the Company Law Administration.

The extension of the Madras Act to Delhi is intended to safeguard the interests of the large number of subscribers. There has already been an unjustifiable delay and it is hoped that no time would now be lost in introducing the law. Other States where chit funds are spreading will be wise to follow suit.

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Heavy Engineering Complex in Trouble

The heavy engineering complex, comprising of the Heavy Machine Building Plant in Ranchi, Mining Machinery Plant in Durgapur and the Foundry Forge Plant in Ranchi, is in a pretty bad shape. Progress of construction of these plants has been halting and behind schedule. Firstly, there was an inordinate delay in acquiring land. The attitude of the Bihar State Government was reported to have been unhelpful though the authorities of the Heavy Engineering Corporation also proved to be tactless. They first acquired land only for the plants in Ranchi and did not bother to acquire any land for the township, Once construction of the plants started and the State Government became sure that it would now be difficult to shift the site of the plants, it was not over-anxious to help the Corporation to acquire land for the township. In fact it created difficulties in the way of the Corporation acquiring land. With no facilities for accommodation, few people, particularly technical personnel were willing to take up jobs in the project. This delayed construction work greatly. It is only now that the Corporation has been able to acquire land for the township.

The proposed Foundry Forge Plant is to supply castings, forgings and machines and components of different sizes to the Heavy Machine Building Plant. The construction of both these plants was, therefore, planned to be co-ordinated. But the construction of the Foundry Forge Plant is behind schedule by about two years as the foundation work there has had to be redone. The Indian side, it is understood, supplied wrong soil survey to the Czechs who are supplying the machinery and technical know-how for the Plant. The Czechs prepared their detailed project report and designs *on* the basis of the soil survey. The mistake was discovered after actual construction had begun. Now the Heavy Machine Building Plant will be ready but the forgings and eastings needed for it will not be available. What should be done so that capacity created at the Heavy Machine Building Plant does not remain idle? It is high time the Corporation authorities applied their mind to this problem. One solution could be to import forgings and castings to the specifications till they are available from the Foundry Forge Plant. But if these imports are to be made, the supplier country should be informed now as it takes much time to plan and arrange the production of these materials.

Training Facilities Not Utilised

The Corporation authorities have also been very slow in sending personnel abroad for training. For instance, only 39 persons have been sent so far to the U S S R for the Heavy Machine Building Plant as against 120 permitted under the agreement. Similarly, for the Mining Machinery Plant only 4 as against 70 stipulated in the agreement have been .sent for training. These are most complex projects and require a large number of experienced and qualified technicians. The Designing Bureau of the Heavy Machine Building Plant alone will require 500 such personnel. Kvery product of these plants has to be designed. All this notwithstanding the Corporation authorities have shown extreme lack of imagination in selecting people for training. On the one hand they are reluctant to pick promising young men, and on the other, they do not find enough experienced persons. They have yet to realise that this is an entirely new line of production in the country and, therefore, it is natural that experienced people in sufficient numbers cannot be found. Finally, the functioning of the Corporation is hedged in with much bureaucratic red tape.

The heavy engineering complex is the backbone of the country's machine-building industry. The new Minister for Heavy Industry, Shri Subramaniam. faces an uphill task in setting things straight at the Heavy Engineering Corporation and speeding up the construction of the projects undertaken by it.