

was *nil*, in spite of the concessional rates of interest offered.

### Slack Demand for Assistance

A GGRECAT data on the performance-of all term financing institutions (IDB, IFC, ICICI and SFCs) during fiscal years 1963-64 and 1964-65 indicate that total assistance sanctioned declined from Rs 96 crores to Rs 94 crores (foreign currency loans from Rs 21 crores to Rs 18 crores) but disbursements rose from Rs 58 crores to Rs 70 crores (foreign currency loans from Rs 8 to 10 crores). The decline in sanctions has taken place mainly under loans, both rupee and foreign currency, from Rs 85 to 78 crores, while underwriting and direct subscription have risen from Rs 11 to 16 crores, though IFC has curtailed its activities in this field. According to reports from reliable sources, the pace of inquiries and applications at IFC and ICICI has definitely slackened further this year and the volume of business put through is expected to be even smaller. This is in striking contrast to the situation in 1960 on the eve of the Third Plan. How has this slack come about?

The capital market is, of course, sluggish, though the increase in the number and size of fresh capital issues

give a contrary impression. Financial institutions are carrying the load in the absence of public support, but they cannot do so indefinitely. The burden of taxation is not the principal factor responsible since it has been amply demonstrated that fast growing companies have a much lower tax liability due to various concessions and rebates. The fact appears to be that the investing public has been hit by rising prices and both investors and promoters have been rendered illiquid by slower turn-round of investment than anticipated, caused by delays in completion of projects and, when completed, by delays in achieving production targets due to shortages of materials and power breakdowns in some areas. Promoters' equity is acutely strained owing to these delays and their over-extension into several lines of activity simultaneously. Most of the new entrepreneurs are in trouble due to cost overruns and shortage of own funds. The big houses, too, are stretched to the maximum with the numerous projects they have undertaken, rise in costs and tight bank credit.

We have to live with these problem: for some time to come because the shortage of materials will remain in the near future. All that can be done is:

to expedite the solution of problems by more selective allocation of materials and where gluts have appeared by improved marketing. Mere relaxation of credit curbs will not help — if it is intended mainly to enable certain influential industries to keep their inventories of finished goods at high levels or to help them build up large inventories of raw materials at the expense of other sectors of the economy.

### Watered Down Gold Control

THE revised income-tax rules relating to expenditure on advertising have been published for eliciting public opinion at about the time that the trailing end of the gold control order was passing on from the shelter of Defence of India Rules to its final resting place in the Statute Book through a bill in the Rajya Sabha. Meanwhile, the belated measures for rehabilitating goldsmiths and finding alternative employment for them having served their purpose, were being wound up. True, demonstrations for cancelling the order and the demand of the goldsmiths to be licensed as small scale industry still go on, but gold control no longer excites much interest. It never

Financial Assistance to Industrial Concerns by Major Term-Financing Institutions during 1963-64 and 1964-65

(Rupees crores)

| Name of the Institution   | Loans     |                  |              |                  | Underwriting and Direct Subscriptions |         |               |                | Loans, Underwriting and Direct Subscriptions |                  |               |                  |
|---|-----------|------------------|--------------|------------------|---------------------------------------|---------|---------------|----------------|--|------------------|---------------|------------------|
|   | Sanctions |                  | Disbursement |                  | Sanctions                             |         | Disbursements |                | Sanctions                                    |                  | Disbursements |                  |
|   | 1963-64   | 1964-65          | 1963-64      | 1964-65          | 1963-64                               | 1964-65 | 1963-64       | 1964-65        | 1963-64                                      | 1964-65          | 1963-64       | 1964-65          |
| Industrial Development Bank (IDBI)*   | 19.25     | 20.44<br>(39.45) | 12.04        | 18.57<br>(18.73) | 3.10                                  |         |               | 0.17<br>(0.44) | 19.25  | 23.54<br>(46.30) | 12.04         | 18.74<br>(19.17) |
| Industrial Finance Corporation (IFC)**<br>(Of which foreign currency loans)               | 30.51     | 20.78            | 17.08        | 17.60            | 4.58                                  | 3.77    | 3.45          | 2.47           | 35.09  | 24.55            | 20.53         | 20.07            |
| Industrial Credit and Investment Corporation (ICICI)<br>(Of which foreign currency loans) | 8.26      | 7.04             | 2.08         | 2.47             |                                       |         |               |                | 8.26   | 7.04             | 2.08          | 2.47             |
| State Financial Corporations (SFCs)   | 18.61     | 16.80            | 9.23         | 13.99            | 4.64                                  | 6.33    | 2.19          | 2.96           | 23.25  | 23.13            | 11.42         | 16.95            |
|   | 12.86     | 10.90            | 6.33         | 8.03             |                                       |         |               |                | 12.86  | 10.90            | 6.33          | 8.03             |
| Total   | 16.56     | 19.95            | 11.71        | 12.98            | 1.55                                  | 2.76    | 2.07          | 1.17           | 18.11  | 22.71            | 13.78         | 14.15            |
| (Of which foreign currency loans)   | 84.93     | 77.97            | 50.06        | 63.14            | 10.77                                 | 15.96   | 7.71          | 6.77           | 95.70  | 93.93            | 57.77         | 69.91            |
|   | 21.12     | 17.94            | 8.41         | 10.50            |                                       |         |               |                | 21.12  | 17.94            | 8.41          | 10.50            |

\* Data for 1963-64 relate to the operations of R C I. The figures for 1964-65 cover the operations of RCI for 5 months (prior to its merger with IDBI on September 1, 1964), the refinance operations of IDBI for the subsequent 7 months as well as the direct financial assistance of IDBI during the first 9 months since its inception on July 1, 1964. Figures in brackets relate to the operations of IDBI for a full year period (July-June), which include the refinance operations of RCI for 2 months (July-August 1964). To avoid double counting, refinance extended to SFCs has been excluded throughout as this is already covered under their loans. No refinance was availed of by IFC and ICICI during the period.

\*\* Disbursements on account of guarantees are included under loans.