Weekly Notes

World Bank *Mission*

THE World Bank Mission which is on a tour of inspection in this country has before it an important task. After the state ment made by Mr Chintaman Deshmukh in Parliament sometime ago, it is expected that there would be a co-ordination of the schemes for borrowing with the requirements tinder the first and the second parts of the Five-Year Plan. The estimates furnished by the Planning Commission showed that quite a large sum is required in foreign exchange for the implementation of the various projects. Even though the Government of India would be able to secure their requirements of foreign exchange from releases of accumulated sterling balances, it would *he* more convenient if the " gap " in rupee finance could be reduced to a safe limit, so that it would he possible to implement the second part of the plan also according to schedule.

It is not difficult for either the Government to formalate specinc proposals which would be financially workable, or for the World Bank to consider fresh proposals .sympathetically as considerable expenditure has been already incurred on many of the projects. Apart from the claim that the Government of India has *on* the World Bank for a liberal loan to finance the river valley projects and the various industrial undertakings, maximum consideration has to be given to the question of financing the schemes of expansion for raising steel output by the two major pro ducers and the erection of a new plant for the production of 350,000 tons of pig iron, the extension of the ship-budding yard, the erection of the aluminium factories, the additions to paper production and so on.

So far as the industrial sector is concerned there is certainly no difficulty in formulating convinging propositions and even self-liquidating schemes, as additions to the steel output or pig-iron output will be followed immediately by an Increase in earnings of the various units concerned. If a liberal policy could be pursued in regard to price fixation, the finance required could easily be found out of earning over a period. Besides, the private industrial sector can make arrangements for raising finances from the organized capital market. It will, therefore, greatly facilitate the work of the leading industrial producers. If, in the construction period, the necessary capital could be provided, the additional capital can be raised from the open market after the projects concerned had reached the production stage. It is in estimating the requirements of the various industries for financing extensions and effecting replacements and renewals that the utmost co-operation is needed between the industrialists and the Government.

Bank Loans

HE World Bank is not unused to large loans. An analysis of the loans made by this international lending institution since its inception will show that the earlier recipients were more lucky and that, even during the last accounting period, Australia was successful in securing as much as $100 million. The biggest loan that has been sanctioned so far to any country-has been taken by France for $250 million. Netherlands comes next with *$191.4* million. India, on the other hand, has received only three loans amounting to $52 million, of which only the Railway loan has been fully utilised. In fact, even repayments have commenced on this account and it is shown in the Bank's balance-sheets that there have been cancellations and refundings to the extent of $1.2 million while principal repayments amounted to $1.7 million. As a result, the net liability on account of the rail ways as on June 30, 1951, was only $32.8 million. On the other hand, in respect of the loan for purchase of agricultural machinery, there was still an undisbursed balance of $5.9 million and for electric power development $12,36 million, Thus, the net expenditure through foreign loans till the end of June this year was about. $43 million.

India's Needs

THE present requirements however, will he very considerable and there is no reason why the Government should not be able to ask for as much as $500 million. The industrial sector alone will require $200 million as the Tata Iron & Steel Company will be spending Rs 40 crores, the Steel Corporation of Bengal, Rs 20 crores, shipping companies probably Rs 25 crores and the rest Rs 50 to Rs 75 crores. As there are many projects which can be fruitfully launched without participation by foreign interests, there is no reason why, on the basis of specific proposals, the Government could not raise funds.

As regards river valley projects, the sale proceeds from loaned wheat will certainly be useful. But, in so far as there is need for foreign exchange, it should not be difficult to formulate schemes for securing fresh loans.

The World Bank cannot plead inability to consider the request of the Government of India as there arc ample resources at its disposal. At the end of the last accounting period, the reserves at the disposal of the Bank amounted to $438.78 million *in* investments and $1.25 million in currency. Full provision has, of course. been made against the loans granted so far. It would, however, be necessary to sell further bonds in order to meet the requirements of India. It cannot be difficult to place these bonds in the United States or Canada, as the bulk of the expenditure will have to be made in these two countries.

Rural Credit

INDIA lives in her villages. But the village community does not enjoy adequate banking and credit facilities. It is no wonder that money economy does not prevail in the country. It has been suggested that this is one of the main reasons why financial and monetary controls are not effective. Many expert committees have lamented that the absence of money economy is a bar to collection and estimation of data on which alone can a planned economic policy be based. It is, therefore, welcome that the Reserve Bank is conducting an investigation into the credit and banking possibilities available to the farmer.

To admit this is not to concede that the country has progressed at the cost of the town during and since the war. On *a priori* assurap tions a highly sophisticated theory has been elaborated. There have been increases in many incomes during the war. But the flow of savings has not grown. To explain