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Banking and Development

WHILE the Planning Commission are engaged at the moment in assessing the progress of the Plan in the first two years, it is only now that realisation has been seeping into the public mind of the magnitude of the task that remains to be performed. The Finance Minister started a hare by talking aloud about deficit financing and made explicit what had remained implicit in the idea of developmental planning. The specific figure for deficit financing he gave may be no more than a guess but it gives an indication of policy which is welcome in that it puts development before finance. This has led others into diverse lines of speculation which are largely unprofitable. This is suggested by the speeches of the Chairmen at the bank meetings which curiously enough lack a general tenor, conveying thereby the confusion that prevails regarding the means of attaining the aims which have now been clearly defined and won general acceptance.

That development must take precedence over finance has received enthusiastic support and has struck an echo of response from almost all quarters. In his statement at a Press Conference. Mr Bernstein, Leader of the 1 M F Mission put it as well as anyone else: " If a development programme did not require more investment than could be easily financed by saving, it would be a little more than an inventory of projects that would be undertaken in the ordinary course of events. Naturally, the Plan calls for a much higher level of investment, modest though it is in its objectives and that is why ordinary savings are not enough to finance it." " The people and the Government of India ", Mr Bernstein went on to say, " will have to make extraordinary efforts to secure adequate resources at home and to find . . . more capital from abroad." Shri G D Birla in his speech at the Annual Meeting of the United Commercial Bank echoes this sentiment enthusiastically when he says, " those who talk of lack of capital in India seem to be insufficiently aware how modern financial techniques coupled with financial discipline can work wonders."

Discordant voices have also been raised, among others, by Sir Cowasji Jehangir who prefers to reserve his gifts of imagination to patronage of art and scotches the idea of deficit financing in his speech at the annual meeting of the Bank of India. While prepared to wink at minor lapses—Sir Cowasji does not mind deficit financing within limits—he roundly trounces the notion that restraint could be observed in practice. More likely, the Nasik Press will work overtime. So far, however, there is a large measure of agreement. Differences arise when one comes down to brass-tacks. What are the financial techniques and what is the financial discipline necessary to work wonders? Shri G. D. Birla has the reputation of having made Indian capitalism intelligent. 'Then is a welcome affirmation in his faith that the country does not suffer from want of capital. It suffers " because there is absence of conditions which will impel men to work hard." This is a good enough statement of the problem of development. What Birla wants is " a social climate in which all, in their own interest, will work hard." Shri Jayaprakash Narayan starting from the same premise derives the conclusion that people will not work hard nor would they find the social climate congenial for working hard unless industry is nationalised, so that production will demonstratively be for the people and not for the profit of a small section. Shri G D Birla also recognises that the financial set up will have to he changed and believes that the business community can contribute toward this change so that deficiencies of capital can be overcome. 'The same premise leads Shri Jaya Prakash Naravan to demand nationalisation of banks and insurance companies.

For some, time past, the possibility of drawing more heavily on the resources of banks and insurance companies have been discussed off and on. There were hints from the Government benches when the Plan was discussed in Parliament to which Sir Homi Moth has drawn pointed attention. Sir Homi calls these utterances unfortunate because they appear to suggest that substantial changes are necessary in the strutlure and organisation of banking and dial some members of the Cabinet, if nor the Government, had a more positive policy in view than what the Planning Commission had recommended. Such statements. Sir Homi goes on to say. " raise doubts about the measures of acceptance by Government of role of private enterprise in the execution of the Five-Year Plan."

True enough, the Planning Commission have not suggested any incursions into the spheres of banking and insurance but on the other hand they have left so many things unsaid, e,*g* the means for attaining the targets for industry arid agriculture that they have set up and for raising the balance of resources for the implementation of the Plan. Thought-has turned idly but increasingly to these unexplored avenues and even so conservative a Finance Minister as Shri Chintaman has mentioned qualitative control on investment of insurance companies while denying any such intentions with respect to banking.

But why deny? The provisions for controlling the operations of banks in the Banking Companies Act are wide enough to allow quite a large measure of intervention. And it is not unlikely that when the Planning Commission and the Government come to grapple with the targets that have been set, such avenues will not only be explored but exploited. In that case, it will be a significant departure from the present policy and practices. So far the Government direction of' resources has been confined to fiscal measures and Operations on the security market, and to borrowings from the Reserve Bank. Resources have been channelled into a central pool which has been drawn upon, to finance and implement whatever development the Government had in view. There is a difference, however, between the Government guaranteeing advances on cotton which the banks were asked to make and directing banks to do it on their own. 'The difference will come out sharply, if at a later stage, the Government pursues the policy, which was the original idea, of unloading on the market the shares in Government undertakings which have been incorporated as joint stock companies. These shares are now being field in the name of the President. Qualitative control over credit can be exercised by making it compulsory for banks and insurance companies to take over certain proportion of such investment.

The choice is between drawing resources *via* a central pool and divining for water wherever it can be found. (Some may prefer a different metaphor—squeezing water out of stone!) Assuming that shares of the corporations which own and run different Government undertakings can be successfully placed with the public, with the help of bank finance, or directly placed in part with banks and insurance companies, will it stimulate more saving? It may, to the extent that savings are induced by a higher rate of earnings, for stocks of such corporations will presumably offer higher yields than Government paper. The balance of advantages, however, still lies with the present structure *of* pooling.

Kenyatta is Kenya

TOMO KENYATTA is not the J first leader of a colonial people to have been sentenced to sever years" hard labour. Instances of rigorous imprisonment for political offences in colonial or dependent countries are not new. But the Nairobi Magistrate's judgment on the Kenyatta trial will evoke comment for its implications. Jomo Kenyatta has not been sentenced to seven years' rigorous imprisonment for being the President, or a member, of the Kenya African Union. Me has been sentenced to seven years' hard labour because he has been found guilty of ''k managing Mau Mau and being its member ". Mau Mau is not a lawful society. Mr Ransley Thacker, the Nairobi Magistrate, argues that even Kenyatta's defence counsel has not denied the existence of Mau Mau. It is a secret, terrorist organisation. That is why the Nairobi Magistrate rejected the defence plea that Kenyatta was on trial on political grounds. '' This case," the Magistrate concludes, '' is an ordinary criminal trial . .

Irrespective of legal squibbles, this ruling of the Magistrate has significant political implications. This, indeed, is the crux of the situation in Kenya. Mr Thacker was anticipated by the Colonial Secretary some days ago. About a week before the Nairobi Magistrate delivered his judgment on the Kenyatta trial, the House of Commons held a debate on an adjournment motion on Kenya. Mr Paget, a Labour Member of Parliament, who sponsored the adjournment motion, deplored that the Government bad made nearly every mistake that an occupying Power could make, faced with a " national resistance movement ". In admonishing Mr Paget for his '' malicious, mischievous and intemperate speech ". the Colonial Secretary stated that nothing could be more fantastic than the Labour Member's reference to Man Mau as a " national resistance movement ".

Mr Lyttleton quoted facts and figures in rebuttal of Mr Paget's assessment of the situation in Kenya. Only a quarter of Kenya's African population were Kikuyu. All Kikuyus are not members of Mau Mau. A large portion of them are '' loyal ", another large portion have taken the Mau Mau oath of ridding the colony of white settlers under intimidation. Much has been heard of the mental strain and suffering of white settlers in remote parts of Kenya under constant threat of being disembowelled by Mau Mau men, of their lonely, unfortunate wives and families keeping night-long watch with shot-guns in their bed-rooms against Mau Mau attacks. There have been Mau Mau atrocities against the European settlers in Kenya. But even the authorities in Kenya do not deny that Mau Mau activities are directed more against their fellow-Africans than against the white men.

In the last week of March there