

Weekly Notes

New Issue for Power Cos

BOMBAY'S problem of power shortage is at last on the way to a solution. The Tatas had put up a scheme for setting up two thermal units at Trombay of 50,000 kw each, to be taken up one after the other. The Government of Bombay has given its sanction for the first unit the cost for which, including equipment, receiving station and complete transmission system, is estimated at Rs 9 crores. The second unit, it has been estimated, will cost Rs 4 crores but no decision about it has been taken yet.

Of the capital required for the project, the World Bank has agreed to lend Rs 7 crores, Rs 3 crores will be raised from banks as temporary borrowings and the power companies are issuing equity capital for the balance of Rs 3 crores. The thermal station at Trombay is to be a joint venture undertaken by the three power companies forming a single integrated group—Tata Hydro-Electric Power Supply, Andhra Valley and Tata Power. Tatas have applied for the extension of the licences of all the three companies beyond 1959 to 1975. The demand for uniform licensing, which had been a matter of dispute with the Bombay Government for some time, has now been accepted in principle and will be granted when the companies have raised at least a part of the capital needed for implementing the project.

The selection and acquisition of a site for the station, the appointment of technical consultants, the preparation of designs, layout and specifications and the issue of tenders for the plant—all these preliminary steps have been completed. The scheme can start immediately. Although the share market has been dull, the response to the call for equity capital is expected to be satisfactory because the bulk of the required finance will be obtained from other sources and the Electricity Supply Act fixes a return of 5 per cent on capital. The companies anticipate no difficulty in selling the power that will be generated. Moreover, the Trombay station will be linked up with the hydro system operated by the three companies together, and balance the power supply of the joint undertaking by reducing the present absolute dependence on water power.

Consent for the issue offer of which is made in the first instance

to existing shareholders of the companies at par is yet to be obtained from the Controller of Capital Issues. This is, however, a mere formality. In the meanwhile, extraordinary meetings of the companies are to be held to pass the necessary resolutions in order to raise the authorised capital and for sanction of the proposed issue of capital.

Trouble free Indo-Pak Travel

THAT the release of Khan Abdul Ghaffar Khan was discussed by Pandit Nehru during his talks with the Prime Minister of Pakistan in London, is a welcome piece of news, divulged by Mr Mohammed Ali himself. Nothing is better calculated to clear the ground for resolving all outstanding disputes, barring perhaps the issue of Kashmir. Meanwhile an earnest of better relations to come is the decision to liberalise the travel regulations between the two States. Frankly, the road to heaven these days must be strewn with innumerable forms to be filled by every aspirant. Goodwill is evidenced in extension of various facilities but it is tempered with many regulations about transit visas, multi-journeys, special visas for non-diplomatic staff and visas of categories A, B, C, D, E, & F.

Easier to understand and perhaps more helpful than any of these is the welcome decision to increase the number of visa offices, one at Bombay and the other at Shillong by the Government of Pakistan and one at Hyderabad (Sind) and the other at Rajshahi (East Bengal) by the Government of India. A large number of additional routes has also been listed for transit of traffic. Even the reopening of railway traffic between the two Punjabs is under discussion.

Sales Tax on Inter-State Trade

THE levy of sales tax on inter-State transactions, made possible by the Supreme Court decision on the Bombay sales tax appeal, has created so many difficulties for traders that the Committee of the Indian Merchants' Chamber, Bombay, has appealed to the Central Government to intervene in the matter. The Supreme Court held that the State in which the goods are actually delivered for the purpose, of consumption is entitled to levy the sales tax. "This means that sellers in one State selling goods for consumption in another have to pay

the sales tax to that other State in accordance with the law prevailing there. As a result, dealers have to familiarise themselves with the sales tax laws of all the States to which they supply goods, to file returns, and sometimes appear personally before Sales Tax Officers, in all of them. The difficulties created in this way are so great that it would not be surprising if many traders preferred to cut down their transactions with other States to the minimum. An undesirable hampering of inter-State trade would, therefore, result from the enforcement of this right to levy the tax.

States have not been deterred by this prospect and have been enforcing this right of theirs, to the detriment of trade in the country. Many of them have even decided to give retrospective effect to their right as established by the Supreme Court, although the traders concerned had not collected any tax from the buyers before the decision, under the impression that they were not entitled to do so. Though such action on the part of the States is certainly perfectly legal, it does not appear to be a very fair way of treating the interests concerned.

The President of the Chamber, Shri Ambalal Kilachand, has suggested that the Centre should assume responsibility for the levy and collection of sales tax "on inter-State transactions. This would create complication, without proportionate benefits. There is much more to be said in favour of centralisation of the sales tax, and not merely that of sales tax on inter-State transaction. Centralisation will reduce the administrative difficulties to the minimum and will also ensure uniformity in the law. There are many hurdles in the way. But that is the only solution of the problem and will ultimately have to prevail.

The Guide and Mentor Reports

THERE is little that is new or very much enlightening in the Annual Report on the Trends and Progress of Banking in India which the Reserve Bank has to publish under Section 36(2) of the Banking Companies Act. For an assessment of the monetary policy, one has to wait for the Report on Currency and Finance which covers the financial year and has an advantage over the present report, which is for the calendar year, in that it can give a more complete picture of the busy

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season. The money market conditions in the year under report remained fairly comfortable, so that the banks did not have to resort to borrowing from the Reserve Bank to the same extent as in the previous year. The discounting of usance bill by the Reserve Bank was no longer a novelty. The more interesting experiment of the year was the scheme of assistance to the scheduled banks for financing cotton and tea to which was added the advice tendered by the Reserve Bank to some of the scheduled banks in UP and Bihar to reduce the margin for advances against stocks of sugar produced in the earlier crushing season. To what extent the banks availed of the assistance in financing American cotton, whether it was necessary for them to avail of the facilities offered to them of selling cotton to the Government, it would be interesting to know. No further details have been given about any of these transactions that were not already known to the average newspaper reader.

More to the point undoubtedly was the control exercised by and the administrative actions of the Reserve Bank for the maintenance and improvement of the general standards of banking in this country. This is a major responsibility imposed on the Reserve Bank by the Banking Companies Act. One has to accept on trust from this report that comprehensive regulation of banking has been having a salutary effect in promoting sound banking traditions. The evidence from which this statement could be confirmed or refuted naturally does not appear in the report. The defects in the operations of the banks that come to light during inspection are brought to the notice of the banks concerned for suitable action as a matter of course, and in some cases, banks are asked to submit progress reports periodically. How far is the advice found helpful by the banks concerned and how far the advice is carried out, whether gentle admonition always proves adequate—all these are left to the reader to be inferred?

The common defects that are mentioned are all too familiar—inadequate attention to the affairs of banks by Boards of Directors; laxity of control and supervision by Head Offices on branches; unsatisfactory reserve position; inadequately low liquidity ratio; high pressure and unfair competition for deposits by offer of uneconomic rates; clean

advances without investigation of the credit of the party concerned, — all these are there. Worse still, large advances given to directors or their relatives and concerns in which they are interested continue to be a regular feature.

Needless to say, it is the non-scheduled banks which are usually at fault. Four of these suspended payment during the year. Nine banking companies, all non-scheduled banks, six of which were from the Madras area, went into voluntary liquidation. Eight banking companies, seven of them non-scheduled, were ordered to be wound up by Court, five of the non-scheduled and the only scheduled bank being from the Calcutta area.

The exact position about non-scheduled banks is a little difficult to ascertain because of the inclusion of banks operating in Part B States from the year of the report. The number of reporting banks increased during the year from 377 to 500, of which the numbers of those with capital above Rs 5 lakhs increased from 129 to 139. Despite the increase in the number of reporting banks, the number of banks with capital and reserve below Rs 50,000 was lower than in 1949, owing largely to the coming into operation of the provisions of the Banking Companies Act regarding minimum capital requirement. Banks with capital and reserves below Rs 50,000 declined from 83 in Part A States alone in 1949 to 60 in 1952, in Part A and Part B States taken together.

Not all banking companies are willing or able to raise their capital to the prescribed level. While 26 companies did so, 11 conformed to the provisions by reducing their area of operation, while 32 companies converted themselves into non-banking companies or went into liquidation, and thus, from the purview of the Act.

Of the contraventions of the Act, the largest number, 90 during the year, were in regard to transfer of 20 per cent of net profits to reserve fund. This number was swelled by many of the banks in Part B States becoming subject to provisions of the Act during the year for the first time. The other contraventions are for interlocking directorates, restrictions on payment of dividend until capitalised expenses had been written off and banking companies engaging in prohibited activities *eg*—as managing agents, etc. The failure to bring up capital and reserve

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to the required level, the biggest single hurdle, however, comes under a different category.

Separation of Judiciary

BY bringing about the complete separation of the Executive and the Judiciary from July 1, Bombay has effected a reform which has been one of the cherished objects of the nationalist movement right from its inception. It had been insistently advocated by the Congress in the old days and as Bombay's Chief Minister, Shri Morarji Desai pointed out in his broadcast on the eve of the formal implementation of this policy, "men like Dadabhai Nowrojee and Sir Phirozeshah Mehta in Bombay and Surendranath Bannerjee and others elsewhere never tired of keeping this question in the forefront of political and legislative discussion."

It was a great disappointment that the first Congress Ministries in the provinces did nothing about it. When the Bombay Congress Ministry assumed office in 1946, however, one of the first things it did was to appoint a Committee to go into the question. Judicial and executive functions were already separate in the administration of civil justice. Separation had to be effected on the criminal side and only outside Greater Bombay. The Committee submitted its report in 1947 and the Bombay Government decided to implement its recommendations. The Bombay Separation of Judicial and Executive Functions Act became law in 1951. Practical difficulties arose and their solution required an amending Act which became law only last month.

The change which takes place from the first of this month is not very dramatic as far as actual administration is concerned, because the Government has been gradually separating the two functions by the appointment of suitable officials, with strictly judicial functions only. Only a few Mamltdars and Aval Karkuns continued to dispense criminal justice in addition to their revenue functions. They will no longer do so. Shri Morarji Desai struck the keynote of the problem when he said that, "It is to remove any vestige of suspicion that criminal justice may suffer in independence and impartiality because of the direct administrative subordination of the Revenue magistrates to Collectors and the executive Government that we have decided to separate the two functions."