nevertheless, reconciled themselves to the existence of two reinsurance corporations. Some months ago, Indian Guarantee had asked all insurers operating in India to voluntarily cede to it a fixed share of 10 per cent of their reinsurance business. This has been followed by the introduction this week of a Reinsurance Bill in Parliament which seeks, among other things, to compel insurers in India to reinsure a minimum specified proportion of their risks with 'approved' reinsurers. The purpose of the bill is to check the drain of foreign exchange on account of reinsurance which the existing co-operative organisation has not been abb[1] to plug fully.

Indian insurers argue that Government intervention in the market will make it difficult for them as well as Indian Guarantee to secure suitable reciprocity from foreign insurers. They expect that, in the near future, their direct overseas business and reinsurance among themselves will offset the loss of foreign exchange resulting from placing reinsurance abroad. Government intervention at this end is likely to encourage dkcrimination against them in other countries. Moreover, the drain can be stopped only when the retentive capacity of the market for Marine Hull and Aviation business increases to a sufficient extent. While at first they doubted the scope for two reinsurance corporations in a relatively small market, they now favour cultivation "on a competitive basis" of as much reinsurance business as possible among the direct writing companies and the two reinsurers, without requiring the former to cede another 10 per cent of their business to Indian Guarantee,

The establishment of another reinsurance agency will not by itself broaden the market. It will reduce the drain of foreign exchange only to the extent that it displaces foreign insurers and takes up risks in Marine Hulls and Aviation to an extent which private insurers are not able to absorb. Compulsory cession will also further reduce the business available for private insurers. There is no doubt, however, that a law to regulate reinsurance was overdue, not merely to check the foreign exchange drain but also to check the abuses that are prevalent in this field of business. Since reinsurance, unlike insurance, is not fully regulated either by law or by a commonly accepted code of business ethics, particularly in matters of expenses, commissions, rebates, etc. there has been a mushroom and not entirely healthy growth of reinsurance, which the Bill when enacted should be able to check.

Investment Centre

'THE Indian Investment Centre which had been in gestation unconscionably long was finally born this week with a symbolic function at the Sapru Mouse in the presence of Shri Morarji Desai, the Finance Minister. That was the ceremonial part of it, but the mid-wife who delivered the baby was Shri G L Mehta, who had been working up this idea ever since he joined the 1CICI, He is also the Chairman of the governing body of the Investment Centre, on which are represented some of the members of the Hoard of Directors of the KTCL as also some key-men like the Chairmen of the State Bank and the Industrial Finance Corporation, the Secretary of the Ministry of Commerce and Industry, the inevitable Dr Madan of the Reserve Bank, and Shri G L Bansal, the Secretary- General of the Federation of Indian Chambers of Commerce. Shri R S BhalL a former Member of the Tariff Commission, is the Executive Director.

The purpose of the Centre is to induce freer flow of private foreign investment into India by bringing together Indian industrialists looking for foreign collaborators and foreign investors seeking Indian collaboration. It will not be enough of course just to supply information. The Centre will have to assist in developing an individual project into a 'prospectus" which can be examined at the technical and financial level by both the parties.

The proposal had remained in a state of suspended animation and was revived when the TCM began to take an interest in it and promised financial assistance for bringing out foreign experts and for 'training of personnel and purchase of necessary equipment'. This Is what Shri C L Mehta said in his" speech at the inauguration of the Centre in New-Delhi. But the last two functions of the Centre would appear to be somewhat puzzling if its main purpose is contacting and supplying information. Is it that one of the unfulfilled aspirations of the IC1C1, viz, to provide technical expertise to Indian industry is to be realised through this new set up? It would be interesting to know.

Equally intriguing is Shri G L Mehta's reference to the two hurdles which the proposal had to cross before it could become a reality — the completion of a study by an expert of the Standford Research Institute of international private investment and the preparation of a guide on drawing up a prospectus for such investment and the other, a study of taxation on foreign investment by the Lokanathan Institute. These studies cleared the decks for the Centre.

The success of the Centre will, of course, depend on its ability to establish the right type of contacts *and* on getting behind it men who will command the confidence both of foreign investors and Indian entrepreneurs. But even more — G L knows where the shoe pinches — it will depend, to put it bluntly, on its ability to secure licences for the parties who seek its aid — licences for starling an industry, for import of capital goods and for floating capital issues. It is certainly an advantage to be located in New Delhi, but that alone may not be enough. To ensure the proper type of co-ordination perhaps something more would be necessary — to put a proper civil servant, preferably one from the Secretariat, in charge!

Making due allowance for the delicate and highly skilled services the Centre is expected to provide it is nevertheless difficult to be convinced that it really needs such a high-powered governing body to lend its weight to what is after all a public relations and market research job.

Vyapar Indexes of Share Prices

MARKET analysts, speculators and all those who take more than a passing or casual interest in the stock exchange have been handicapped so far in following the trend closely enough, because there had been no index hitherto of the prices of those shares which are traded in actively. The enterprising Gujarati commercial journal *Vyapar,* the circulation of which had already exceeded the combined circulation of all similar journals in English and which has now been converted info a bi-weekly and hopes some day to blossom into a daily, has met this long-felt need by publishing simultaneously both a sensitive index of share prices and an index of new issues. *Vyapar* intends to follow up with similar indexes for the major commodities.

Eyapar's general index covers 32 shares which are actively traded on the Bombay Stock Exchange against 74 in (lie Reserve Bank's index for Bombay. These 32 have been very carefully selected, after an opinion survey of the people most concerned with the stock exchange and they fairly represent the different types of active shares both on the forward and cash lists. To serve the purpose for which the index is intended most effectively, a more recent base has been chosen for it January-June 1956 = 100 — than in the Rest rye Bank's index which takes 1952-1953 as its base.

Among the 32 scrips six for which no quotations were available in the base period have been included by employing the method of splicing". Adjustments have been made for ex-right quotations wherever necessary on the basis of the Reserve Bank's formula of multiplying the ex-right quotation by the factor (,1 p) vs here p is the number of new shares or fraction of a share issued against one old share. II any cash payment is involved p is properly adjusted for it.

The other index which also gives both weekly and daily movements covers 13 new issues listed between January 1958 and June I960, with July 1. 1960 100.

Both the *Vyapar* indexes would be a boon to the market analyst and will help in getting a wider circle of people interested in stock exchange investment and in giving a direction constructive, we hope to the newly awakened and growing interest in such investments in an altogether new section of people who belong to a lower income group and who are definitely outside what had been regarded so long as the investing class.

ERRATA

IN the advertisement appearing on page 272 of the Annual Number, the heading was inadvertently omitted. The advertisement in question was issued by the Industrial Finance Corporation of India. The error is regretted. Ed.