

# SWARAJYA

(Founded by KHASA SUBBA RAU)

Vol. XXI. No. 22

MADRAS, NOVEMBER 27, 1976

Price 40 p.

## RESOURCES FOR THE FIFTH PLAN

THE DRAFT Fifth Five-Year Plan envisaged a public sector outlay of Rs. 37,250 crores and a private sector investment of Rs. 16,161 crores, making a total of Rs. 53,411 crores. Thanks to the price stability achieved during the last two years, coupled with a bumper harvest, larger availability of industrial raw materials and the happy level of foreign exchange reserves, it has been possible to finalise the Fifth Five-Year Plan at a higher level of an aggregate outlay of Rs. 66,351 crores, of which Rs. 39,303 crores will be in the public sector and Rs. 27,048 crores in the private sector. From the above figures it may be observed that the public sector outlay has increased by Rs. 2,053 crores and that the private sector outlay by Rs. 10,887 crores. While in the Draft Plan, the ratio between the public sector and the private sector in the aggregate outlay was approximately 70 : 30, in the enlarged Final Plan the ratio will be about 60 : 40.

A comparison of the resources estimated in the Draft Plan with the actuals during the past years discloses that the anticipated revenue receipts will not be realised. For instance, the balance from the current revenues at the 1973-74 rates of taxes, estimated at Rs. 7,348 crores, will shrink to Rs. 4,901 crores, owing to larger non-Plan expenditure. The Railways, which were expected to contribute Rs. 649 crores towards financing of development programmes, will end with a deficit of Rs. 1,005 crores owing to the

revision of emoluments, high cost of fuel and stores and a lower rate of growth in traffic than anticipated. Likewise, the Post & Telegraphs, expected to contribute Rs. 842 crores, will end up with a smaller sum of Rs. 380 crores for more or less the same reasons as the Railways. It was estimated that non-departmental public sector undertakings will make a significant contribution of Rs. 4,500 crores, but the revised estimates, even after taking note of the marked improvement in performance and capacity utilisation, show that there will be a shortfall of about Rs. 1,500 crores. Even in market borrowings of the Government, public enterprises and local bodies, the target of Rs. 7,232 crores will not be realised and the collection is anticipated at Rs. 5,879 crores. The set-back on a number of fronts causing concern has fortunately been offset by other factors inspiring confidence that the Plan targets will not only be realised but even exceeded.

It was anticipated that by way of additional resources mobilisation, a sum of Rs. 6,850 crores could be raised during the Plan period. As against this target, a sum of Rs. 6,290 crores has already been realised during the three years and a further sum of Rs. 8,403 crores is expected in the remaining two years — 1977-79, making a total of Rs. 14,693 crores. Taxation measures to the tune of Rs. 900 crores by the Centre and Rs. 700 crores by the States are envisaged during the remaining Plan period. External assistance,

has also been more than double the amount contemplated in the Draft Plan. As against a total of Rs. 2,443 crores envisaged, the receipts during the first three years amount to Rs. 2,526 crores by way of special credits and Rs. 908 crores by way of oil facility. The final figures under this head are expected to reach Rs. 5,834 crores providing a very comfortable position both in resources and in foreign exchange. In this context the small increase in deficit financing from Rs. 1,000 crores to Rs. 1,354 crores pales into insignificance. The spectacular resource mobilisation, bringing the total to Rs. 14,700 crores, aided by substantial external assistance, has enabled the country to overcome the shortfalls in other items and to march forward towards realisation of a larger plan in the public sector.

The Final Plan casts on the private sector the obligation of raising its share of the national Plan from Rs. 16,161 crores to Rs. 27,048 crores, an increase of over Rs. 10,000 crores.

Enumerating the resources for the Private Sector, the Planning Commission estimated "Own Savings" in the Draft Plan at Rs. 30,055 crores, but enhanced it in the Final Plan to Rs. 42,236 crores. While the Corporate Sector savings have been increased realistically from Rs. 4,139 crores to Rs. 5,373 crores, the household savings have been raised to Rs. 36,481 crores, from Rs. 25,747 crores in the Draft Plan. It is possible that the agri-

cultural prosperity may, push a small percentage of the population above the poverty line, but it is difficult to believe that it will increase domestic savings correspondingly. The agricultural prosperity may lead to more consumption than to savings for diversion as inputs in agriculture, or as tools and implements for the craftsmen. The Planning Commission's estimate that Rs. 27,048 crores will be

available for investment in the Private Sector out of the savings of this Sector seems to err on the high side. Nevertheless, the Plan, as envisaged, may not be seriously jeopardised by any shortfall in the Private Sector and if the Public Sector targets are reached, the whole economy will pick up and march forward.

—R. Venkataraman  
(17-11-76)

## REORGANISATION OF THE STEEL INDUSTRY

S. L. N. SIMHA

THE REORGANISATION of the public sector steel industry, which has recently been put into effect, is a very good example of the Government's efforts to improve the working of the public sector units, which have been doing rather well in the recent past and which hold tremendous potential in this regard. According to press reports, the Government of India has split up the Hindustan Steel Limited into four separate companies. In commenting upon this step by the Government, I am tempted to quote from a little book (*Economic and Social Change in India*), which I published in January, 1975. Dealing with the functioning of the public sector units, I had the following to say:

"In the present day world of high cost of projects and low personal investment by the promoters, no longer is the theory valid that a private sector unit is inherently more efficient than a public sector unit. The failures of the public sector units can be attributed to factors like absence of decentralisation of administration, failure to appoint professional men to top positions, lack of continuity of management and a certain prejudice against making profits, which are associated with exploitation of the consumer and the community and regarded as antitheses of socialism. Example has already been given of one central agency for all the public sector steel units, each one of which has involved an investment of something like Rs. 500 crores, on an average. Surely each one of these units could

have its own Chairman, Board of Directors and Managing Directors or Executive Directors. The Ministry of Steel could exercise broad control with regard to such matters as product mix and pricing. Otherwise, each unit must be wholly independent, with a spirit of competition among them.

The four new units would be: (1) The Hindustan Steel Limited, comprising the Durgapur Steel Unit; (2) The Bhilai Ispat Limited; (3) The Rourkela Ispat Limited; and (4) The Durgapur Misra Ispat Limited, comprising the Alloy Steel Unit.

Each Company is to have a separate Board of Directors, with a whole-time Managing Director. It is stated that there would be some common Directors. It should be hoped that the common Directors would be very few and that as far as possible the *ex-officio* element would be kept to the minimum.

### Role of SAIL

It is also reported that under the new set-up, the role of SAIL (Steel Authority of India, Limited) will be one of co-ordination, especially for research and development. Pooling the resources of the four Units for research purposes is a good thing. In fact, the Indian Iron and Steel Company (which is also now becoming a public sector unit) and the Tata Iron and Steel Company could also come under the scope of SAIL, for research and development purposes. So far as co-ordination relating to product-mix and expansion is concerned, the authority should be

the Ministry of Steel rather than SAIL. In fact, it is for consideration whether the SAIL should not be disbanded. There is no need for the SAIL to be the holding company for the four Units.

These details apart, one should warmly welcome the Government's move to decentralise a major segment of the public sector industry. The same desire for a decentralised administration resulted in the Government's having four general insurance units, after nationalisation, instead of just one, as in the case of life insurance. In this connection, serious consideration should be given to introducing an element of competition in life insurance business.

### The Monolithic L.I.C.

The LIC's progress in spreading the message of life insurance is good, though not good enough. Likewise, while a lot has been done to decentralise life insurance administration, in important respects, inevitably, decision-making authority is centralised. It is worth considering whether four separate corporations cannot be set up on a regional basis, along with a measure of compulsion in the matter of life insurance. In any event, the present monolithic organisation of the LIC is not conducive to the dynamism which is possible.

The principle of decentralisation has also relevance in the field of banking. A committee has been appointed to consider, among other things, the question of amalgamation of the public sector banks. While some amalgamation of the very small units need not be ruled out, it is doubtful if India requires the amalgamation of major scheduled banks. Each of these units has a very large number of branches.

By design and accident, India possesses what one may regard an ideal banking set-up, with the co-existence of small, medium and large units. We have avoided the extremes of 14,000 banks of the U.S.A. or about 10 of the U.K., so far as commercial banking is concerned.

In considering the question of amalgamation of the existing units, it should be noted that many of them are not only very