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2322

Controls: Indira's conditional offer

From Our Madras Bureau

MADRAS, October 5.

The Prime Minister, Mrs. Indira Gandhi, promised industry and business further relaxation of statutory controls and regulations but qualified it by a big 'if' — they should exhibit a greater awareness of their social obligations. Addressing a large gathering of businessmen and industrialists here today, Mrs. Gandhi repeated that her Government did not believe in the philosophy of controls which, however, became necessary because of the inadequate appreciation of their social and financial responsibilities by the captains of industry.

She said that regional needs would be kept in view while framing the monetary and fiscal policies. She had apparently in mind the demand by the State Governments for representation on the boards of management of the nationalised banks and also a say for the regions in shaping the economic policies.

Obviously pleased by the unqualified support extended by businessmen to her economic policies, Mrs. Gandhi talked in appreciative terms of the complementary role of the private and public sectors and said that the nationalised banks would meet all the "productive" credit needs of industrialists. She expected that bank nationalisation would bring in more resources and enable the Government to meet the needs not only of the agricultural and small-scale sectors, but also of big and medium industries in both State and private sectors. The new credit policy with its accent on small sectors would not diminish the flow of aid to the large-scale industries.

Mrs. Gandhi had no doubt that bank nationalisation would stop the misuse of resources for what she called the "unethical purposes" of cornering of shares and hoaring of goods in times of shortages. It was a fact, she said, that before nationalisation "certain" business houses were enjoying preferential treatment in the matter of short-term and medium-term credit in view of the links which existed between the boards of directors of industries and of banks. This would disappear now, she declared.

While assuring the full co-operation of Madras businessmen to the Government in the implementation of the new economic policies, Mr. K. Eswaran, president of the Hindustan Chamber of Commerce, covered the familiar ground in his welcome address and asked for taxation reliefs, de-licensing of industries and relaxation of controls.

The Prime Minister agreed that to some extent it might be correct to say that taxation had reached a saturation point in the sense that marginal rates of taxation were high, but those who subscribed to this theory ignored the fact that the Indian taxation system had built-in reliefs like development rebate and tax holidays and means for tax avoidance, "if not tax evasion." These, in her view, rendered the high rates of taxation inoperative.

On controls, Mrs. Gandhi said, the absence of strong and well-recognised financial institutions, a system of professional management instead of family management of industries and an awareness of social responsibilities by the industries had, to a large extent necessitated the enforcement of statutory controls and regulations. The

Continued on Page 3, Column 1

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...ishing at Rs. 107.25 with a net loss of 75 paise. *The business in Indian* Iron was negligible.

In the cash section, Century Enka were firm with the shares *moving up* from Rs. 205 to Rs. 222 before reacting to Rs. 216 on reports that the company would commence commercial production by the end of this month.

Crompton Greaves were also firm with the shares moving up from Rs. 292.50 to Rs. 311.25 on expectations *of a bonus issue by the company.* Associated Bearing, Hindustan Lever, Poysha Industrial, Vickers Sperry and Glaxo *ruled steady on fresh* investment buying.

The following was the range of share prices on the Bombay Stock Exchange *during the* week *ended* Saturday, October 4, 1969.

Share		Closing on 29-9-69 Rs.	High Rs.	Low Rs.	Closing on 4-10-69 Rs.	Change Rs.
FORWARD:						
B. *Dyeing*	..	41.00	41.00	40.50	41.00	nil
Century	..	720.00	730.00	715.00	725.00	+ 5.00
Kohinoor	..	278.00	285.00	275.00	276.00	— 2.00
Standard	..	559.00	574.00	550.00	558.00	— 1.00
Swadeshi	..	169.00	173.00	169.00	171.00	+ 2.00
ACC	..	136.00	136.50	135.00	136.00	nil
I. Iron	..	16.24	16.32	16.12	16.12	— 0.12
Mukand	..	13.00	13.12	12.76	13.12	+ 0.12
Tata Steel	..	108.00	110.00	107.25	107.25	— 0.75
L & T	..	21.40	22.00	21.48	21.80	+ 0.40
TELCO	..	242.00	243.00	238.00	238.50	— 3.50
Voltas	..	221.50	222.00	219.00	221.50	nil
Scindia	..	23.80	24.24	23.24	23.24	— 0.64
Great Eastern	..	52.50	53.50	52.50	52.50	nil
Ind. Dyestuff	..	316.00	327.00	316.00	322.00	+ 6.00
Tata Chem.	..	30.50	35.00	30.50	34.00	+ 3.50
Belapur	..	140.00	143.00	141.00	141.00	+ 1.00
B. Burmah	..	49.75	50.30	48.00	48.25	— 1.50
Gwalior Rayon	..	43.25	44.25	43.15	44.25	+ 1.00
Hind. Motors	..	16.80	18.08	17.00	17.80	+ 1.00
Indian Copper	..	4.12	4.20	4.12	4.14	+ 0.02
Nat. Rayon	..	450.00	464.00	450.00	454.00	+ 4.00
Premier Auto	..	71.50	73.00	71.00	71.00	— 0.50
West Coast	..	184.00	197.00	183.00	195.00	+11.00
CASH:						
Mafatlal	..	435.00	441.25	433.75	437.50	+ 2.50
Baroda Rayon	..	141.00	143.00	139.00	140.00	— 1.00
Indian Rayon	..	101.00	100.00	98.00	99.00	— 2.00
S.I. Viscose	..	136.00	138.00	136.50	138.00	+ 2.00
Century Enka	..	205.00	222.00	204.00	216.00	+11.00
New India	..	59.00	59.50	58.00	58.00	— 1.00
Hind. Alum.	..	35.00	35.25	34.25	34.75	— 0.25
Asso. Bearing	..	174.00	178.00	174.00	178.00	+ 4.00
Mahindra	..	16.00	16.24	15.88	16.24	+ 0.24

Relatively tight conditions, presumably stemming from the tight-fisted policy of lenders, were sustained in the inter-bank call money market in Bombay last week. The call-rate was maintained at 4 per cent. per annum, though the Bombay market reflected *borrowers over throughout* the week.

Two features regarding the recent credit trends need to be noted. First, the busy season of 1968-69 extended well beyond April, and bank credit touched *its peak on* July 4. Thus, bank credit expanded by Rs. 390 crores to Rs. 3,447 crores between the end of *October, 1968, and April and further* by Rs. 125 crores to Rs. 3,572 crores on July 4.

Second, though bank credit has declined from its peak of July 4, at the end of September, *outstanding* bank credit at Rs. 3,424 crores was just Rs. 23 crores below the April 25 mark. The contraction from the peak of July 4 to September 26 amounts to Rs. 148 crores.

The slack season contraction between April end and September-end would have been somewhat *larger* but for the current efforts, initiated around July 19 when 14 major banks were nationalised, to expand credit to small industry and trade. These efforts will now gain momentum. Some credit expansion on this account is now on the cards. This will be *in addition to the usual credit* demand that emerges around mid-October.

Another factor which is likely to add to the demand for bank funds needs to be taken into account. That is the tendency of many local development bodies, such as State electricity boards, to issue a second loan during the year.

All this might not add up to a credit *stringency in view of the sizable* expansion in deposits that banks have experienced in recent months.

Bank deposits have expanded since the end of October 1968 by Rs. 619 crores to Rs. 4,714 crores on September 26. During this eleven-month period, bank credit expanded by Rs. 367 crores. Banks are comfortable now. They are likely to remain so, relatively speaking, for some time.

But this *might not mean* an easy

BOMBAY, October 5.

Oilseeds futures wound up the week on an easy note here last week. Spot oilseeds and oils ruled firm. The turnover was normal in the futures as *well as in* the spot section.

The week-end fall in oilseeds futures was *owing to unloading* by Gujarat and Rajasthan interests. Rains in some parts of U.P. and reports of a fall in castor oil prices *in Brazil* induced speculators to lighten their commitments particularly in castorseed.

The April castorseed contract, *moved* down from Rs. 108.87 to Rs. 108.50 and the April linseed from Rs. 128.87 to Rs. 128.62. The January cottonseed contract finished 25 paise lower at Rs. 67.25.

Ready groundnut *oil generally* firm around Rs. 52 per 10 kg. Sustained buying by industrial units and reduced offerings from producing sources were the main factors responsible for the firmness.

Groundnut eased by about Rs. 8 to Rs. 232 per quintal for the Karnatak quality. Castorseed was steady at Rs. 119. Linseed, however, eased from Rs. 169 *to* Rs. 164.

Ready commercial oil was steady at Rs. 25.25 and BSS oil at Rs. 27.75 as also linseed oil at Rs. 25.

Ready *groundnut expeller* quoted at Rs. 705 and extractions at Rs. 520 represented a slight fall in the prices.

Delhi: Groundnut *oil* prices collapsed from Rs. 552 to Rs. 510 and cottonseed oil slumped from Rs. 520

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Businessmen's social responsibilities

Continued from Page 1, Column 6

Government did not, however, believe in the philosophy of controls for the sake of controls. It would be in the long-term interests of the industry, she pointed out, if they had the courage of conviction about social justice and social obligations.

The Prime Minister defined social responsibilities and obligations of management as follows: responsibility to the shareholders, which included production and development of the assets of the company, fair and humane deal to labour and getting their wholehearted involvement in the well-being of the enterprise, a fair price and quality control for consumers, investment in repairs and development and ploughing back of a fair measure of profits for modernisation. Company managements should also observe all the regulations and pay all the taxes levied by Government.

Mrs. Gandhi emphasised the need for reducing consumption by the industrialists for building up reserves for expansion and modernisation. She wanted the industry to step up investment by reducing consumption. She was happy that there was a realisation that growth was not possible without stability. Stability did not mean status quo and would not be there unless the poorer sections felt they had a fair deal. Stability meant peaceful and orderly change. Businessmen by co-operating with the Government in bringing about such a change, will be ensuring the preservation of their long-term interests against being overwhelmed by violent and subversive forces which would otherwise gain ascendancy.

The problem of regional disparities, Mrs. Gandhi said, was so complex that a common solution could not be arrived at. The advanced areas were in a better position to take advantage of the opportunities for development with the result that the backward areas remained backward. The disparities had increased after independence and had brought in its wake social and political tensions which the Government and the business community should take note of in the interests of the country as a whole. Even among the developed areas the problems were not similar and, therefore, it was essential that the dialogue between the Government and the industry should be carried on not only at the national level but also at the regional levels.

Earlier, Mr. Easwaran, in his address of welcome, suggested establishment of an export bank in the country on the lines of those in the United States, the Soviet Union and Japan for financing the requirements of exporters. The incentives given so far for exports were on right lines.

He also suggested that a high-power committe be constituted to manage bank credit so that the genuine needs of industry and trade were safeguarded. As long as the genuine demands of the industry and trade which the Prime Minister was good enough to assure were met, there need be no reason for the business community to worry about bank nationalisation. But nationalisation had already been followed by demands from the States and other Governmental agencies for the allotment of more funds to their States and for representation on boards of management. In this context, a high power committee might be constituted, he said.

While the business community was not against nationalisation of banks which had the "full-throated support of the people" as long as it was in the interests of the nation as a whole, Mr. Easwaran said that the threat of nationalisation should not hang as a Democles sword as it would result in deceleration of industrial growth and impede foreign investment.

He also suggested that the credit needs of agriculture be channelled through co-operative banks, instead of commercial banks indiscriminately spreading their branches in rural areas, and thus posing the threat of competition to co-operatives. Commercial banks establishment charges were bound to be high with relatively less returns which might eat into their profits. On the other hand the commercial banks might step up their investment in provincial, district land mortgage and building co-operatives which were already well established in these places, he said.

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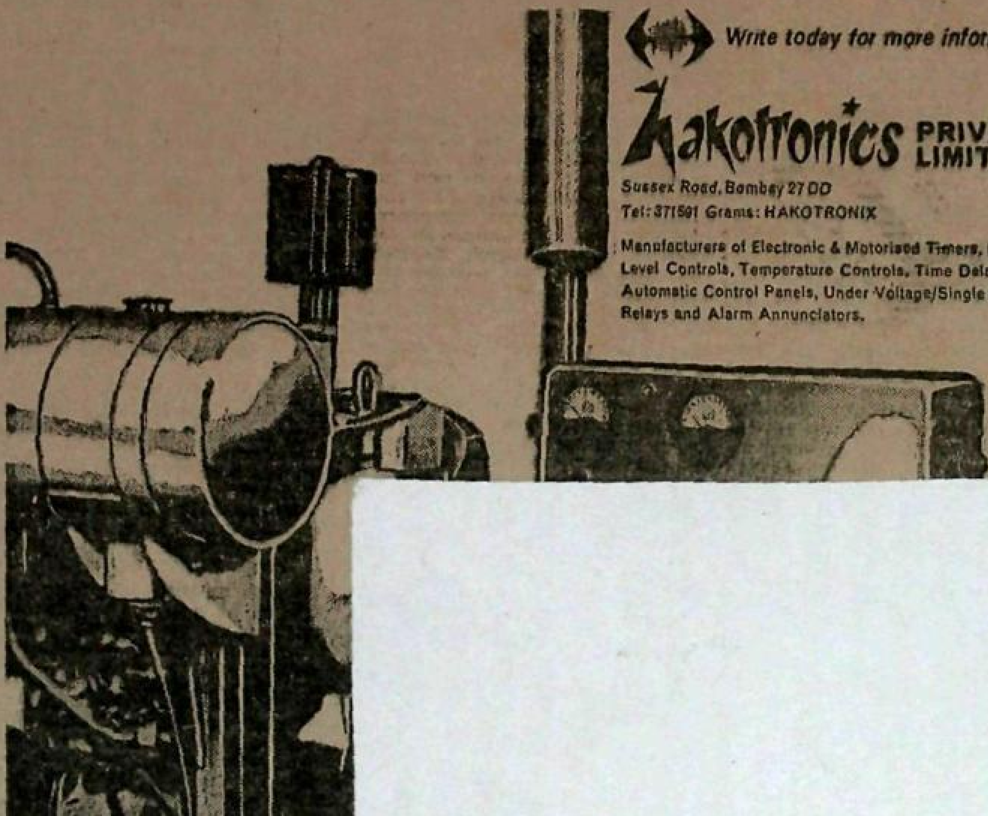

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