

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE, CIVIL SUPPLIES AND COOPERATION (SHRI ARIF BAIG): (a) Yes, Sir.

(b) and (c) At the Fifth Session of UNCTAD, scheduled to be held at Manila from 7th May to 1st June, 1979, various aspects pertaining to "Developments in international trade" will come up for intensive negotiations. The developing countries, at its Fourth Ministerial Meeting, held in Arusha during February 1979, formulated its joint position on the various items of the agenda coming up before UNCTAD V. In the document, unanimously adopted at the Arusha meeting, the developing countries have placed the responsibility for the difficulties encountered by their export trade on developed countries who have shown an inability to adjust their unviable and uneconomic production capacities. The Arusha document, representing the joint position of the developing countries, has called for a programme of coordinated international action on the formulation of short-term policies to curb protectionist measures and long-term policies for industrial restructuring. It also provides for affected developing countries to consult with each other so as to determine appropriate joint action to counter-act protectionist measures. In regard to long-term policies it has been suggested that sectors requiring adjustment in developed countries should be identified so that it is possible to facilitate the movement of factors of production of such sectors. It has also been recommended that there should be constant monitoring and periodic review of the adjustment process and an agreement on framework for negotiations with UNCTAD to formulate, in cooperation with UNIDO and ILO, the measures and policies that need to be adopted by developed countries for encouraging the process of adjustment in the sectors so identified. Indian delegation to the Arusha meeting played an active and cons-

tructive role in the negotiations that took place to formulate the joint position of the developing countries. The Indian delegation to UNCTAD V would continue its endeavour to find purposeful solution to this serious problem affecting badly the export trade of the developing countries.

India has also been expressing its concern in other international fora like GATT and ESCAP. Specific protectionist measures taken by the developed countries which affect our export interest are also discussed at the bilateral level with a view to finding a solution. Where legal procedures have been instituted by the Governments of importing countries to consider measures for increasing protection against our exports, these have been contested by representation through our Missions or by engaging legal counsels.

#### **RBI Concern over Runaway Credit Expansion**

9799. SHRI S. S. LAL: Will the DEPUTY PRIME MINISTER AND MINISTER OF FINANCE be pleased to state:

(a) what are his reactions at Reserve Bank of India showing deep concern over runaway credit expansion and its impact on price stability;

(b) whether commercial banks and other financial institutions have been asked to take adequate steps in the matter; and

(c) if so, the nature of these steps?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATISH AGARWAL): (a) The Government is equally concerned with the large expansion in non-food gross bank credit that has taken place during 1978-79.

(b) and (c) With a view to restricting the non-food gross credit expansion, the credit policy for the 1978-79 busy season announced in November 1978 introduced two major

measures viz., (i) to restrict the incremental non-food gross credit-deposit ratio of scheduled commercial banks for the period from December 1, 1978 to end-March 1979 to within 40 per cent and (ii) to raise the statutory liquidity ratio (SLR) to be maintained by scheduled commercial banks from 33 per cent to 34 per cent with effect from December 1, 1978, which was made strictly applicable to additional deposits regardless of any excess in SLR as on December 1, 1978. The banks were also directed to extend credit only for legitimate purposes and in an amount which corresponds to the genuine needs.

Inasmuch as non-food credit expansion did not abate despite these measures, the Reserve Bank of India, while reviewing the credit policy in March 1979, pointed out to the banks that in view of the impending increased seasonal credit requirements in respect of commodities like food-grains, sugar, cotton, tobacco and tea which have to be met in the coming months, it would be all the more necessary that credit should be so regulated as to meet the most essential requirements instead of advances to other borrowers, who had drawn heavily on the banking system. For this purpose, banks were directed to review all credit limits of Rs. 50 lakhs and above so as to ensure that the provision of further credit to parties, who have already utilised 60/65 per cent of the existing credit limit was related to clearly identifiable purposes such as increase in further production or existing commitments. Banks were also asked to keep at a minimum their reliance on resources other than deposits and to strengthen their machinery for data collection and monitoring with a view to keeping a close watch over credit expansion week by week.

To discipline those banks which had defaulted in maintaining the statutory liquidity and cash reserve ratios as on March 30, 1979 they were to be denied access to refinance/

rediscount facilities by the Reserve Bank until the deficiencies are made good. In addition, an additional interest of 3 per cent would be charged on the portion of outstanding refinance/rediscount accommodation as on March 30, 1979 equivalent to the shortfall in statutory liquidity and cash reserve ratios.

#### Per Capita Income and Purchasing Power of Rupee

9800. SHRI K. PRADHANI: Will the DEPUTY PRIME MINISTER AND MINISTER OF FINANCE be pleased to state:

(a) whether Government is in a position to indicate the rate of growth of per capita income in 1976-77 registered in each of the States indicating separately the actual per capita income in each of the States;

(b) the extent to which the prices of essential commodities have risen during the year and the percentage increase in the per capita income in terms of the purchasing power of the rupee during the said year; and

(c) how the income in the beginning of each of the Fifth Year Plan compares with the last year's figures?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATISH AGARWAL): (a) A statement is laid on the Table of the House.

(b) The prices of essential commodities as measured by the All-India Consumer Price Index Numbers, were higher by 9.1 per cent in March 1977 compared to the level of prices in March 1976. While the per capita income in 1976-77 was 5.9 per cent higher at current prices it had declined by 0.6 per cent in that year at constant (1970-71) prices.

(c) A statement is laid on the Table of the House.