Fiscal Developments

49. The Central Budget for 1968-69 had been designed principally to secure the recovery in industrial production, to which reference has been made in the previous chapter, to consolidate the gains in agriculture and to strengthen the balance of payments. A major tax effort was necessary in order to secure a modest increase in developmental outlays, in spite of a substantial volume of deficit finance that could be contemplated in view of the increase in agricultural output in 1967-68. Non-developmental outlays were held in check. The State Governments also made efforts to mobilise additional resources for development.

Table 8

Expenditure of Central and State Governments and Union Territories

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>I. Total Expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Developmental</td>
<td>5.7</td>
<td>9.4</td>
<td>2.6</td>
</tr>
<tr>
<td>(ii) Non-development</td>
<td>(-)(1.8)</td>
<td>6.7</td>
<td>(-)5.1</td>
</tr>
<tr>
<td>II. Current Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Tax Revenues</td>
<td>9.8</td>
<td>6.3</td>
<td>9.3</td>
</tr>
<tr>
<td>(ii) Non-tax Revenues</td>
<td>11.6</td>
<td>5.3</td>
<td>8.3</td>
</tr>
</tbody>
</table>

*After ignoring accounting transactions.

50. The total developmental expenditure budgeted by the Central and State Governments for 1968-69, at Rs. 3831 crores, was 5.1 per cent more than in the preceding year. The Plan outlay was Rs. 2337 crores and included a provision of Rs. 140 crores for building up stocks of foodgrains; Plan outlay exclusive of the provision for foodgrains stocks was at about the same level as in the preceding year and lower than in 1965-66.

51. Non-developmental expenditure was budgeted at Rs. 2816 crores and was marginally lower in relation to the previous year. This was in contrast to the large increases in non-developmental expenditures in the past few years on account of large food subsidies provided for after devaluation, increases in dearness allowances sanctioned to Government employees and large outlays on famine and flood relief. The decline in non-development expenditure
budgeted for 1968-69 was very largely the result of withdrawal of food subsidies and the smaller provision for famine relief. The combined result of the growth in developmental expenditure and the reduction in non-developmental expenditure as budgeted was an increase of 2·6 per cent in total expenditure of the Central and State Governments for 1968-69 to Rs. 6647 crores as compared to the revised estimates for 1967-68.

52. In view of the improved agricultural performance in 1967-68, and the need to stimulate revival, the Central Budget provided for a deficit of as much as Rs. 289 crores. The levy of additional taxation of Rs. 118 crores at the Centre (taking into account Rs. 28 crores from changes in Railway freight rates and fares and Rs. 24 crores from adjustments in postal and telegraph rates) and Rs. 14 crores by the States was, however, necessary to secure a modest increase in budgeted developmental expenditure, in spite of the reduction in non-developmental expenditure.

53. A deterioration in the returns from public sector undertakings on account of slack demand conditions and increases in cost also put a heavy strain on the budgetary situation. Thus, the contribution to the Central Budget of non-departmental undertakings other than Railways and Posts and Telegraphs was only Rs. 83 crores in 1967-68(RE) as against the Budget estimate of Rs. 168 crores. The Budget estimate for 1968-69 was Rs. 98 crores or the same amount as the actuals of 1966-67.

54. The Central Budget contained specific provisions to encourage export marketing and improvements in agricultural productivity. Measures to mobilise larger private savings were also adopted. A new scheme of five year tax-free deposit was introduced and a Public Provident Fund was set up to provide a further savings medium to self-employed persons.

55. The aggregate deficit of the Central and State Governments during the current year is likely to be lower than the budget estimate of Rs. 313 crores (Rs. 289 crores at the Centre and Rs. 24 crores in the States). The recovery of industrial production has been effected with lower levels of imports than visualised; and as a result receipts from import duties and external assistance will be lower. Receipts from taxes other than import duties are on the other hand likely to be larger than visualised. Receipts from market loans have been higher than anticipated. Developmental expenditures will, however, show a shortfall.

56. A major problem in the field of Centre-State financial relations has been that several State Governments have been running unauthorised over-drafts with the Reserve Bank. In 1967-68 the Central Government provided ad-hoc assistance of Rs. 118 crores to the States to clear such overdrafts. During the current year also, some States had recourse to sizeable over-drafts of this nature. The Reserve Bank had, therefore, to issue formal notices asking these States to clear such over-drafts within three weeks, which they did, as in the past, with Central ways and means assistance. The persistent
recourse to unauthorised over-drafts has been a matter of serious concern, and, was, therefore, included in the terms of reference of the Fifth Finance Commission. The Commission, in its interim report, has made several recommendations and has reiterated the basic position that States should balance their budgets and regard over-drafts with the Reserve Bank as a facility meant for meeting temporary requirements and not for financing general budgetary needs.

57. The budget for 1968-69 visualised a reduction of food subsidies from Rs. 166 crores in 1967-68 (RE) to Rs. 16 crores. The actual outlay in 1967-68 is lower at Rs. 95 crores. The expenditure during the current year is, on the other hand, likely to be substantially higher than was visualised in the budget estimates. By and large, losses incurred on the sales of wheat procured internally will be offset by profits on the sales of imported wheat. Thus since June, 1968, imported red wheat, whose cost is Rs. 65 per quintal, and indigenous Mexican wheat procured at a cost of Rs. 94 per quintal, have both been issued at a pooled price of Rs. 70 per quintal. Similarly, in the case of white wheat, the pool issue price (reduced from Rs. 90 to Rs. 85 per quintal since 16th December, 1968) is lower than the economic cost of the indigenous variety (Rs. 94 per quintal), but higher than that of the imported quality (Rs. 60 per quintal). In the case of rice, there is a significant element of subsidy in issue prices of certain varieties. It is the national objective to eliminate imports of foodgrains on concessional terms as soon as possible. As the releases of imported foodgrains decline relative to those of domestically procured supplies, even the holding of subsidies at the current level will entail a reduction in procurement prices and/or increased prices for supplies through the public distribution system.

58. Another aspect of the welcome reduction in the dependence on imports of foodgrains is that domestic resource mobilisation will need to replace the support given to the budget by PL 480 assistance. The extent of this support may be measured by the volume of loans, grants and investment of counterpart funds in special securities. This amounted to Rs. 347 crores in 1966-67 and Rs. 366 crores in 1967-68, and was estimated at Rs. 274 crores for 1968-69. The actual support to the budget during 1968-69 would, however, be lower in view of the fact that PL 480 imports will be smaller than envisaged at the time of the framing of the budget.

59. The need to grant higher dearness allowances to Government employees to compensate for increases in the cost of living has been an important cause of growth in non-developmental expenditure. During the current year, dearness allowances for Central Government employees had to be adjusted upwards because the twelve monthly average of the consumer price index crossed the level of 215. A part of dearness allowance has also been merged in pay. The total cost to the Central Government in a full year of these adjustments is estimated at Rs. 50 crores. State Governments and local bodies are also confronted by increased expenditures on pay and allowances. The growth of non-developmental expenditure can only be held in check by maintaining price stability and raising productivity.
60. Improved returns from the public sector undertakings will be necessary if they are to make an adequate contribution to the resources for development. As already indicated, the financial returns from these undertakings have shown deterioration. Hindustan Steel Ltd., for instance, incurred a total net loss of Rs. 19.8 crores in 1966-67 and Rs. 37.5 crores in 1967-68. Similarly 43 other running concerns (non-departmental) of the Central Government showed a total net loss of Rs. 8.3 crores in 1966-67. It may, however, be stated that this was the result of the operations of 17 concerns which incurred losses amounting to Rs. 33.5 crores and these included concerns like Heavy Engineering Corporation Ltd., Heavy Electricals India Ltd., Neyveli Lignite Corporation Ltd., etc., some of which are still in their initial years of production. Otherwise, 26 concerns showed profits amounting to Rs. 33 crores. Also, if gross profits (after providing for working expenses and depreciation provision but before providing for interest) of all the running concerns other than Hindustan Steel Ltd., are taken, these show an increase from Rs. 32.5 crores in 1965-66 to Rs. 39 crores in 1966-67. However, in relation to capital employed, gross profit showed a decline from 4.3 per cent to 3.6 per cent. Provisional data suggest some improvement in the profits of these concerns during 1967-68. In the case of Railways and Posts and Telegraphs also, their finances have been under strain. Both in 1966-67 and 1967-68, Railways incurred deficits, to meet which they had to draw from the Revenue Reserve Fund to the extent of Rs. 18 crores and Rs. 31 crores respectively during these two years. Similarly, Posts and Telegraphs incurred a loss of Rs. 14 crores in 1967-68.

61. The returns from undertakings under the control of the States have also been inadequate. Thus, a loss of Rs. 48 crores was incurred on the operations of major irrigation projects in 1967-68. Similarly, an adequate return is not being secured on the generation and distribution of electricity.

62. A number of measures have been taken to improve the profitability of public sector undertakings. In some cases, prices have been adjusted upwards; thus, steel prices and postal rates were raised in the course of the year and power rates are being gradually adjusted upwards. A number of studies have been undertaken of measures to raise the efficiency of the public sector undertakings and several measures have been adopted. These include streamlining of the procedure for scrutiny of project proposals, measures to build up management cadres through systematic training, study of inventory control and planning, review of the physical and financial performance of public enterprises in greater depth and the grant of greater autonomy to the managements of the undertakings in several respects.

63. It has been estimated that, between 1960-61 and 1965-66, tax revenues of the Central and State Governments had at constant rates shown an income elasticity of almost unity. But there are features of the tax system which make it less responsive than is desirable, to the growth of incomes; thus, most excise duties are specific, and, as a result, many of the increases in tax rates in recent years have merely served to correct the reduction in ad valorem incidence due to higher prices. The shift of incomes to
the agricultural sector has also played a part. The real burden of land revenue has declined, and agricultural income-tax applies mainly to the plantations and the largest farms. The consumption of commodities subject to excise duties and sales taxes is also relatively less in rural than in urban areas. Due to these factors, the proportion of tax revenue of the Central and State Governments to national income had declined from 14:2 per cent in 1965-66 to 12:3 per cent in 1967-68, in spite of substantial recourse to additional taxation. The ratio of public savings to national income, which had been in the range of 2.5 per cent to 3.0 per cent during the Third Plan is likely to have declined to about 0.5 per cent in 1967-68. The securing of an adequate buoyancy of tax revenues in relation to national income growth will be a major task of public finance policy in the coming years. More generally, it will be necessary to correct the decline in the ratio of total domestic savings to national income from about 10 per cent in 1965-66 to around 8 per cent in 1967-68; and an increase in public savings is a necessary part of this process in our conditions.

64. Certain important decisions have been taken recently regarding the financing of the Fourth Five Year Plan. It has been indicated that Central assistance to the State Governments for the Fourth Plan will be Rs. 3500 crores, which may be compared with a level of Rs. 625 crores in 1968-69. The National Development Council has taken a decision regarding the principles which should govern the distribution of Central assistance among the States, which takes into account the tax effort of individual States, the need to correct disparities in per capita income levels as between States, the special problems of certain States such as Assam, Jammu and Kashmir and Nagaland and the need to provide finance for the completion of major irrigation and other projects in certain States. Simultaneously, the range of Centrally-sponsored projects has been drastically reduced. The size of State Plans will depend on the additional resource mobilisation that each State may decide to undertake; and decisions on priorities within the State sphere will be taken by the State Governments themselves within the frame-work of the Plan.

65. Finally, reference may be made to the major role that resource mobilisation through loans will need to play in the financing of the Fourth Plan. These will need to take the form not only of more intensive use of the traditional savings instruments but also the development of new media which will facilitate investments by those with larger incomes to finance schemes in which they may be interested. These would include deposits and loans for expansion of facilities such as power and irrigation.

Monetary Developments

66. There was a moderation in the growth of money supply during the year. Money supply which had expanded by 8.3 per cent in 1966-67 and 9.1 per cent in 1967-68 showed an expansion of Rs. 85 crores between 31st March, 1968 and 24th January, 1969, as against an expansion of Rs. 170 crores in the corresponding period of the
preceding year. Money supply as on 24th January, 1969 stood at Rs. 5486 crores and represented an increase of 7.2 per cent over its level a year ago; this was smaller than the increase of 7.9 per cent in the preceding twelve months.

**Table 9**

**Variations in Money Supply**

(Rs. crores)

<table>
<thead>
<tr>
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<th>1967-68</th>
<th>1967-68</th>
<th>1968-69</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar. 31 to Mar. 31</td>
<td>Mar. 31 to Jan. 26</td>
<td>Mar. 31 to Jan. 24</td>
<td></td>
</tr>
</tbody>
</table>

1. **Net Bank credit to Government (A+B)** 261 309 289

   A. Reserve Bank credit to Government 166 146 159

   B. Banks' holdings of Government securities 96 163 130

2. **Net Bank credit to private sector (a+b)** 207 -86 -212

   (a) Reserve Bank's credit to private sector 17 14 1

   (b) Banks' net credit to private sector (i - ii) 190 -100 -213

   (i) Banks' advances and holdings of private securities 438 156 164

   (ii) Banks' time deposits 248 256 377

3. **Net foreign exchange assets of the RBI** 36 -31 12

4. **Money supply with the public (a+b)** 452 170 85

   (a) Currency with the public 186 51 93

   (b) Deposit money with the public 266 119 -8

**Notes:**

1. The figures of Reserve Bank credit to Government given in the table represent the change in the indebtedness of Government to the Reserve Bank. Accounts for the fiscal year are, however, completely adjusted only some days after the end of the fiscal year. Also, the figures given above include items such as changes in the rupee coin held by the Reserve Bank and changes in the Reserve Bank's holdings of long-term rupee securities. For these reasons, the figures of Reserve Bank credit to Government shown here differ from the budgetary deficits as shown in the budget documents.

2. Figures may not add up to totals due to rounding.
67. The principal factor responsible for this moderation of the growth of money supply has been the smaller net bank credit so far to both the Government and private sectors. While the RBI’s net credit to Government amounted to Rs. 159 crores between 31st March, 1968 and 24th January, 1969 as compared to a net increase of Rs. 146 crores in the corresponding period of the preceding year, commercial banks’ investment of Rs. 130 crores in Government securities has been smaller than last year’s level of Rs. 163 crores. In the case of the net bank credit to the private sector, a major offsetting factor has been the growth of time deposits which have shown so far (31st March, 1968 to 24th January, 1969) an increase of Rs. 377 crores as compared to an increase of Rs. 256 crores in the corresponding period a year earlier. Time deposits as on 24th January, 1969 showed an increase of 17.4 per cent over their level a year ago, which was significantly higher than the rate of increase of 13.4 per cent in the preceding year.

68. The monetary developments in the current year can best be reviewed against the changes in the Reserve Bank’s credit policies initiated around the middle of 1967 and carried further during the 1967-68 busy season. A resume of these changes was given in the last year’s Economic Survey, and these were meant to provide refinance at the Bank Rate or at a rate lower than the Bank Rate (i.e., 4½ per cent) to the priority sectors viz., exports, agriculture and small scale industries in order to counter recessionary trends in the economy. This selective liberalisation of credit was followed by a reduction in the Bank Rate from 6 per cent to 5 per cent on 2nd March, 1968, accompanied by an all-round downward adjustment in the interest rate structure. The maximum rate prescribed for commercial banks on their advances was reduced from 10 per cent to 9½ per cent and it was further decided that the benefit of 1/2 per cent reduction should extend to at least 80 per cent of banks’ advances. There was also a lowering of term deposit rates; the maximum rate prescribed for 15-45 days deposits and 46-90 days deposits were reduced from 1.5 per cent to 1.25 per cent and from 3.0 per cent to 2.5 per cent respectively. The minimum rates prescribed in respect of one year deposits and savings bank deposits were reduced from 6 per cent to 5.5 per cent and from 4 per cent to 3.5 per cent respectively. Simultaneously, a ceiling of 6 per cent was imposed on the rate to be charged by commercial banks on their advances for exports; the banks, in turn, were to be compensated by a subsidy from Government, amounting to 1½ per cent of the credit sanctioned.

69. The downward adjustment in the interest rate structure was made in order to reinforce the fiscal measures introduced in the Central Budget to aid economic recovery. This was also accompanied by further liberalisation and diversification of the IDETI’s terms of refinance. This liberalisation included reduction in the cost of export credit and the refinancing of bill/promissory notes arising out of sales of indigenous machinery on deferred payment basis and those arising out of sales on hire-purchase basis of new trucks,
jeeps and buses to transport operators in the private sector. The IDBI now refinance in respect of export credit which can be sanctioned up to 7 years and, in deserving cases, up to 10 years at 4½ per cent, provided banks do not charge more than 6 per cent. Similarly, in the case of bills/promissory notes arising out of sales of indigenous machinery on deferred payment basis, the IDBI's rates now vary from 4½ per cent to 5½ per cent depending on the maturity period, but again subject to the condition that the financial institutions do not charge more than 1 per cent above the rediscounting rate. In December, 1968, the IDBI has also initiated a participation scheme in respect of assistance to exports under which it has agreed to offer its share of export finance at 4½ per cent, with a guarantee commission of 1 per cent. More recently, in order to facilitate larger sale of indigenous capital goods, it has extended its scheme of rediscounting bills arising out of sales of indigenous machinery on deferred payment basis to purchasers in the public sector such as Electricity Boards, Transport Undertakings and Government companies.

70. During the 1967-68 busy season, bank credit had expanded by Rs. 509 crores—an all-time high. This credit expansion, however, included Rs. 107 crores on account of bank assistance for the food procurement operations of the Food Corporation of India. Excluding advances against foodgrains to the Food Corporation and private parties the credit expansion was of the order of Rs. 402 crores in the 1967-68 busy season as against an expansion of Rs. 417 crores in the preceding busy season.

**Table 10**

<table>
<thead>
<tr>
<th>Scheduled Commercial Bank Credit</th>
<th>(Rs. crores)</th>
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</thead>
<tbody>
<tr>
<td><strong>At the end of</strong></td>
<td><strong>Outstanding</strong></td>
</tr>
<tr>
<td>1956-67 Busy Season</td>
<td>2669.6</td>
</tr>
<tr>
<td>1967 Slack Season</td>
<td>2567.8</td>
</tr>
<tr>
<td>1957-68 Busy Season</td>
<td>3077.3</td>
</tr>
<tr>
<td>1968 Slack Season</td>
<td>3057.3</td>
</tr>
</tbody>
</table>

71. As a result of the continued bank assistance for food procurement operations, the 1968 slack season did not witness the usual seasonal contraction. The contraction was only of the order of Rs. 20.0 crores as against Rs. 101.8 crores in the 1967 slack season. The return flow of credit in the 1968 slack season was hardly 4 per cent of the preceding busy season expansion as compared to the return flow of 24 per cent experienced in the 1967 slack season. Thus, despite the large increase in the total deposits
Rs. 219 crores in the 1968 slack season as compared to Rs. 191 crores in the 1967 slack season—the banks’ investment in Government securities was smaller at Rs. 123.9 crores as compared to last year’s level of Rs. 216.2 crores. Thus, at the beginning of the 1966-69 busy season, while the credit-deposit ratio was higher at 74.7 than last year’s level of 70.3, the investment-deposit ratio stood lower at 26.6 as compared to 31.5 a year ago.

72. For the 1968-69 busy season, the RBI has decided to continue its policy of liberalised credit to the priority sectors. This includes continued provision of refinance at 4½ per cent for credit to exporters of engineering and metallurgical products, and in respect of increases in bank credit to each of the three priority sectors, viz., exports, agriculture and small industries guaranteed by the Credit Guarantee Organisation. The Bank would, in addition, continue providing refinance at the Bank Rate, irrespective of the net liquidity ratio, in respect of food procurement and allied operations and agriculture and exports. The system whereby the increase in the credit extended by banks to the priority sectors does not impair the net liquidity ratio was also continued. For this purpose, the definition of agriculture has been widened by including in it not only advances for the distribution of fertilizers and other inputs but also medium-term credit given for installation of wells and similar investment purposes and refinanced by the Agricultural Refinance Corporation. Moreover, in order to assist further the economic recovery, the RBI has, among other things, agreed to relax the existing norm of 5 per cent of deposits in respect of medium and long-term lending by commercial banks. Banks were also informed that the norm of 75 per cent to govern their credit-deposit ratio could be exceeded if their overall position warranted it. This was in addition to the exclusion of credit to priority sectors like exports from the calculation of the norm.

73. During the year, the RBI also relaxed some of its selective controls in the light of improved supply situation of certain commodities. For instance, these were relaxed in respect of oilseeds and vegetable oils and foodgrains other than rice and wheat in May, 1968, in respect of indigenous cotton and kapas in June, 1968, and in respect of wheat in August, 1968. However, in October, 1968, the RBI had to step in to regulate bank advances against raw jute to parties other than jute mills and against jute goods to parties other than exporters, by imposing a ceiling on bank advances and prescribing margin requirements. This was done in view of the reduced availabilities of raw jute and the consequential spurt in the prices of that commodity. Similarly, in view of the anticipated shortfall in the production of oilseeds in 1968-69, the Bank tightened in November, 1968 the margin requirements in respect of advances against oilseeds and vegetable oils (including vanaspati).

74. During the busy season so far (i.e., 25th October, 1968 to 24th January, 1969), commercial bank credit has shown an increase of only Rs. 66 crores. The explanation for this may be that some of the earlier bank credit sanctioned for food procurement operations is flowing back to the banking system. Over the year ending 24th
January, 1969 total commercial bank credit outstanding rose by about 13 per cent, as compared with about 10 per cent in the preceding year.

75. Mention was made in the last year’s Economic Survey of the policy of social control introduced in order to ensure purposive channelling of credit into the priority sectors. The National Credit Council, set up to implement the social control scheme, will make a periodic assessment of the demand for bank credit from the various sectors and determine priorities for grant of loans and assistance, having regard to the availability of resources and requirements of the priority sectors, in particular, agriculture, small scale industries and exports. It will also co-ordinate lending and investment policies of commercial and co-operative banks and other financial institutions to ensure an optimum and efficient use of the overall resources. During the year, the National Credit Council had two meetings and made recommendations for enlarging credit facilities to agriculture and small scale industries. Following the RBI’s discussions with commercial banks, the latter agreed to allocate 15 per cent and 31 per cent respectively of their fresh deposits (after providing for statutory liquidity requirements) to agriculture and small scale industries. Though several of the measures contemplated in the scheme of social control had been brought into force during the year by the banking system in anticipation of legislation in this regard, the policy of social control was given legal form by the passing of the Banking Laws (Amendment) Act, 1968. *Inter alia* this provides for changes in the constitution of bank management and prohibits loans and advances to directors or concerns in which they may be interested. An important feature of the changes prescribed in the case of bank management is that a bank will have a professional banker, and not an industrialist, as a full-time Chairman and that not less than 51 per cent of the strength of the Board of Directors will consist of persons having special knowledge of or experience in accounting, banking, economics, agriculture and other matters, relevant to banking operations.

76. The significance of channelling credit to the priority sectors as visualised under the social control scheme has to be viewed particularly in the context of the massive requirements of production and distribution credit of the agricultural sector in the coming years. An adequate supply of credit for distribution of fertilizers, seeds and other agricultural inputs is vital for the success of the new agricultural strategy. The increasing requirements of credit in the agricultural sector alongside the credit needs of the industrial and trading sectors of the economy would call for vigorous efforts by both commercial and co-operative banks at deposit mobilisation. The substantial increase in time deposits, particularly in the areas which have witnessed a substantial increase in agricultural production, is a pointer to the possibilities in this direction.

77. In the field of co-operative credit, a noteworthy development during the year was the enactment of legislation with a view to setting up Agricultural Credit Corporations in the five States of Assam.
West Bengal, Bihar, Orissa and Rajasthan and the two Union Territories of Manipur and Tripura. The co-operative structure is relatively weak in these parts of the country and the new corporations should strengthen and enlarge the credit facilities already existing. However, in these areas as well as in those parts of the country where co-operative credit is better established, the credit requirements of the agricultural sector are so large that there will be ample scope for both commercial and co-operative banks to operate.

78. This review of monetary trends in the year brings into clear relief the better balance that was restored in the economy between the overall pressure of demand and the availability of supplies, which was reflected in the degree of price stability that marked the year. The measures taken to ease monetary policy by providing for adequate credit, in particular to the priority sectors such as exports and agriculture, have not led to any signs of credit inflation. On the contrary, credit policy has been adapted to stimulate industrial production on the one hand and to avoid an untoward decline in farm prices on the other.

78. Credit policy in the coming year will have to continue to lay emphasis on the priority areas identified by the National Credit Council and to be geared to a step-up in production and exports. Care will also have to be taken to ensure that hoarding and speculation are curbed and stability of prices is preserved. In addition, the banking system will need to organise itself to deal more adequately with the tasks that lie ahead in the fulfilment of the social and economic objectives of the country, and the Banking Commission, which has recently been appointed, is expected to provide the guidelines for this endeavour. The terms of reference of the Banking Commission call for a comprehensive review of the entire banking structure in all its aspects. They include an enquiry into the existing structure, coverage, operating methods and management policies of commercial banks. The Commission will also review the working of co-operative banks and the role of non-banking financial institutions and indigenous banking agencies such as Mutranis and Shroffs. It is required to submit its report by the end of 1970.