West Germany	3,933	3,229
	(5.6)	(6.8)
Japan	5,049	3,157
	(7.3)	(6.6)
O.P.E.C.	2,064	1,700
	(3.0)	(3.6)
Others	7,174	6,129
	(10.3)	(12.9)
TOTAL	69,321	47,533
	(100)	(100)

Source : **R.B.I., Report on Currency and Finance,** 1988-89

The flow of foreign aid is gathering momentum with every passing year. It increased from Rs. 8,890 crore in 1968-69, when Com. TN wrote this book, to Rs. 69,321 crores in 1988-89. Com. TN estimated that the Fourth Plan would need "external assistance of Rs. 4,130 crore, averaging Rs. 826 crore per year." His estimation proved to be correct. The Fourth Plan received an aid of Rs. 4,022 crore, averaging Rs. 804 crore per year. During the decade of eighties, this aid had reached to monstrous proportions. From March 1980 to March 1989, the aid flowed into our country was around Rs. 44,622 crore, averaging Rs. 4,858 crore per year.

Out of the total aid authorisations upto March 1989, nearly half had been provided by the international financial institutions. On bilateral basis, USSR had just overtaken USA. The aid flowed from Soviet Union was Rs. 6,619 crore (9.6 per cent) while that of USA was Rs. 6,454 crore (9.3 per cent). But, considering the dominating position of US in the international financial institutions, it still remains as the single biggest aid giver to India.

International financial institutions are nothing but semi-official American organisations and a smoke screen to coverup its ugly face. The aim of these institutions is that it creates conditions conducive for American private investments. So the aid from these institutions goes to infrastructure sector, mainly agricultural development, electricity projects and transport and communications.

WESTERN AID AND INDIAN INDUSTRIALISATION

In its issue of August 28, 1958, **Capital,** the economic journal of British finance in India, garlands Soviet aid with the choicest flowers of praise, for blazing with vigour the path of subtle penetration of imperialist monopolies into the Indian economy (especially in the industrial field). **Capital,** as early as in 1958, commented that *"under the stimulus of American fears of Russian enterprise in Asia and Africa, they [the Americans] are determined to face up to some of the real problems of lending cheaply and efficiently to backward and temporarily insolvent countries such as India.* **We should make a sign of gratitude to Soviet Union** *whose activities have brought this day nearer".*

This was the period when the Soviet Union and other East European countries began to underline their acceptance of the social and political *status quo* in India. The first Russian credit was granted to the Hindustan Gas Company in the private sector in India. In March 1956, Russia offered technical assistance to the overwhelmingly private-owned coal mining industry. In the course of 1956, Czechoslovakia supplied loans for three sugar refineries and steam power plants in the private sector. It was during this period that the Soviet Union also came to an agreement for the establishment of heavy machinery, coal mining equipment, and steel plant. Thereby, the Soviet Union, offering its technical and financial assistance both to the private sector and to the public sector proved its *bona fides* to the Indian bourgeoisie, showing that it stands squarely for the maintenance of the *status quo* in India. It was the period when India was facing a serious foreign exchange crisis. It was at such a time as this, that **Capital,** Journal of British finance in India, paid the above glorious tributes to the Soviet Union for playing the role of a catalyst to funnel ever greater Western aid into India.

Ulyanovsky, the Soviet academician, confirms the high hopes of foreign finance capital by expressing satisfaction at the powerful impact of Soviet aid, "in compelling the imperialist powers to reshape their economic relations with the newly independent countries enabling the latter to some extent to *escape* the former imperialist forms of exploitation" (Page. 175) and, further, he expresses exuberant triumph at the way in which "the credits extended by the socialist countries are *exerting a telling influence* on the aid of the imperialist States to India. By supplying India with means of production on account of their credits the socialist countries *have undermined* the former monopoly position of the imperialist powers in the Indian machinery market. Although foreign capital continues to utilise India's difficulties in industrialisation and tries to hamper her advance, *more farsighted businessmen are beginning to realise* that the traditional anti-industrialisation policy is out of date as far as India is concerned". (**"The Dollar and Asia"**, Page 189)

Just as British finance has enthusiastically invited Russian capital into India, so also the Soviet Union has begun to prettify the imperialist aid to India, saying that the imperialist powers have been compelled to reshape their economic aid in such a way as to lessen their exploitation of the dependent countries. Ulyanovsky takes credit that Soviet credits exerting a telling influence on the aid of the imperialist States, which has resulted in making far-sighted businessmen agree to the industrialisation of India. It is, presumably to be accepted that imperialism no more has imperialist characteristics of exploitation.If it is true that imperialism is no more against industrialisation of developing countries, then, according to the Soviet revisionists, taking aid from imperialist powers does not in any way hinder the progressive development of the economy of the underdeveloped countries.

It is unfortunate for the Soviet revisionists that not even democratic economists agree to this new definition of imperialism coming from the newly-found friends of imperialism.

R. Sedillet, a French writer, has given an interesting but truthful description of American aid :

> *"Colonisation effected by the dollar dares not disclose its names .... Its forms differ from official measures of the last century to such an extent that one gets the impression this is an entirely different phenomenon."*

Whereas the Soviet writer talks of a change in some Western

businessmen, who are now more farsighted and who consider that the traditional anti-industrialisation is out of date, the French author considers American aid to be a different form of colonialisation, *giving one the impression* of an entirely different phenomenon.

> J.P. Warburg in his book , **"The West in Crisis"** talks of American aid as *"its fear-inspired clinging to the status quo in a period of rapid and ineluctable change"*. Robert S. Strother, in an article in **Reader's Digest** in 1961, says that *"our money has* **not** *bought us friends and respect in the last 10 years. It has not materially strengthened the countries which have received it."*

Such are the various characterisations of the aid we have received and have been receiving in greater quantity. We should now probe into the matter deeper to get at the truth.

Quantum of Aid for Industrial Development

According to various reports published by the Government and various foreign embassy agencies, India has received immense aid, in the form of loans from various governments and their agencies, and in the form of inflow of foreign private capital, into the industrial field in the past 20 years. This aid is gaining momentum.

According to P. J. Eldrige, M.A., (Oxon) Ph. D. (London), Lecturer of Political Science at the University of Tasmania, the following table gives a bird's eye view of the contribution of various donors as loans towards assistance in India's industrial development (other than steel and iron ore).

We should remember that loans for industrial development from the Soviet Union and other East European countries are only to the public sector, whereas the loans granted by the United States, World Bank, and other Western sources, are mainly to the private sector, even though West Germany and Britain have also provided loans to the steel plants in the public sector.

TABLE : 6.1

Percentage Share of Loans Countrywise for Industrial Development Upto March 31, 1965

Donor	Authorised	Utilised
I. B. R. D	3.0	2.8
I.D.A.	2.2	1.1
United States	34.1	42.8
Canada	0.07	0.04
Soviet Union	16.1	15.0
West Germany	9.9	10.8
France	2.4	1.1
United Kingdom	13.1	16.5
Italy	3.2	0.8
Czechoslovakia	3.2	0.5
Yugoslavia	1.0	0.4
Poland	2.0	0.8
Switzerland	0.8	0.2
Austria	0.3	0.2
Belgium	0.5	0.1
Netherlands	0.8	0.2
Denmark	0.1	0.03
Sweden	0.1	–
Japan	7.1	6.7
Total	100.0	100.00

US aid for industrial development of the country tops all countries, it alone accounting for 42.8% of total aid for industrialisation of India. The three major Western powers U.S.A., U.K., and West Germany have aided India's industrial development to the extent of 70%, whereas the share of the socialist countries till March 1965 was not more than 16.3%.

"It is a surprising fact", says Eldrige, *"that apart from steel development, America's contribution to India's industrial development was more than twice that of Russia, whose financial provision has generally been comparable to that of the United Kingdom. The popular association of Russia with industrial development is no doubt due to her concentration on a few heavy industrial projects in the public sector, whereas American aid is more widely distributed"* (Page 194).

The Soviet loans to the public sector and the U.S. loans to the private sector, instead of playing a contradictory role, are complementary to each other. They take care to see that they don't step on each other's toes. The greater the role of the Soviet Union in helping India's steel production, the faster has been simultaneous growth of the engineering industry in the private sector, with significant controlling interest with foreign finance capital for making use of this steel for greater profits. The Soviet Union's help to finance Barauni oil refinery, has been of immense importance in allowing foreign private capital to dominate the public sector oil refineries in Cochin and Madras and Haldia. The Soviet Union's readiness to help produce drugs in India led to the establishment of a series of private industries in the pharmaceutical sector under the complete control of foreign monopolies.

Thus Soviet aid has certainly played the role of *"exerting a telling influence"* on foreign finance capital, in prodding them to capture the heights of India's industrial growth. Therefore, Soviet and American aid to India's industrial development are complementary to each other only to the detriment of India's independent industrial growth.

From figures given in the Reserve Bank of India's publication *"Report on currency and Finance"* for 1968-69, it will be seen that, till the end of March 1969, Rs. 4,031.6 crores of external assistance had been authorised for industrial development in India. Out of this, by the end of March 1969, Rs. 2,950.2 crores had been utilised. During Second Plan, utilisation per year was only Rs. 51.5 crores. During the period of the Third Plan, utilisation increased by six times averaging Rs. 305.5 crores per year. During the three years of the plan holiday, 1966-67 to 1968-69, the average per-year utilisation increased still further (even though the three years happened to be years of recession, the period when production was reduced, industrial units worked under capacity) to Rs. 474 crores per year. The following table gives a clear picture:

TABLE : 6.2

Authorisation and Utilisation of Loans and Credits for Industrial Development

(In crores of Rs.)

	Authori-sations	Average Per Year	Utili-sation	Average Per Year
Second Plan	751.3	150.3	257.6	51.5
Third Plan	1473.0	294.6	1270.1	305.5
1966-67 to 1968-69	1807.3	361.5	1422.5	474.2

As in the case of agricultural production, it is evident that, even in the case of industrial production, the dependence on foreign loans is a growing phenomenon. The figures in the above table do not include loans to private sector industries, granted out of P.L. 480 rupee funds, by the U.S. Again, U.S. finance leads the race. By 1969, the number of countries that had authorised loans to help our industrial production had increased from 19 in 1965 to 22 in March 1969. The following table gives an idea of the growth of utilisation of foreign loans, from Plan to Plan, countrywise. It is clear that, to keep our existing industrial wheels turning to full production, greater loans will be needed in future.

TABLE : 6.3

Countrywise Distribution of Loans for Industrial Development till 1968-69

(in crores of Rs.)

Source	Till the End of Second Plan	During Third Plan	From 1966-67 to 1968-69	Total
I.B.R.D./I.D.A.	4.1	93.7	270.2	367.0
U. K.	86.5	149.8	147.7	384.0
West Germany 47.4	88.2	108.8	244.4	
U.S.S.R	10.3	207.1	64.5	281.9
U.S.A.	93.0	551.1	501.3	1145.4
Japan	16.0	86.3	116.2	218.5
France	–	21.0	43.9	64.9
Italy	–	11.6	0.1	11.7
Czecholslovakia	–	12.6	39.7	52.3
Yugoslavia	–	9.7	11.4	21.1
Poland	–	11.3	4.1	15.4
Switzerland	–	6.0	12.3	18.3
Canada	–	1.2	16.1	17.3
Austria	–	4.7	7.4	12.1
Belgium	–	4.9	2.7	7.6
Netherlands	–	9.5	19.3	28.8
Denmark	–	0.6	2.3	2.9
Sweden	–		4.8	4.8
Total	257.3	1269.3	1372.8	2899.4

From the above figures two features stand out. First, in the name of industrial development the amount of loan from Plan to Plan is greater. During the Second Five-year Plan-the Plan which laid the 'foundation' for planned industrialisation of the country - only Rs. 257.3 crores were spent. But it had increased to such an extent that, after the Third Plan in the three years known as 'plan holiday', it had increased to Rs. 1372.8 crores. If we remember that these three years were of industrial recession, when industrial activity was slack, we can imagine what further aid would be needed in the period of normal growth of industrial activity. "Economic Survey" 1969-70" published by the Government of India has this to say :

> *"The economy could manage with such low volumes of net assistance because of the slack during the recession and immediate post recession years.*

With the revival of industrial activity, the need for both maintenance imports as well as capital goods imports would increase. Already, select items of maintenance imports have gone up and scarcities are developing in some sectors." (Pages 53-54) "There is every likelihood of a significant increase in imports" [creating] "adverse repercussions on the balance of trade." [Page 56]

In a very subtle way, the Government of India has provided the need for more loans for *'maintenance imports'*, meaning imports of *'raw materials'*, *'components'* and *'spare parts'* for which greater need will araise as the wheel of industry begin to move faster.

The second characteristic to be noted is that the World Bank, the U.S.A., the U.K., West Germany, and Japan, had provided 81% of the aid utilised so far, whereas the revisionist countries including Yugoslavia lagged far behind, providing a meagre 12%. America alone had provided loans for industrial development at the rate of 36%, 43% and 37% during the Second Plan, Third Plan, and the later three years of 'plan holiday.'

Every country that aids another country keeps in mind the possibility of loss of the market for its own goods in the aid-receiving country and tries to avoid that aid which is deleterious to its own economy. Only that aid is allowed to be funnelled into the under-developing countries which is capable of keeping the aided country under continued dependence on the aiding country. This principle is so dexterously implemented that the Indian economy, in the course of three five year plans and three years of plan holiday , finds itself in so dependent a position that any lessening of the aid in the pipeline throws its economy into utmost chaos.

Purpose-wise Allocations of Industrial Development Loans

It is very difficult to divide foreign loans for industrial development purpose-wise. In the publication of the Department of Economic Affairs published yearly, "External Assistance for the year 1967-68", these loans are referred to as, *"balance of payments"* assistance, *"kipping loans"*, *"Non project credit"*, *"General purpose loans"*, *"suppliers' credit"*, and so on and so forth. There are some loans specified for a particular industrial project in the private or

public sector, but most of the loans are categorised as private-cum-public sector loans, making it difficult to analyse the loans in proper perspective. Keeping these difficulties in view, we will try to analyse the basic features of this aid.

Loans to the private corporate sector for capturing the heights of industrial production, is the fundamental principle of Western finance. The phenomenal growth of foreign private capital in the corporate field in India after 1948 is of basic significance in India's industrial growth during this period. According to Reserve Bank of India Bulletin, March 1971, outstanding long-term foreign investments in the corporate industrial and commercial enterprises, which was Rs. 264.6 crores in 1948, had grown more than six times by the end of March 1968. This growth has been aided by Western loans in various forms.

The following list, of companies which have received direct aid from foreign governments and institutions, should be an eye opener to any genuine nationalist, who is anxious for the growth of a strong and independent India. Even though the list is long, it is worth giving the full list to understand how the biggest of *"Indian"* companies are controlled through loan capital.

TABLE : 6.4

Loans to Particular Private Sector Companies as per External Assistance 1967-68

I.	**World Bank :**		*(Rs. in crores)*	
	1.	I I S Co	73.99	(4 loans)
	2.	T I S Co	80.63	(2 loans)
	3.	Trombay Power Project	17.63	(2 loans)
		Total	172.25	
II.	**Export Import Bank :**			
	1.	Sundetta Cotton Seed Multiplication Ltd.	0.05	
	2.	National Rayon Corporation	1.35	

3.	Hindustan Aluminium	22.24	(3 loans)
4.	Orient Paper Mills	13.88	
5.	East India Hotels	0.54	
6.	Union Carbide	5.69	
7.	Bharat Forge Co. Ltd.	2.93	
8.	Mysore Acetate Chemicals	1.56	
9.	Coromandel Fertilisers	20.25	
10.	Central Pulp Mills	5.12	
11.	Hardilla Chemicals	2.51	
12.	Chemicals & Plastics	2.36	
13.	Indian Aluminium	1.50	
	Total	79.98	

III. DLF/AID Loans :

1.	Premier Automobiles	7.56	(2 loans)
2.	Rayon Tyre Cord (DCM)	6.60	
3.	Trombay Thermal Powers	13.43	
4.	Napco Bavel Gears	1.73	
5.	Telco Truck expansion	10.28	
6.	Hindustan Motors	31.86	(3 loans)
7.	Telco	8.85	
8.	National Engineering Industries	3.23	
	Total	83.55	

IV. Cooley Loans :

1.	Otis Elevator Co.	0.20	(2 loans)
2.	Good Year	3.75	(2 loans)
3.	Synthetics & Chemicals	6.50	(3 loans)
4.	Hindustan Aluminium	5.00	(3 loans)
5.	Mysore Cement	3.61	(3 loans)
6.	Ex-Cell HO India	0.20	
7.	Premier Tyres	0.30	

8.	Seshasayee Paper & Board	2.00	
9.	Cynamide India	0.25	
10.	Gabriel India	0.19	
11.	East India Hotels	0.76	
12.	Wyth Laboratories	0.17	
13.	Madras Rubber Factory	0.75	(2 loans)
14.	Victor Caskets	0.08	
15.	Wymen Garden	0.25	
16.	Precision Roller Bearing	0.45	(2 loans)
17.	Haring Malik Manufacturing	0.03	
18.	Mecknali Bird Engineering Co.	1.00	(2 loans)
19.	Union Carbide	2.16	
20.	Acber Acros Farms	0.13	
21.	Mandya Paper Mills	1.17	
22.	Kirloskar Cummuins	1.25	
23.	Napco Bavel Gears	0.80	(2 loans)
24.	Elpro International	0.40	
25.	Frick India	0.25	
26.	Coromandal Fertilisers	14.67	(2 loans)
27.	Bharat Steel Tubes	0.25	
28.	Everest Refrigerators	0.60	
29.	IA & IC (P) Ltd.	0.05	
30.	Borosil Glass Works	0.76	
31.	Chemicals & Plastics	0.33	
32.	Graphite India	1.00	(2 loans)
33.	Symbiotics	1.34	
34.	Indabrator	0.14	
35.	American Universal Electric	0.21	
36.	Shama Forge Co.	0.48	
37.	Sylvania and Laxman	0.50	
38.	Raymond Engineering Works	2.14	
39.	Renu Sagar Power Co.	4.79	(2 loans)
40.	Rockwell India	0.17	

41.	Indofil Chemicals	0.30	
42.	Hardilla Chemicals	2.65	
43.	United Carbon India	2.61	(2 loans)
44.	Tractor Engineering	0.60	
45.	Semi Conductor	0.14	
46.	York India	0.15	
47.	Richardson Hindustan	0.63	
48.	Ferro Coatings and Colours	0.25	
49.	Lal Reo Measuring Tools	0.13	
50.	Corn Products	0.24	
51.	International Fisheries	0.20	
52.	Cutler Hammer India	0.30	
53.	Shave Norgan India	0.80	
54.	Modipan	1.82	
55.	Warner Hindustan	0.88	
56.	Taylor Instruments	0.15	
57.	Agricultural Association	0.25	
	Total	70.49	

V. Canada :

1.	Indian Aluminium Co.	1.31	(2 loans)
2.	Comico Binani Zinc Co.	1.11	
	Total	2.42	

VI. West Germany :

1.	Telco Toolroom Project	1.36

VII. Japan :

1.	Toshiba Anand Lamps	0.73
2.	Tisco Roll Poundry Project	1.13
3.	Plastic Resins & Chemicals Ltd. (PVC)	3.50
4.	Dharangadhara Chemical Works	1.19
5.	Kota Fertilisers of DCM	17.00
6.	Kanpur Fertilisers (India Explosives)	19.95
	Total	43.50

VIII. Netherlands :

1.	Century Rayons (for tyre cord)	5.46
2.	Philips India	0.48
	Total	5.94

This list, collected from "External Assistance 1967-68", does not give the full picture of loans granted to individual companies from various foreign sources. There are several other loans granted to the private sector, 'camouflaged' under various heads – such as *'non project'* credit, *'general purpose'* credit, *'industrial commodities'* credits, and so on – covering both private and public sectors, running into tens of millions of rupees. No estimation, as to how many loans in this period of *'development decades'* 1950-70 have been siphoned off into the private sector, can be made correctly even by the Government of India.

There are also many other sources of loans to the private sector which are not accounted for in the general pattern of External Assistance and, therefore, do not figure in the yearly publication of the department of Economic Affairs on external assistance, for example, loans from Commonwealth Development Finance Corporation or loans from foreign banks etc. They, too, are as much a liability to the country as any other loans. For example, Synthetics and Chemicals Ltd., which has had the benefit of three loans totalling Rs. 6.50 crores from the Cooley Funds, had also received Rs. 4.60 crores in foreign exchange from four banks in America. The fertiliser project in Kanpur, which is a subsidiary of the British Company, Indian Explosives, has received a loan of Rs. 6.30 crores from the International Finance Corporation in foreign exchange. Such loans as these have not figured in the list I have given below.

Even so, to study the impact, we can note certain facts from the above list. The total amount of loans directly granted to the private corporate sector upto 1967-68 is as follows :

	Rs. Crores
World Bank	178.25
Export Import Bank	79.98
DLF/AID loans :	83.55
Cooley Funds (P.L. 480)	70.49
Canada	2.42
West Germany	1.36
Japan	43.50
Netherlands	5.94
Total	459.49

It is said that foreign private capital and foreign loan investment accentuate monopoly tendencies. The invasion by these loans which, as per my calculation, approximate Rs. 460 crores, reveals tendency in the most glorious form. Nearly 80 companies have received loans worth Rs. 460 crores. But 19 giant companies, the companies which are included in the *"101 toppers in the private corporate sector"* by the Research and Statistics Division of the Department of Company Affairs gained the maximum. These 19 companies have managed to bag nearly Rs. 397 crores of loans out of Rs. 460 crores. These 19 toppers are :

		Rs. crores
1.	Tata Iron & Steel Co.	81.76
2.	Indian Iron & Steel Co.	73.99
3.	Coromandal Fertilisers	34.92
4.	Hindustan Motors	31.86
5.	Trombay Thermal Station	31.06
6.	Hindustan Aluminium	27.24
7.	DCM (Kota Fertiliser & Rayon Tyrecord)	23.60
8.	TELCO	20.44
9.	Indian Explosives (Kanpur Fertilisers)	19.95
10.	Orient Paper	13.88
11.	Union Carbide	7.85
12.	Premier Automobiles	7.57
13.	Synthetics & Chemicals	6.50
14.	Hardilla Chemicals	5.16
15.	Renusagar Power	4.79
16.	Indian Aluminium	2.81
17.	Seshasayee Paper	2.00
18.	National Rayon	1.35
19.	Philips India	0.48
	Total	397.23

This accounts for more than 86% of the loans sanctioned. That the biggest of the big in the Indian corporate sector are growing bigger mainly due to foreign collaboration and the active support of the Government of India is clear. But still more significant is the lion's share of Birlas and Tatas in this collaboration with foreign capital, and the foreign monopolies' eagerness to join hands with the two biggest giants in the corporate sector. The following table clarifies the role of foreign loans in relation to Birla and Tata. Out of 19 industries which have received foreign loans, 7 belong to these two houses, 3 to the Tatas and 4 to Birlas.

Tata House

	Rs. Crores
TISCO	81.76
Trombay	31.06
TELCO	20.44
Total	133.26

These three companies alone got 34.3% of the loans given to the 19 giants of the Indian corporate sector.

Birla House

	Rs. crores
Hindustan Motors	31.86
Hindustan Aluminium	27.24
Orient Paper	13.88
Renusagar Power	4.79
Total	77.77

These four units of the Birla House have received 19.5% of the loans given to 19 biggest companies of the corporate sector.

The significant part played by these loans in the growth of assets of these units can be known if we look at the total growth of assets of these units during 1956 to 1968, and the total grip of foreign finance on these units can be understood, to a great extent.

TABLE : 6.5

Loan Capital and the Growth of Assets during 1956 to 1968

(Rs. in crores)

	Assets 1956	Assets 1968	Difference in 1968 to 1956	Foreign Loans
TISCo.	98.29	258.08	159.79	81.76
TELCo.	27.22	85.84	58.62	20.44
Trombay	15.07	35.75	19.68	31.06
Hindustan Aluminium	–	50.70	50.70	27.24
Hindustan Motors	10.86	61.45	40.59	31.86
Orient Paper	8.19	34.34	26.65	13.88
Renusagar Power	–	18.59	18.59	4.79
	159.86	545.25	374.62	211.03

It is clear that the finance for the expansion of these industries has come mainly from foreign finance capital. As we have already noted, these are not the only foreign finances received by these companies. But the other foreign capital investments, in equity, debentures, and loans, could not be fully gathered for want of adequate information. For example, Hindustan Motors has taken loans from Commonwealth Development Finance Corporation amounting to 450,000 dollars in 1963 and again 250,000 dollars in 1966 according to "Directory of Foreign Collaborations in India" Volume II, Section 2, Page 31. Kidron, in his book "Foreign Investments in India", says that *"Dalmier Benz received ordinary shares worth 80 lakhs of rupees, two-fifths of the issued capital in Tata's automobile division of TEL Co :"* (Page 267). Even without going into all such details, the above table clarified the grip of these international loans over Indian giants of the corporate sector.

The increase of assets between 1956 and 1968 of the above 7 giant companies was Rs. 375 crores. Foreign financial help to these companies during the same period amounted to Rs. 211 crores. That means that the 61% of new assets of these companies were due to the loans of foreign finances.

The credits sanctioned to private firms are mainly from 3 sources-the Export Import Bank of America, P.L. 480 Cooley loans, and DLF/AID loans-all from the U.S.A. These loans give priority to American firms which have branches in India, or Indian firms associated with American firms, and lastly to Indian firms which are in need of both rupee and dollar credits. Through these methods, they can gain control of Indian firms. These sources of loan capital have made possible the active penetration of U.S. capital in India to capture strategic heights of industry, to gain monopoly in some of the core industries, such as aluminium, chemicals and pharmaceuticals, fertilisers, transport, and heavy engineering. These loans have promoted local ties with the Indian bourgeoisie, to make Indian capitalists subsidiary partners, to tie them to American enterprise. These loans are directly negotiated. It is the management of the Export Import Bank which decided who is to get credits. The counterpart rupee funds are distributed to *"joint Indo - U.S. enterprises"* according to *"External Assistance"* published by the Department of Economic Affairs of the Government of India. Cooley Funds are specifically allotted as per the Law passed by the American House of Representatives. Commerce (November 30, 1968) in its special supplement on Indo-U.S., Co-operation specifies in the following manner the firms which can get loans from the Cooley Funds :

(1) American firms or their subsidiaries operating in the country (India) or indigenous (India) firms having affiliation with an American firm.

(2) Indigenous firms of the country who have no affiliation but are facilitating the disposal of American agricultural product, e.g., local private warehouses storing grain, or flour mills processing

grain.

It is clear that only subsidiaries or affiliates of American firms get the loans. And yet, the country is informed by the super patriots of the Government of India - the ruling Congress that it is in India's interest that foreign capital flows into our country.

Foreign Finance Capital's Control of Industrial Finance Corporations

Foreign capital adopts various forms to control the growth of Indian industry. We have seen in the previous section, the method of giving direct loans to Indian industries and how important its role has been in the establishment of new industries such as Hindustan Aluminium or in the expansion of established industries such as TISCO, IISCo, Indian Aluminium, and Hindustan Motors.

The other most important means adopted by the imperialist governments has been their policy of aiding India's financial corporations. Therefore we must now probe into this feature of industrial development loans given by Western imperialists. This aid, in the form of loans, has been used to increasingly dominate these industrial financial corporations, which have been established in India after 1947 for the promotion of India's independent industrial growth. Under the leadership of the Almighty Dollar, even these financial institutions have become bases for a quick and extensive penetration of foreign monopolies into Indian industry.

> A. Aronovitch, in his book "Monopoly" states that : *"the concentration of production and centralisation of capital is a process greatly speeded up by the growth of the financial and credit systems .... In these and other ways, industrial and finance capital increasingly become intertwined and carry forward the process whereby .... a handful of giant industrial and financial combinations have come to dominate the economies of the countries. This is the essence of capitalism called Monopoly Capitalism."*

These monopolies, both of big combines and financial institutions, which have been accumulating vast amounts of capital have been in continuous search to invest in areas which

can bring them a higher rate of profit, maximum profit than investments at home. The key to their method of securing super profits is to control production, so as to be able to rig the market, to obtain the highest level of prices, to achieve maximum profits. This being the economic law of modern capitalism, it would adopt any number of methods to achieve that end.

One of the methods is the technique of *"combining the gigantic forces of capitalism and the gigantic forces of the State to form a single mechanism"* (Lenin : "War and Revolution"). This technique has been very efficiently and successfully implemented in India in the interests of foreign monopolies. Gigantic forces of foreign imperialist capital, supplemented by the resources of the Government of India, have been combined into a single mechanism through the Indian finance corporations. These resources of the corporations form the basis of the monopoly companies of the West to penetrate the Indian corporate sector in close alliance with the Indian bourgeoisie, to dominate the industrial field.

Establishment of Finance Corporations and Their Importance

Finance corporations were established in India mainly to make available long-term loans to industry. It was felt by the Government of India, that it was not possible for the capital market to develop in the foreseeable future to sufficient breadth and depth to meet the requirements of industry. As T. V. Sethuraman says : *"Government is in an advantageous position to mobilise resources and place a part of these at the disposal of the private sector through the medium of industrial financing institutions."* ("Institutions Financing of Economic Development in India", Page 32).

These financial institutions have played an extremely important role in the growth of the private corporate sector in India.

The following table records the increasing assistance which is being given by various financial institutions.

(See Table on Next Page)

TABLE : 6.6

Assistance by Financial Institutions in Third Plan

(Rs. in Crores

	Loans		Underwriting & Direct Subscriptions		Total	
	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed
IDBI	1115.	76.4	13.5	3.0	125.0	79.4
IFC	131.2	78.0	19.8	12.4	151.0	90.4
ICICI	83.0	54.1	23.1	11.4	106.1	65.0
IFCS	90.5	60.2	8.7	6.8	99.2	67.0
SIDCs	1.3	0.6	10.8	5.0	12.1	5.6
Sub-Total :	417.5	269.6	75.9	38.6	493.4	307.9
UTI	–	–	11.1	9.5	11.1	9.5
L.I.C.	16.7	1.8	52.2	44.7	68.8	46.5
Sub-Total :	16.7	1.8	63.3	54.2	79.9	56.0
Grand Total : IIIrd Plan	434.2	271.1	139.2	92.8	573.3	363.9
Total for Second Plan	105.2	70.1	15.8	6.3	121.3	76.4

Source : Hindu Survey of Industries, 1966. SLN Simha **"Growing Reliance on Institutional Finance."**

The above table clearly portrays the fact that "In respect of development financing institutions, there was a 300% increase in the assistance sanctioned, which recorded an increase from Rs. 121 crores in the Second Plan to Rs. 493 crores in Third Plan, while assistance disbursed rose from Rs. 76 crores to Rs. 308 crores".

S. L. N. Simha further reports that :

> *"indications are that in the Fourth Plan period there would be a further marked increase in the ratio of funds to be provided by the institutional agencies. It looks likely that the term-financing institutions, other than LIC and UTI will have to make a gross disbursement of the order of Rs. 700 crores in the Fourth Plan as a whole; this will constitute something like 25% of the estimated gross fixed assets investment. Besides, the LIC and the UTI should be providing funds to the extent of Rs. 76-100 crores, or 3 to 4 per cent of fixed investment".*

Commercial banks –

> *"in the last 6-7 years, especially on account of the availability of Refinance Corporation for Industry (RCI) which was merged with the IDBI in September 1964, the lending of commercial banks for industrial investment has been substantial."*

> *"In recent years corporate finance trends reveal a decreasing share of internal resources, i.e., depreciation provision and retained profits."*

> *"In the Third Plan about half of the gross disbursement of funds of almost two-thirds of the net dibursements (net of repayments) was received from the public sector - mostly the Central government, supplemented by assistance from the Reserve Bank. The actuals of the term-financing institutions as a whole during the Third Plan in respect of the principal sources of funds is as follows ":*

TABLE : 6.7

Funds for Statutory Financial Institutions

	Rs. in crores
Borrowing from governments	137
Assistance from Reserve Bank	17
Borrowing from abroad	34
Bond issues	34
Repayment of loans	67
Total	289

"In the Fourth Plan period, it would appear that assistance from the Government and the Reserve Bank would have to be atleast of the order of Rs. 400 crores".

"It is interesting to note that although public sector investment has accounted for a major part of the investment programme in the Indian Five Year Plans, the Government is giving serious attention to the financial requirements of the private sector. In practice, the Indian authorities have throughout taken a national view of the resource problem though at times an impression is given that the Government is excessively preoccupied with the requirements of the public sector programme of investment".

(S.L.N. Simha : "Hindu : Survey of Indian Industries, 1966")

According to L.K.Jha, Governor of the Reserve Bank of India, *"in the 18 years between the start of the First Five Year Plan and 1968-69, the I.F.C., the S.F.C.S., the I.C.I.C.I., and the I.D.B.I. between them sanctioned nearly a thousand crores by way of financial assistance for industrial development. This total includes all types of assistance - direct loans, underwritings, refinance to banks, and rediscounting of bills. Simultaneously in the period of 1961-69 bank finance to industry rose from Rs. 664 to well over Rs. 2,000 crores."* (L.K. Jha : 'Financial Institutions and Industrial Growth', R.B.I. Bulletin, March 1970 : Page 443).

Thus the official credit institutions are being used to bolster the private sector. Even companies with foreign capital with a right to repatriate their profits have been beneficiaries of the government's generosity. In fact, the largest beneficiaries from the official agencies are the big business houses flourishing along with foreign collaborators.

These institutions have been playing an increasingly important role in bolstering the monopoly sector in India.

The two most important financial institutions which are playing a role of catalyst for greater investment of foreign capital are the IFC and ICICI. A study of the capital resources and loan policy of these institutions reveals the growing comprador nature of the Indian bourgeoisie (especially of big business) in alliance with the bureaucratic capital – as a subsidiary to foreign finance.

Industrial Finance Corporation of India

Government of India, under an Act of Parliament in 1948, set up the first institution – the Industrial Finance Corporation of India – to advance loans to companies, to finance mainly the large-scale industry, with a paid-up capital of Rs. 5 crores. To augment the resources of this corporation, the corporation issued bonds to raise its capital. A third of these bonds was taken up by banks and insurance companies *"and the balance by Mahatma Gandhi National Memorial Fund"* – a truthful tribute by his disciples to the *'Father of the Nation'*, who had successfully led the nation for transfer of power into the hands of big business and landlords. The corporation also borrows from the Reserve Bank of India. It received the first foreign currency loan in 1960, from the U.S. Development Loan Fund.

The Industrial Finance Corporation was the first to be started in 1948. The paid-up capital of IFC in 1969-70 ws Rs. 8.35 crores. Of the shares 50% were held by the Reserve Bank of India and the Central government, later transferred to Industrial Development Bank of India, a subsidiary of RBI. The remaining shares were held by the scheduled banks (20%), insurance concerns (22%), and co-operative banks (8%). In addition to the share capital, the corporation has the power to augment its resources by issue of bonds and debentures, the repayment of capital and interest thereon being guaranteed by the Government of India. The corporation is also authorised to borrow from the

Reserve Bank, as and when necessary. The corporation also borrow from the Central government directly. It has not been possible to collect the total amount of borrowings from the Central government during this period. But, as at the end of 1969-70, according to the RBI Bulletin January 1971, the Corporation's outstanding borrowings from the Central government stood at Rs. 80.90 crores. During 1969-70, the Corporation was authorised a loan of Rs. 5 crores by the Government of India (Explanatory Memorandum : Central Budget 1970-71, Page 119). As per the same Explanatory Memorandum, the Central Government stood a guarantee for the repayment of principal and interest in respect of bonds issued by the IFC aggregating Rs. 50.40 crores. The Central government has also guaranteed Rs. 36.33 crores of payment of principal and interest on outstanding loans from foreign countries, and a further guarantee of Rs. 1.02 crores of a loan from Germany. It is therefore clear that the Government has taken full responsibility for almost 100 per cent of the resources of this corporation.

With such immense resources deployed and guaranteed by the Government, *"the moving spirit and leadership of such institutions – not-withstanding the State's share and part in them – must be thrown up from the same business class that is also the beneficiary of aid from them"*. Thus this institution is the handmaid of big business in India, hankering for bits of crumbs falling from the super profits amassed by foreign capital to whom they are subservient partners.

The foreign loans which this corporation has received till 1968-69 are as follows :

		Rs. in crores
U.S.A. :	(a) Rupee loans (PL 480)	37.50
	(b) Dollar loans	30.00
	Total from the U.S.A.	67.50
West Germany		14.53
France		3.83
	Total	85.86

Source : **"External Assistance." 1968-69**

The first foreign currency loan which this institution received

was only in 1960. But it was only after 1960, too, that the momentum of the **'assistance'** activities of this institution picked up. The following table from *"Institutional Financing of Economic Development"* gives an idea of the amount of loans sanctioned by this Corporation, period-wise.

TABLE : 6.8

Net Financial Assistance Sanctioned

(Rupees in crores)

Period ending June	Loans	Foreign Loans	Under-writings	Total
Prior to First Plan 1949-51	8.13	–	–	8.13
First Plan1952-56	27.02	–	–	27.02
Second Plan 1957–61	50.38	14.54	3.56	68.48
Third Plan 1962-66	132.63	37.45	19.04	189.12
Total :	218.16	51.99	22.60	292.75

From its very inception in 1948, more than 60% of the loans granted so far were in the Third Plan.

According to the Chairman of the Industrial Finance Corporation (Economic Times, October 1, 1970) "the next amount of cumulative assistance sanctioned, since its inception in 1948, i.e., after accounting for cancellations and withdrawals, amounted to Rs. 337.08 crores".

TABLE : 6.9

	Rs. in crores
Rupee loans :	216.35
Foreign currency loans :	39.29
Underwritings, direct subscription to shares and debentures :	28.08
Guarantees :	53.36
Total	337.08

"As on June 30, 1970, the corporation has sanctioned effective subloans aggregating DM 86.12 million, US $ 27.8 million, and FF 12.32 million, against respective lines of foreign credits available from without."

"Recently, for the first time, £ 1 million have been allocated to the corporation as tied credit."

"In the case of new ventures long-term financial institutions are financing upto 75% to 80% of the capital cost of the project in the form of long-term loans and underwriting of share capital, the contribution of promoters being not more than 20 to 25% of the capital cost of the project by way of equity participation."

"The main sources of funds of the corporation, other than its own capital, retained earnings, repayment of loans, and sale of investments, are borrowing from the market by issue of bonds, loans from Central government and foreign credits."

The corporation has been of immense help to the big business. It has been charged in parliament that it was operating as a '*big business racket*', *and "a few cliques of business magnates were likely to take control of the entire industrial economy"* and that *"it showed preference to well-established large-scale industries"*. The Mahalanobis committee observed that the corporation, along with other financial institutions, led to the concentration of economic power in a few hands. A careful analysis of the sanctions will abundantly prove that major amounts sanctioned have been to those enterprises associated with big industrialists who are in collaboration with foreign capital.

The Industrial Licensing Policy Enquiry Committee, in its report, has conclusively proved that out of the total financial assistance sanctioned and distributed by the IFC during 1956 to 1966, assistance to large industry section has dominated, as the following classification shows :

(See Table in Next Page)

TABLE : 6.10

I. F. C. Assistance to Large Houses Which Secured One Per Cent or More of Total Assistance during 1956-1966

(Rs. in crores)

Business Houses		Rupee Loans	Foreign Currency Loans	Under Writing	Guarantees	Total
1. A. C. C.	(1)	2.00	–	1.10	–	3.10 (1/2%)
2. Bangur	(1)	1.25	0.62	0.68	–	2.55 (1.0%)
3. Birla	(16)	2.79	6.63	1.75	0.72	11.89 (4.5%)
4. J. K. Singhania	(5)	2.38	0.53	0.50	3.52	6.93 (2.6%)
5. Mafatlal	(3)	3.50	–	0.60	–	4.10 (1.6%)
6. Tata	(5)	2.85	0.24	0.43	–	3.51 (1.3%)
7. Bajaj	(3)	1.45	1.18	–	0.09	2.72 (1.0%)
8. Chinai	(1)	2.93	–	–	–	2.93 (1.1%)
9. Indra Singh	(1)	0.75	–	–	5.57	6.32 (2.4%)
10. Kirloskar	(4)	0.89	1.44	0.40	–	2.73 (1.0%)

(Continued in Next Page)

(Rs. in crores)

Business Houses		Rupee Loans	Foreign Currency Loans	Under Writing	Guarantees	Total
11. Mahindra & Mahindra	(2)	2.34	2.17	0.10	-	4.61 (1.8%)
12. Modi	(3)	2.38	0.15	-	1.11	3.65 (1.4%)
13.Naidu V.R.	(1)	1.00	-	1.20	9.69	11.89 (4.5%)
14. Parry's Industries Second Tier	(4)	0.97	-	10.5	11.47	13.49 (5.1%)
15. Seshasayee	(1)	1.52	1.64	-	-	3.16 (1.2%)
16. S.P.Jain	(2)	1.65	0.18	0.10	3.10	3.03 (1.2%)
	(53)	31.65	14.78	6.91	33.23	86.61 (32.9%)
All large industrial houses, including independent companies		69.92	33.18	19.97	44.54	167.61 (63.9%)
Total :		151.14	40.16	22.79	48.57	262.55

Source : **Report of the Industrial Licensing Policy Enquiry Committee,** Appendices, Volume IV, Pages 15 & 16

It may be noted that 16 big business houses collected from IFC a total assistance of Rs. 86.61 crores – out of the total for all companies which was Rs. 262.55 crores. It means that these 16 big business houses bagged nearly 33% of the assistance from IFC. It is unfortunate that we do not have the names of the companies to whom assistance was given, so that we could study the full impact of these loans on speeding up the entry of foreign capital. The house of Parry, a foreign monopoly, alone gets Rs. 13.49 crores constituting 5.1% of the total assistance. Since no industrial unit can be started without foreign collaboration, we can well imagine that majority of loans have been granted to foreign collaboration companies such as Graphite India, National Organic Chemicals, Polyolefine. Industries, Scottish India, Tata-Merlin-Gerin, all of which are either foreign-owned or foreign-controlled. These five industrial units between them have cornered Rs. 5.17 crores of loans from the IFC, as per the Economic Times of Bombay in its fifth and sixth surveys of foreign collaborations.

Finally, we should note that all these facilities for foreign companies were possible because the borrowings from government were on an immense scale. As at the end of 1969-70, the outstanding borrowings from the Government of India stood at Rs. 80.99 crores, the guaranteed bonds and debentures stood at Rs. 52.74 crores, other than the paid up capital from the Reserve Bank of India which was roughly Rs. 4.15 crores. Foreign governments have, till the end of 1968-69, assisted this institution with about Rs. 86 crores – the U.S.A., being the main source, having loaned Rs. 37.50 crores in Indian currency and Rs. 30.00 crores in dollars. This is an excellent example of how the *'Socialist India'* of Jawaharlal Nehru and his daughter Indira Nehru Gandhi have implemented the growth of foreign monopolies in India in the name of a *'Socialist pattern of society'*.

The next most important finance corporation which came into existence was the Industrial Credit and Investment Corporation of India. Though younger than IFC by about 7 years, this corporation has played a much more important role from the very inception.

This corporation was a *"product of International Finance Capitalism"* (H. Venkatasubbiah : "Indian Economy Since Independence", Page 177). It was set up in 1955, "on the recommendation of the I.B.R.D. cum American Investment Mission in 1954". Originally, it was envisaged as a state body but the World

Bank in consonance with the American Finance Capital worked its way to promote I.C.I.C.I. as a private sector body *"financed by private subscription in the United States, Britain, and India, as well by the United States and the Indian governments and enthusiastically welcomed in business circles"*. (Kidron, Page 140). Thirty per cent of its share capital is subscribed by some exchange banks, insurance companies, and business corporations of U.K. and U.S.A.

The birth of this crossbreed in the very year of the birth of Avadi Socialism raised quite a number of eyebrows, in serious criticism. Therefore, the first chairman of the corporation, Dr. A. Ramaswamy Mudaliar, sought to explain the importance of this curious birth of mixed marriage. He wrote that : *'the participation of British and American investors needs some explanation. It has been the view of the members of the steering committee that it will be an advantage to have such* **participation both in the share capital and consequently in the management of the corporation".** He goes on to say that their participation *"will give them an insight into the conditions and circumstances"* of private industry in the country will help *"to alleviate the fears and apprehensions and even the alarmist views"* about the future of private industry; and finally their participation will be *"of some assistance in appreciating government policy in the matter"*. But, most important of all, he envisaged *"another advantage which will flow from such understanding is greater participation of foreign capital not merely through the Industrial Credit and Investment Corporation of India but outside of it ...."* . (Quoted by H. Venkatasubbaiah, Page 178).

H. Venkatasubbaiah comments that : *"the capital structure and the directorate of the ICICI being what they are, it is also a moot point whether ICICI will shape industry or industry will shape the ICICI."*

The birth of this corporation was hailed by British businessmen in India, through their economic journal, **Capital**. It wrote that this new institution, *"epitomises in every lineament of its structure all the best features not only of the present government's policy but of any rational policy designed to promote economic progress in India."* The journal was happy that a proper atmosphere has been created for *"the fostering of close co-operation of private businessmen and the government officials,"* and that its growth is

assured by the *"full support of the two leading democratic countries of the world, the United States and Great Britain"* (Quoted by Kidron, Page 240).

According to the Report of Industrial Licensing Policy Enquiry Committee, the Industrial Credit and Investment Corporation was thus set up in 1955 *"or on the recommendation of the IBRD-cum-American Investment Mission"*, which successfully influenced the government to set up **"a new private owned** industrial financing institution, with the support of the IBRD and the Government of India". *"The policy of the ICICI is to work in close co-operation with other institutions like IFCI, IDBI, LIC and SFCs on the one hand and IFC (Washington), CDFC (U.K.) etc., on the other"* (Report : Volume IV, pages 27 to 32). This is a privately owned institution freely making use of Government of India loans and foreign exchange loans of Western powers. As H. Venkatasubbaiah in his book "Indian Economy Since Independence" very aptly characterises : *"it has therefore claimed to be considered a public financial institution although it is pulled by private horses."* (page 179).

The creation of these financial corporations was also part and parcel of the policy of laying a smooth road for further invasion by foreign capital. It should be noted that IFC received its first foreign currency loan only in 1960, after the establishment of ICICI in the private sector, at the dictates of the World Bank and the American monopolies.

As Eldrige pointedly comments in his book "Politics of Foreign Aid" :

> *"India has stage by stage improved the prospects for foreign capital and by the end of the period under consideration has established a 'climate' ..... . An important factor has been the various institutions established by the Indian Government to assist the development of the private sector. The two major institutions are Industrial Finance Corporation of India, established in 1948, and the Industrial Credit and Investment Corporation of India, a privately owned institution (though with substantial government and foreign financial backing) .... Refinance Corporation of India for industries, which assists banking institutions in providing medium-term loans to suitable enterprises, the National Development Corporation and finally the*

National Small-Scale Industries Corporation." (page 153). [The establishment of these institutions has brought into focus the] "quadrangular configuration of interests .... involving the major Western donors, Indian private capital, foreign capital, and the Government of India." *(Page 147)*

This child of Indo-American alliance was born with a silver spoon. Announcing its birth fanfare, the Government of India presented it with an interest-free loan for 15 years recoverable over another 15 years thereafter. Almost simultaneously, about Rs. 4.75 crores were lent by the World Bank. In 1959 and 1960 the World Bank gave two more loans, and the Government of India a further Rs. 10 crores. Thus both the international finance and the rupee finance were never short since its birth.

"The ICICI, since its inception in 1965 upto the end of March 1969, sanctioned to 505 companies aggregate assistance amounting to Rs. 240.7 crores, made up of foreign currency loans of Rs. 138.3 crores, rupee loans of Rs. 42.6 crores, guarantees of Rs. 6.8 crores, and underwriting and direct subscription to shares and debentures of Rs. 53 crores".

(Report on Currency and Finance, 1968-69)

It is significant that a little above 57% of all assistance granted was in foreign exchange.

On the basis of the extensive loans that the Government of India funnelled into the pipeline and the grand sustenance that World Bank continued to pump in, ICICI became a major source of capital for foreign investment in India.

The assistance of ICICI has helped big business grow bigger. During the period from January 1956 to December 1966, of the assistance of Rs. 172.0 crores, companies controlled by large industrial houses accounted for Rs. 85.4 crores and formed 49.7%. Together with their second-tier companies, the share of large industrial houses accounted for 52.7%. Foreign-controlled companies and large independent companies received assistance amounting to Rs. 22.78 crores – that is, 13.2% of the total. In most cases, the so-called large independent companies are foreign-controlled companies, not affiliated to any of the large big business industrial houses. It is unfortunate that not even the Report of the

Industrial Licensing Policy Enquiry Committee provided the list of names of companies which received assistance from the ICICI.

The following companies have received assistance from ICICI according to information that could be collected from "Directory of Foreign Collaborations in India, Volume II, Section 2". Only those companies which have received substantial loans have been listed here.

TABLE : 6.11

Assistance from ICICI and Loans from Other Sources to Certain Select Industries

(In Rs. Lakhs)

Name of the Company	Loans from I.C.I.C.I.	Loans from other sources
1. Rammon and Demn	69.98	40.0 IFCI, 8.65 IDBI
2. Tube Investments	29.00	24.30
3. Cable Corp. of India	55.00	–
4. Fort Gloster	61.07	63.00 IFC – US
	22.00	50.00 RFCI
5. Kirloskar Pneumatic	29.00	–
	21.00	–
6. Universal Cables	40.00	40.00 CDFC
		65.00 Banks
7. W. S. Insulators	58.00	25.00 MIIC
	10.00	50.00 Punjab National Bank
	10.00	
8. Fertilizer Project (Imperial Chemicals Industries)	19 crores ICICI, IFCI, IDBI, LIC	7.98 crores yen credit 6.45 crores IFC, US
9. Mysore Cements	45.00	3.60 crores Cooley loans US
10. Digvijay Cements	50.00	47.00 IFCI
	45.00	
11. Indian Tube	40.00	40.00 CDFC
12. Zeneth Steel Pipes	65.15 outstanding as on 30-4-67	

13. Corborundum Universal	15.25		
	10.00		
	65.00		
14. Hindustan Tyrecords	27.00	25.00	IFCI
15. India Fire Bricks and	48.24	85.00	IFCI
Insulation	10.88	7.50	IFCI
16. Mahindra Ugine	65.00	110.00	IFC US
		115.00	IFCI.
		25.00	Deferred payments
17. TISCO	71.00	20	crores G.C.I.
		5.78	crores DLF/AID
		80.63	crores IBRD
		1.13	crores Japan credit
18. Nirlon Synthetics	64.84		
19. Ahmedabad MFg. & Calico Printing	84.00	90.00	Deferred payments
20. Ahmedabad Advance	70.00	50.00	Bank of Baroda
21. DCM : Rayon Tyre Cord	–		
Project	–	7.35	crores AID
P.V.C. Project	–	2.09	crores yen. credit
Stable Bleaching Power Factory	11.25		
22. Kishoram Industries and Cotton Mills : Cast Iron	45.39		
Project	80.00		
23. Mafatlal Fine Spng. and Wvg. Flouring Chemical Project	38.00	41.90	Power Gas Corp. U.K.
Manufacture of Sulphuric Acid	43.70	79.90	Power Gas Corp. U.K.
24. Citric India	44.20		
	6.40		
25. Hindustan Polymers	75.00	66.67	CDFC
		22.00	Mercantile Bank, U.K.
		54.33	IFCI

26. Hardilla Chemicals	22.50	159.00	Exp.Imp.Bank, U.S.
		33.33	CDFC. UK
		265.00	PL 480 US
		11.55	IDBI
27. Voltas	30.00	28.50	Continental Bank, New York
		60.00	CDFC. UK
28. Laxmi Machine Tools	50.00	45.70	IFC. US
29. National Organic Chemicals	110.00	12.27	crores from Shell Group of Companies
		2.00	crores IFCI
		2.00	crores LIC
		2.00	crores SBI
30. Polyolefins Industries	30.00	140.00	IDBI
		100.00	IFCI
		80.00	LIC
		40.00	Bank of Baroda
31. Kirloskar Engines	99.00		
32. Madras Aluminium	9.35	400.00	from Collaborators Italy, Guaranteed by IFCI

Source : **Directory of Foreign Collaborations in India, Volume II, Section II.**

It is clear from the above available list that all the industries are of foreign collaboration and quite a number of them such as Madras Alluminium, Polyolefins, National Organic Polymers, Citric India, Nirlon Synthetics, Carborundum Universal, Cawnpore Fertiliser Projects of ICI, Rammon & Demn, are all well-known foreign companies or foreign-dominated companies.

The dominant chemical industries such as Bayer, Mysore Acetate and Chemicals, Hardilla Chemicals, National Organic Chemicals, Polyolefin Industry, and the ICI Cawnpore Fertiliser, are all foreign-dominated and have taken advantage of the resources of not only ICICI but also IFCI, IDBI, LIC, and the Indian Bank to mop up the meagre Indian resources for installation of their monopoly in the Indian economy. Such has been the role of foreign capital's intrusion into financial corporations.

Without going into the details of the workings of other financial institutions which are no better than the above, we should note the total amount of foreign loans granted to various financial institutions. The total picture of foreign loans given to various financial institutions upto 1967-68 is given in the table below :

TABLE : 6.12

Foreign Loans to Financial Institutions upto 1967-68

(Rs. in crores)

Source	ICICI	IFC	NSIC	IBD Including Refinance Corporation	Total
1. I.B.R.D.	119.95	–	–	–	119.95
2. U.S.A.					
(a) Rupee Loans	25.00	37.50	–	127.50	190.20
(b) Dollar Loans	3.75	30.00	7.50	–	41.25
3. West Germany	12.65	14.53	5.63	–	32.82
4. France	–	3.80	–	–	3.80
5. Japan	–	–	2.92	–	2.92
Total	161.36	85.83	16.05	127.70	390.94

Source : **"External Assistance, 1967-68"**

Thus every financial institution worth the name has become a happy hunting ground for foreign monopolies to gather super profits in India. Even State Bank of India and Life Insurance Corporation have been used by the foreign companies, such as Polyolefins, National Organic Chemicals, Bayer India, and the

Indian Explosive's (subsdiary of ICI) Cawnpore fertiliser factory.

It is now clear how and why it is that foreign private capital investments have been growing with such meteoric speed in the past 10 years. With the funnelling of foreign loans to industrial establishments directly (as seen in the previous section to the extent of Rs. 459 crores) and through the Indian financial corporations (to an extent of Rs. 390 crores), close links were established between Indian bureaucratic capital and foreign finance capital. These links helped pave the way for international finance to speed up the establishment of new branches of American and other firms, to promote close ties between American and local firms, to accelerate the mixing of scarce Indian capital to promote foreign domination of the Indian industrial field, to tie the enterprises to American and imperialist monopolies.

Therefore, long-term American investments in India's corporate sector in this period gained immensely. American foreign business investments in India in 1948, immediately after the *'dawn'* of Independence were a meagre Rs. 11.2 crores, about 4.3% of the total foreign business investments amounting to Rs. 255.9 crores. By 1958, the American investments had grown to Rs. 59.9 crores (about 10.5%) out of the total of Rs. 570.0 crores ("Corporate Sector in India" by Nigam and Chauduri, Page 103). By 1968, as per the Reserve Bank of India Bulletin, March 1971, American investments in India had grown to Rs. 422.3 crores which was 27.3% of the total foreign long-term business investments of Rs. 1542.8 crores.

In the same manner, West German investments which were a micro-scopic Rs. 10 lakhs in 1948, and even in 1958 were only 3.8 crores, shot up to Rs. 100.2 crores in 1968. It can be said without fear of contradiction that nowhere in India has there been any investment, in any new industry in which foreign capital has not laid its heavy hand, and no new industry which is not enmeshed in thousands of threads of foreign capital.

This growth has been heavily financed by the Government of India from the Central budget and by the Reserve Bank of India. The total amount of loans granted to these financial institutions by the Central government is not readily available. But the Reserve Bank Bulletin has published the liabilities of these financial corporations, as at the end of 1969-70, to the Central government and to the Reserve Bank of India. That will give an idea of how heavy a dose of finance was being injected by the Government.

TABLE : 6.13

Borrowings of the ICICI - IFC and IDBI from Central Government and Reserve Bank of India : As at the end of 1969-70

(Rs. in crores)

	RBI	GOI
1. Industrial Finance Corporation	–	80.99
2. Industrial Development Bank of India, June 1970	26.27	177.78
3. Industrial Credit and Investment Corporation	12.30	31.60
Total	38.57	290.37

The Financing of these institutions is one of the methods adopted by the Government of India to place the resources of the budget at the disposal of foreign private capital for the promotion of foreign-controlled Indian companies, in which the Indian comprador bourgeoisie plays a subsidiary role.

Loan capital is playing a major role in the promotion of new industries. It would be instructive to find out what proportion of the project cost was totally met by the financial institutions taken together. But it is *"difficult to pursue this inquiry fully in the case of all institutions and all the projects they have financed"*, since no full data were available with those institutions also (Report of Industrial Licensing Policy Enquiry Committee). The report of Industrial Licensing Policy Enquiry Committee, therefore, decided to use the data available with the IDBI since its inception.

According to the data available with the IDBI, *"we find that about 40% of the total project cost was to be met by the financial institutions. It should be noted that this does not include any market purchases by the two investment institutions in the shares and debentures of these concerns."* (Report of Industrial Licensing Policy Enquiry Committee : Main Report, Page 174).

The reports on the Working and Administration of the Companies Act, published by the Government of India give the results of the studies on the financing of the project. *"In 1966-67, 66 companies raised 30.8% of the project cost by way of loans from financial institutions and another 2.3% of the project cost from the Government .... . Further, the same institutions provided underwriting facilities as a result of which another 10% of the project cost devolved on them. The total contribution of the financial institutions in the case of these 66 companies thus amounted to about 43% of the project cost."*

(Report of Industrial Licensing Policy Enquiry Committee, Page 174).

The Economic Times, in its fifth and sixth surveys on foreign collaboration, has published data of some companies regarding envisaged project cost and amount of loan capital used from various sources, including investments of foreign private capital. A study of these data, along with the data which have been made available by IDBI to the Industrial Licensing Policy Enquiry Committee, clearly exposes the truth that the Indian financial corporations have become an instrument in the hands of foreign monopolies.

The following table is from the main report of the Industrial Licensing Policy Enquiry Committee.

(See for Table : Next Page)

TABLE : 6.14

Project Cost of and Financial Assistance by Financial Institutions to 33 Companies

(Amounts in Rs. lakhs)

House 1	Total Project 2	Total Financial Assistance 3	3 as Per cent of 2 4	Promotor's and collaborators' contribution 5	5 as Per cent of 2 6
Large Houses					
(1) A. A. C.	8069.0	1260.0	15.6	–	–
Andrew Yule					
(2) National Co. Ltd.	140.0	90.0	57.7	–	–
Bangur					
(3) Jayasree Chemicals	336.8	99.7	29.6	63.0	18.7
(4) Andhra Paper	1126.7	310.0	27.5	250.0	22.2
(5) Shree Digvijay Cement	365.0	278.5	76.3	–	–
Birla					
(6) High Quality Steel	895.0	604.0	67.5	205.0	22.2
(7) CIMM Co.	191.0	115.5	60.5	–	–
(8) Kamini Engineering	211.6	103.5	48.9	–	–
Mafatlal					
(9) NOCIL	3887.3	1660.0	42.7	1967.3	58.6
(10) Polyolefins Industries	977.2	546.5	55.9	242.4	24.8

(Continued in Next Page)

House 1	Total Project 2	Total Financial Assistance 3	3 as Per cent of 2 4	Promotor's and collaborators' contribution 5	5 as Per cent of 2 6
Mahindra and Mahindra					
(11) Mahendra Ugine Steel	850.0	444.9	52.3	151.0	17.8
Parry					
(12) Hardilla Chemicals	1009.0	644.8	63.9	211.0	21.9
Tata					
(13) Tata Merlin and Gerin	226.1	117.0	51.7	76.5	33.8
Ruia					
(14) Bradbury Mills	147.4	45.0	30.0	–	–
Parry - Second Tier					
(15) Coromandal Fertilisers	3674.0	2867.4	78.0	454.5	12.4
Foreign Controlled					
(16) Associated Bearing	752.0	365.0	35.2	–	–
Other Companies					
(17) Madras Alloy and Stainless Steel	800.0	433.0	54.2	122.0	15.2
(18) Bharat Electrical	36.0	29.0	80.5	–	–
(19) Shree Valliappa Textiles	70.9	9.0	12.7	13.7	19.3
(20) Sandur Manganese and Iron	179.9	47.5	26.7	27.0	15.0
(21) Chowgule and Co. (P)	452.0	125.0	27.7	–	–
(22) Incheck Tyres	277.0	228.0	82.3	50.0	18.1

(Continued in Next Page)

House	Total Project 2	Total Financial Assistance 3	3 as Per cent of 2 4	Promotor's and collaborators' contribution 5	5 as Per cent of 2 6
(23) CTR Mfg. Industries	93.8	83.0	88.5	24.0	25.6
(24) Madras Forging and Allied	65.0	19.0	29.2	11.0	16.9
(25) Bombay Forgings and Allied	120.0	86.0	71.2	32.5	27.1
(26) Rammon and Demn	186.3	141.7	76.1	60.9	32.7
(27) Rajprakash Spinning	66.6	39.0	58.6	13.0	19.5
(28) Uttar Pradesh Steel	157.2	68.0	43.2	45.3	28.0
(29) Solid Containers	94.0	84.0	89.4	26.0	27.6
Sub-Total (Other Companies)	2598.7	1392.2	53.6	879.9	33.9
Independent Large Companies					
(30) India Cement	1729.9	350.0	20.3	–	–
(31) Union Carbide	1153.3	160.0	13.9	72.0	6.2
(32) Philips India	323.0	81.3	25.5	–	–
Sub-Total (Independent Large Cos.)	3206.2	591.3	18.5	72.0	6.2
Unspecified					
(33) Indian Mechanisation and allied	38.0	8.0	21.0	12.1	31.8
Total	28699.0	11433.8	39.3	3935.2	13.7

Source : **Report of the Industrial Licensing PolicyEInquiry Committee, Main Report,** Pages 174-175)

A few salient features are striking :

(1) The largest amount of financial assistance was received by two foreign-controlled companies – Coromandal Fertilisers and National Organic Chemical Industries Ltd. (NOCIL) – each receiving Rs. 28.67 crores and Rs. 16.60 crores, respectively, about 30% of the total aid.

(2) The following well-known foreign companies - National Co., Ltd., NOCIL, Polyolefins, Hardilla Chemicals, Coromandal Fertilisers, Associated Bearing, Philips India, Union Carbide, Rammon and Demn - received Rs. 64.47 crores of financial assistance amounting to more than 56% of the total assistance for all the 33 companies.

It is very clear that financial assistance in the name of industrialisation has been one of the major new forms adopted by imperialist powers to dominate the Indian industrial field and the government capital in alliance with foreign capital has *'helped'* the Indian bourgeoisie to grow into a subservient tool of the foreign monopolies.

Let us look at the data provided by the Economic Times. The following table is from the *"Directory of Foreign Collaborations Volume I,* Section 2, Pages 73 to 75 and Pages 88 and 89". These examples again prove the contention that the so-called international assistance for industrial development is more useful for the development of foreign private capital to 'loot' the super profits from India.

As Dr. D. A. Fitzgerald, a former high official of foreign aid in the U. S. Government had clearly explained, the objective of foreign aid was not the economic growth of the underdeveloped countries.

(See for Table : Next Page)

TABLE : 6.15

Project Cost and Financial Assistance by Institutions to 44 Companies

(Amount in Rs. lakhs)

Name of the Company	Project Cost	Issued Capital	Foreign Share in Issued Capital	Loans	% of Loans to Project Cost
Allied International	110.0	75.0	25.0 (33.%)	30.0 IFCI (R)	27.3
Anup Engineering	69.0	30.0	3.0 (10.0%)	18.4 IFCI (R)	26.7
Bayer India	627.1	265.0	148.4 (56.0%)	100.0 LIC (R) 50.0 ICICI (R) 212.0 Banks (R)	56.7
Chemicals and Plastics	338.9	150.0	34.4 (22.9%)	149.9 Exp. Imp. (F) 32.6 Cooley (R)	53.9
Deepak Industries	87.00	35.0	–	23.0 ICICI (F) 10.0 Bank (R)	37.9
Graphite India	346.0	125.0	25.0 (20.0%)	116.0 IFCI (R) 69.0 Cooley (R)	53.4
Gujarat Mechinery	90.7	40.0	–	35.0 IFCI (R)	38.6
Hoist Mech.	51.8	35.0	–	8.0 ICICI (F) 7.0 ICICI (R)	28.7
Industrial Plants	135.0	75.0	–	50.0 Bank (R)	37.0
Indian Explosives	121.5	343.0	240.0 (70%)	21.46 Hongkong & Shanghai Bank	17.7

(Continued in : Next Page)

Name of the Company	Project Cost	Issued Capital	foreign Share in Issued Capital	Loans	% of Loans to Project Cost
Internationl Tractors	437.5	150.0	25.5 (17.0%)	69.50 Collaborator (F) 193.00 Bank (R)	60.0
India Meters	93.1	52.5	–	28.50 ICICI (F) 12.00 IFCI (R)	43.5
Jayashree Chemicals	376.8	130.0	–	9.30 IFCI (F) 30.00 Debentures (R) 54.50 SBI (R)	25.0
Micro Tools	75.0	39.5	–	15.00 ICICI (R) 10.00 IFCI (R)	33.3
Modipan	560.0	200.0	80.0 (40.0%)	190.00 Foreign Collaborators 170.00 Cooley (R)	64.3
Mysore Acetate Chemicals	415.0	225.0	58.5 (26.0%)	100.00 Exp. Imp. (F) 75.00 ICICI (F)	42.2
National Organic Chemicals	3887.0	740.0	400.0 (54.1%)	1227.00 Colloborator (F) 200.00 SBI (R) 725.00 IDBI (R) 200.00 IFCI (R) 200.00 LIC (R) 110.00 ICICI	69.3
Polyolefins	977.2	260.2	120.0 (33.3%)	227.80 Collaborator 140.00 IDBI (R) 100.00 IFCI (R) 80.00 LIC (R) 30.00 ICICI (R) 40.00 Banks (R)	63.2

(Continued in : Next Page)

Name of the Company	Project Cost	Issued Capital	Foreign Share in Issued Capital	Loans	% of Loans to Project Cost
Rockweld Electrodes	29.6	15.0	7.0 (46.7%)	7.50 MIISC (R)	25.3
Shama Pistons	91.7	48.0	2.0	27.64 IFCI (F) 9.03 IFCI (R) 7.00 IDBI (R)	47.2
Sikhands	54.0	30.0	–	15.0 IFCI (R)	27.8
Scottish and Laxman	105.0	64.0	25.6 (40.0%)	26.00 IFCI (R)	24.8
Sylvania and Laxman	200.0	80.0	36.0 (45.0%)	20.00 ICICI (R) 50.00 AID (R)	35.0
Sussen Textile Bearings	200.0	60.0	15.6 (26.6%)	13.00 ICICI (F) 12.00 ICICI (R) 20.00 GFC (R)	22.5
Sundur Manganese	200.00	100.0	2.0	30.00 ICICI (R) 20.00 Bank (R)	25.0
Sivananda Steel	88.6	45.0	–	17.50 IFCI (F) 22.50 IFCI (R)	64.8
Tiwac Industries	39.5	21.0	2.2 (10.5%)	9.00 ICICI (F) 6.00 Bank (R)	38.0
Tractors and Bull-Dozers	90.0	50.0	–	25.00 ICICI (R)	27.8
Usha Forgings	56.9	25.5	–	19.00 PFC (R)	33.4

(Continued in : Next Page)

Name of the Company	Project Cost	Issued Capital	Foreign Share in Issued Capital	Loans	% of Loans to Project Cost
Usha Talehoist	63.5	13.0	4.0 (30.8%)	9.74 ICICI (F) 12.50 ICICI (R)	35.0
Wavin India	43.0	12.5	6.3	18.00 MIIC (R)	41.9
Ahura Welding Electrode	17.8	9.0	0.8 (8.9%)	10.00 MIIC (R) 2.00 Banks (R)	67.4
CTR Mfg. Industries	101.0	55.0	–	18.00 IFCI (R) 26.00 ICICI (F)	43.5
EMCO ESTA Capacitors	20.0	12.5	2.7 (21.6%)	5.00 Banks (R)	25.0
Frick India	75.0	25.0	15.3 (61.2%)	25.00 AID (R)	33.3
Madras Forging and Allied Industries	– 78.2	– 35.0	– –	15.00 MIIC (R) 10.00 ICICI	32.0
Nuboard Mfg. Co.	52.0	25.0	–	10.00 UPFC (R)	19.6
Prima Particles	81.3	31.4	1.0 (3.2%)	4.80 ICICI (R) 25.50 ICICI (F) 15.00 Banks (R)	55.8
Richardson Hindustan	225.5	50.0	27.5 (55.0%)	62.50 Cooley (R)	28.1

(Continued in : Next Page)

Name of the Company	Project Cost	Issued Capital	Foreign Share in Issued Capital	Loans	% of Loans to Project Cost
Snail Spanners (India Tools)	52.0	25.0	-	17.00 MSFC (R)	32.7
Shaktigarh Textile Industries	88.9	36.0	-	32.00 IFCI (R)	36.0
Tata Merlin and Gerin	234.7	94.9	14.9 (12.6%)	10.99 SBI (R) 30.00 Banks (R) 75.00 IFCI (R)	49.1
Uttar Pradesh Steels	172.2	77.5	2.0 (2.6%)	43.00 IFCI (R) 22.40 ICICI (F)	38.0
Usha Flour and General Mills	19.1	13.2	-	5.90 APSFC (R)	30.9
Total	11425.0	4123.5	1321.7	6060.84	53.04

Note : The above table is from the 5th and 6th Surveys on foreign collaboration (January 1957 to December, 1965) published in the **Economic Times,** Bombay and reporduced by *"Directory of foreign collaborations", Volume I,* Section-2, pages 70 to 75 and pages 85 to 89.
In the column of loans - (R) means Rupee loans, (F) means foreign exchange loans.

Even though the table contains only 44 companies this can be taken as a representative indication in the capital structure of our companies during that period. It is extremely instructive to study the implications dangerous to our country.

The following 15 companies out of the 44 in the table are typical foreign companies, either foreign-owned like Bayer India and Indian Explosives or foreign controlled like Graphite India and Mysore Acetate and Chemicals. It is these 15 companies that have received the utmost benefit from the loan capital that has been disbursed to these companies either by the Indian Financial Corporation or by the International Finance Capital.

TABLE : 6.16

15 Foreign Controlled Companies and Their Share of Total Project Cost and Total Loans

(Rupees in Lakhs)

Name of the Company	Project cost	Issued Capital	Foreign share of Issued Capital	Loans
1. Bayer India	627.1	265.0	148.4	362.0
2. Chemicals and Plastics	338.9	150.0	34.4	182.5
3. Graphite India	346.0	125.0	25.0	185.0
4. Indian Explosives	364.5	343.3	240.0	21.5
5. International Tractors	437.5	150.0	25.5	262.5
6. Modipan	560.0	200.0	80.0	360.0
7. Mysore Acetate	415.0	225.0	58.5	175.0
8. NOCIL	3887.0	740.0	400.0	2662.0
9. Polyolefins	977.2	360.2	120.0	617.8
10. Rockweld Electrodes	29.6	15.0	7.0	7.5
11. Scottish India	105.0	64.0	25.6	26.0
12. Sylvania and Laxman	200.0	80.0	36.0	70.0

13. Wavin India	43.0	12.5	6.3	18.0
14. Frick India	75.0	25.0	15.3	25.0
15. Richardson Hindustan	225.0	50.0	27.5	62.5
Total	8630.8	2794.7	1249.5	5037.3
Total of all the 44 companies :	11425.0	4123.5	1321.7	6060.8
Per cent of foreign companies out of the total of 44 companies	75.5	67.7	94.5	83.1

The facts mentioned above are most revealing. The 15 foreign companies are the biggest of the lot – their project cost is 75.5% of the total project cost of all the 44 companies studied here. The issued capital of these 15 companies is 67.7% of all the 44 companies. These 15 companies, constituting only 34.1% of the companies listed out here, have received 83.1% of the total loans received by all the companies. Much more interesting is the fact that these foreign companies have received the biggest chunk of rupee loans from the Indian Financial Corporation, the L.I.C., and the State Bank of India. For example National Organic Chemicals and Polyolefins Industries have received nearly Rs. 18 crores of loans from the State Bank of India, Industrial Development Bank of India, Industrial Finance Corporation of India, Life Insurance Corporation, and Industrial Credit Investment Corporation of India.

This shows how the scarce Indian capital is being made available by the Government of India, for the growth of foreign companies instead of for the growth of independent industrial development. This also shows how bureaucratic capital in India and the foreign finance capital have established a close mutual relationship to loot the nation's capital resources. It is also to be noted from this table that the so-called foreign loans available for the development of industrial India are also made available mainly to foreign capital investment in this country. For example, the

Export-Import Bank of the U.S.A., the Cooley funds of the Government of America, are also made available only to foreign-controlled companies.

Therefore, it is clear that the industrial development assistance received by India through various international sources and Governments has only made the Indian nation more dependent on foreign finance capital than even 20 years ago. Under the impact of Government of India's Five Year Plans, national resources – human, material and financial – are laid at the feet of the masters of the Indian comprador bourgeoisie, i.e., the foreign finance capital, to dispose of them at their will and pleasure. The crumbs from the table of these masters are allowed to be picked up by the waiting, selected favourites of the masters. The Indian big comprador bourgeoisie subserviently and patiently waits at the table.

Industrial Loans for Maintenance Imports

We have seen in the previous two sections that direct loans to the private sector and loans through the Indian financial institutions to the private sector by foreign countries, are two major ways in which imperialist governments seek, attain, and strengthen their octopus grip on Indian industrial development. By funnelling Rs. 460 crores directly into private sector industries, and by further injecting Rs. 390 crores through the Indian Finance Corporation, we have seen how the imperialists have attained supremacy in the industrial sector.

But that is not all. This supremacy of foreign finance capital led to the increasing necessity for greater foreign loans to keep these established industries functioning.

Therefore, what are known as general - purpose loans, or non-project loans have been on the increase from Plan to Plan. The greater the assistance for the establishment of industries with foreign collaboration, the greater the necessity for foreign loans to service technical knowhow, and for imports not only for capital construction but also for raw materials and intermediate goods to feed to the established industries. It has become common enough for foreign firms in a wide range of industries to prefer a high revenue from sale to their Indian branches and subsidiaries, to allow them a uniquely favourable position to modify their accounts to their advantage. For example.

> *"On account of the close links between the subsidiaries and branches of the oil companies operating in India and their offiliates abroad, the reported price of the imported crude oil may not present the actual price paid. To that extent, the profits according to these enterprises, and remitted abroad, may be larger than they are shown to be"* (ECAFE, Quoted by Kidron, Page 226-27)

Many foreign collaborators, taking advantage of India's foreign exchange crisis, which has been intensifying from 1957-58, made imports contingent in the collaboration agreements. As a matter of fact *"collective ventures serve as sales outlets for the foreign partner."* (Page 265 Kidron). An important condition of the foreign collaborators is that the Indian subsidiary or associate be tied to a single source of supply. These *'sole suppliers'* agreements have been used to raise prices of the goods supplied. To cite an example : Exploitation by foreign suppliers in the case of dyestuff's industry was explicitly mentioned by the Tariff Commission which reported that one quarter of Atul's output was based on raw materials and intermediaries imported at a very high price – as high as the price of the finished product on world markets, and even twice that price.

The agreeements with foreign collaborators are extremely Shylokian. In one instance, the wholly Indian Biochemical and Synthetic Products Ltd., is precluded from manufacturing any products other than those agreed to by Eilag Hindu Pvt. Ltd., a Swiss subsidiary, and further this Indian-owned firm cannot decide as to from where it should procure the raw materials needed for its industry because, by virtue of the agreement, it is again the Swiss subsidiary which decides how raw materials should be procured.

Such kinds of *"imposed dependence on imports"* can be cited in hundreds of cases and using this condition in collaboration agreements, *"imported parts were more costly than the imported products"* as in the case of Studebaker engines assembled in India from imported parts.

In the recent past, we have witnessed the strange dependence of *'public sector'* oil refineries which are precluded by agreements from purchasing the required raw materials from any other source

except the source from which the collaborator is willing to procure since, according to agreement, he is the sole import agent. *"Most public sector units have been set up with foreign collaboration and, as the case of Bharat Heavy Electricals shows, they continue to depend excessively on imported components and technicians for their working."* (Economic and Political Weekly, May 29, 1971, Page 1064).

It is pertinent to remember that the foreign sector is indirectly a part of a large combine with international ramifications, and its problems are different from those faced by the Indian sector. With its international ramifications, the foreign sector is more interested in co-ordinating its production and sales on the basis of all its units all over the world. Therefore, penetration of foreign capital in the industrial sector does not produce an independent industrial unity. The industries that have been established with :

> *"Technical collaboration agreements are usually (concluded) for progressive manufacture of a particular product spread over a period of 10 to 20 years. The drawbacks of this system are becoming clearer every day. All major industries depend upon ancillary industries for a large number of components. It is the usual experience that an industry established with foreign collaboration is reluctant to use indigenously produced components with the inevitable result that the ancillary manufacturer is also compelled to enter into a technical collaboration agreement with reputed foreign firms."* (Economic and Political Weekly, June 1960).

A careful study of working of industrial units with foreign collaboration will reveal that, more than manufacturing units, they are mostly units of the processing type – dependent on imports of raw and semi-manufactured materials, or components necessary for processing, thereby making them completely dependent on imports. These foreign collaboration industries, therefore, are mainly import-intensive rather than import-saving.

A few years ago, the Tariff Commission in a caustic remark on the automobile industry had disclosed that the components purchased from the parent company proved costlier than the purchase of the whole car, which meant that the foreign collaborator reaped immense profits both ways - by charging monopoly profits for their components to the Indian economy and by sharing later in the monopoly profits of the sales of automobiles in the country.

The pharmaceutical industry, monopolised by foreign firms, *"it still largely dependent on imported raw materials."* Even the basic chemical industry is dominated by foreign monopolies. There have been quite a cluster of foreign monopoly firms in India. They *"use their licences merely to provide themselves with a channel to bring into India ready-made penultimate products from the U.S.A."* to sell them "at exorbitant prices under patent monopoly." (General Sokey, "Manufacture of Modern Drugs"). *"India ranks amongst the highest priced nations in the world"* to reap super profits for the foreign monoply, as importer of basic raw materials, and as producer and seller of finished products.

The production of dyes reproduces the same story. According to Reserve Bank of India Bulletin of March 1962, *"the import content of the indigenously produced dyes ..... contain about 55% to 60% of the imported materials".*

Dependence on imported components in the manufacture of storage batteries, diesel engines for railways, aero-engines for air-craft frame, motors for ships, and even cotton for our textile industry, is known to all. This dependence on foreign imports - *"a continuing foreign exchange burden"* as *World Bank* anaylsis on the high cost of Indian cars reveals (Hindu, April 19, 1972) – is clearly evident in growing non-project general purpose aid received by the Government of India in recent years. The greater the productive capacity of our industries under collaboration, the greater will be our dependence on imports for the wheels of industries to move. Having established their industries, the foreign monopolies along with their subservient collaborators in India have been pressing the government for greater maintenance imports, since most of the agreements with foreign collaborators *"prohibit export of articles produced in the country"*, (Economic and Political Weekly, June 1960). Our exports are incapable of giving any assistance to import the necessary raw materials or components needed for our industry.

The very structure of our industry and trade is the major stumbling bloc to our exports. Our country's major production

line, such as tea, chemicals, automobiles, pharmaceuticals, cigarettes, dyes, electric goods, batteries and many scores more are all dependent on foreign, internationally established monopolies. The Imperial Chemicals, British Electric Company, Associated Electrical Industries, G.E.C., Burma Shell, Caltex, Dunlop, Firestone, Brooke Bond, Lipton, Polsons, Cibu, Johnson and Johnson, Glaxo, Pfizer, Kaisers, Vauxhall, Nuffield and Austin, Sen Raleigh, Philips, Bata, Bayers, Coat Tyres, Cynamid, Dumex, Lever, Esso, Gramophone Co., Massey Fergusson, May and Baker, Merck and Co., Metal Box, Parsons and Wittmore, Parke Davis, Parker and Pilot, Siemens, Singer, and so on and so forth are all familiar names in India. These and many other foreign monopolies are in complete control of automobiles to cycles, radios to electric lamps, medicines to dyes, cigarettes to matches, tea, soaps and other toilets, rubber products to aluminium production, petrol, kerosene and diesel oils, and almost every item of importance produced in India.

The result is the painful experience in the export trade. This is nothing surprising. These companies with international ramifications are monopolies. Monopoly capitalism is the result of concentration of production and centralisation of capital.

> *"A handful of giant industrial and financial combinations have come to dominate the economics of industrial powers". "These big financial and industrial groups have an international character and were involved in the vastly profitable international trade". These monopoly groups of a handful of countries form themselves into cartels and divide the world among themselves for monopoly profits, "Which has no relationship between costs and prices. Production quotas, allocation of markets, and fixation of prices are arrived at between various monopolies through agreements. For example : The English Electric Manufacturers Association dominated by AERI and GEC come to an agreement with GEC of America and the Dutch firm Philips to divide the world market between them and restrict competition". "Such is the scale of these cartels that before the second world war, according to League of Nations Report, 42% of the world trade was estimated to be .... influenced by them."*
>
> *(Aronovitch :* "Monopoly").

Such are the ways of international monopolies. These monopolies have a field-day in our country. They control not only production and prices but also imports and exports in their own interests, as against the interests of India.

The lower the exports and the greater the imports, the balance of trade gets highly distorted. With an immense amount of repayment of loans and interest along with growing repatriation of profits, royalties, fees for technical know how, and payment for technicians' services, the balance of payments get and are getting, more and more fearfully out of control. Naturally, our international fiscal position has become such that maintenance imports cannot be paid for in normal channels and the only way out is to borrow more and more general-purpose loans.

The Annual Number of Economic and Political Weekly, February 1963 reported that the Third Plan estimate of Rs. 3,650 crores of foreign exchange for maintenance import *"were considerably under estimated. If the industrial targets are to be realised, these imports have to be of the world order of atleast Rs. 4,050 crores and not Rs. 3,650 crores. In addition, the slack execution of the plan projects"* like the expansion of steel plants and the construction of Bokaro *"would mean more imports, particularly steel; the delays taken together in various fields would raise import needs by Rs. 450 crores"* during the Third Plan. Such are the economic features of an underdeveloped country under the rule of the big bourgeoisie, subservient to international finance capital.

Therefore, the so-called *'general purpose'* loans, *'non - project'* loans etc., are the creation of the policies pursued by the big comprador bourgeoisie.

With this background let us study third important feature of foreign loans for industrial development.

The Department of Economic Affairs in its publication "External Assistance 1967-68" gives the following information about the assistance for maintenance imports :

(1) *"The* **Belgium :** *Government for the first time pledged government to government credits in this sums of Rs. 90 lakhs and Rs. 187 lakhs in 1966-67 and 67-68, respectively, to finance import of commodities ... maintenance goods of Belgium origin ..... Besides the import of fertilisers agreed upon .... the credit was to be used for various types of maintenance items including steel"* (Page 11).

(2) **Britain :** Kipping loans have so far amounted to Rs. 37.8 crores (till March 1968). This financing of imports of components, raw materials, and balancing capital equipment, is for British-oriented metal using and engineering industries in India (Page 13). Besides *"The bulk of non-project aid"* amounting to Rs. 297.0 crores *"had been received in the form of balance of payments assistance (not tied to any specific project on identifiable use but available for purchase of a wide range of economic development goods and services)"* (Page 13).

(3) **Canada :** *"has been providing not only wheat but also sorely needed non ferrous metals for maintenance requirements of the Indian economy"* amounting roughly to about Rs. 40 crores (Pages 25–27).

(4) **France :** *"In addition to the project assistance of $ 13 million, non-project supplier's credit of $ 17 million was also extended by France in November 1966 for the import of fertilisers, steel including alloy of steel, chemicals"*, and for the *"import of small equipment, spare parts and requirements of Indo-French ventures"*, total credit amounting to Rs. 12.8 crores (Page 60).

(5) **Japan :** *"Half of the yen credits extended during the Third Plan were for the import of equipment for major projects and the balance for import of capital goods, components, and raw materials, for Indo-Japanese ventures."* During the year 1966-67 and 1967-68, however, the credits have been **entirely** for import of non-project items-i.e., commodities, components, raw materials, spares, etc. Of these, the maintenance imports for industrial development under 'spare parts, components and other materials for Indo-Japanese ventures' and 'industrial raw materials and components' amount to Rs. 16.79 crores (Page 67-68).

(6) **U. S. A. :** Till the end of March 1968, DLF/AID had extended loans for *"maintenance imports'*, 'for the development of industries in the private sector' of $ 1357 million, amounting to Rs. 977 crores (Page 107).

(7) **International Development Association :** *"The IDA has so far (till the end of March 1968) given four credits for industrial imports. The first two for a total amount of $ 190 million .... to increase the utilisation of the existing productive capacity and capital equipment, by importing materials, spare parts, components, and miscellaneous items of manufacturing equipment. The second*

set of two credits, total amount of $ 215 million was given ... for providing support to the import liberalisation programme and other policy measures initiated by the Government of India in the wake of devaluation of the rupee in June 1966. The beneficiaries of the credits are specified private enterprises in India engaged in industries producing commercial vehicles and automotive components, machine tools and cutting tools, elelctrical equipment including cable and wires, agricultural tractors, ball and roller bearings, industrial and mining machinery, fertilisers and pesticides and basic non-ferrous metals." The total amount of these four loans-first loan in 1964, the second in 1965, third and fourth in 1966 - amounted to Rs. 304 crores. In 1968-69, a further credit for industrial imports to the extent of $ 125 million was granted, amounting to Rs. 93.7 crores.

The total amount of maintenance imports, from the six countries listed above and from IDA, for industrial development for private enterprises is as follows :

TABLE : 6.17

	Rs. crores
Belgium	2.77
Britain	334.80
France	12.80
Japan	16.79
U.S.A.	977.00
Canada	40.00
IDA	304.00
IDA 1968-69	93.70
Total :	1781.86

Even without taking into consideration quite a number of other countries, such as Italy and Germany since even an approximate break-up of figures is not readily available, a huge amount of nearly Rs. 1,800 crores has been used from foreign

exchange loans for no other purpose than for maintaining the existing productive capacity of industries. It is no wonder the foreign loans and foreign private investments are used as a *'sweetener'*. Therefore, *"development has entailed a sharp increase in India's import bill in precisely the items - capital goods, industrial raw materials, and intermediate materials, which potential investors are interested in selling."* (Kidron, Page 257).

In the review of the book "International Business Negotiations" by Ashok Kapoor, in Times of India (about U.S. consortiums' negotiations with India in setting up of multiple fertiliser plants) Darryl D. Monte, the reviewer, explains how the U.S. consortium members were anxious to obtain the supply rights for all the raw materials required for the fertiliser plants in the massive programme. *"The most important of these was crude oil which was required in great quantities for naphtha, the basic feedstock for fertiliser. Leading oil companies including Shell, Esso, and Mobil, joined the consortium at different stages only because they were eager to supply the crude for the project. This was so because the margin of profit on supplying crude oil is very high. For oil companies, this is easily the most lucrative of their activities much more so than exploring for oil, or refining it or even selling the final products."* (Times of India, May 30, 1971).

It is clear from this and other examples, that *"imports became contingent on finding foreign partners, or foreign intermediaries with foreign credit agencies"*. Consequently, Indian industry is not only tied to foreign technical knowhow, foreign finance, and foreign management, but is made entirely dependent on foreign imports even for production.

India not only pays interest on these loans but the form it takes - tied to individual suppliers and specific commodities to the extent of 96.8 per cent of all loans authorised - makes it expensive : *"estimates vary, but suggest that India might normally be paying anything between 6 and 15 per cent, sometimes as much as 20 to 30 per cent above the ruling prices, for aid supported imports."* (Kidron, Page. 123).

The second feature that should be noted is that this vast amount is a boon to foreign - controlled companies, since almost the whole amount is for the private sector industries, especially to what are known as collaboration companies. At a time when

India's balance of payments are precarious, when the industries are not in a position to import vast quantities of raw materials needed for maintaining the existing production, these vast financial resources placed at the disposal of foreign-controlled collaboration companies, helps them to increase their sales commendably.

In the previous two sections we have noted that the direct foreign aid to private firms in the corporate sector amounted to Rs. 460 crores, loans through Indian finance corporations from foreign sources amounted to Rs. 390 crores, and in this section we have noted that foreign loans for maintenance imports to the private sector is not less than Rs. 1,800 crores. Therefore, during this period (mainly from 1960) nearly Rs. 2,650 crores have been pumped into the private corporate sector by foreign governments or international institutions like IBRD or IDA.

The situation during the Fourth Five Year Plan is going to be worse. Already, during the first two years of the Fourth Plan, actual net disbursements came to 42 percent of the total net foreign assistance, the plan had budgetted (Economic and Political Weekly, June 5--1971, Page 1114). Even so, the necessity for greater assistance to maintain the growth of indian economy, is being pleaded by the Government of India. As a matter of fact *"the need for larger external assistance* through the Aid India Club Consortium and other agencies has never been more urgent than now." (Economic Times, Editorial - June 9, 1971).

Economic Times, with great care and patience, reasons out the need for as large aid as we can get from the Aid Consortium meeting to be held later in June 1971. The two reasons it adduces for greater aid, are the result of the aid - oriented economy of India:

First, India is facing a *"heavy debt-servicing burden"* : This has risen from Rs. 333 crores in 1967-68 to Rs. 435 crores in 1970-71 and is expected to go upto Rs. 458 crores in 1971-72.

Secondly, *"the diversification of our industrial capacity to produce a comprehensive range of industrial products has brought about a shift in import requirements towards raw materials, components, and spares. Much larger imports of such inputs have also become necessary not only to make fuller utilisation of industrial capacity but also to subject the industries to greater degree of competition. The imports which had risen from Rs. 1,582 crores in 1969-70 to Rs. 1,628 crores in 1970-71 are expected to increase by a further 5 per cent during the current year on account of the liberalised import policy announced recenly."*

(Economic times, June 9, 1971)

Therefore the greater the diversification of our industrial capacity, the greater the need for import requirements, leading to more and more aid or as **Economic Times** editorial has put it bluntly, the need for larger external assistance *"has never been more urgent than now"*.

Is there any possibility of India ever growing out of this vicious circle? The policies pursued by the Government of India recently gives a lie to this possibility. Foreign collaborations in the corporate sector are again on the increase. The following two, latest, examples of collaboration expose the deceptive slogan-mongering of the ruling class, that India is progressing towards building an independent economy and towards self-reliance.

(1) *"A licence for 50,000 cars has been given to a private party"* – none other than Sanjay Gandhi. *"As is usual with official decisions, 'technically' the licence is expected to meet the 'conditions' laid down for such licences, particularly that no foreign exchange would be involved. Apparently Sanjay Gandhi proposed to set up only the assembly portion of automobile manufacture at a total cost of Rs. 4.65 crores"*. And naturally our *'patriotic'* Government is fully satisfied that a 100 per cent **swadesi** car will be on the roads, since, Sanjay Gandhi will not be importing, on his own, any components or raw materials needed and that he would obtain all the components indigenously from *'Indian'* ancillary manufacturers. *"The ancillary manufacturers from whom all the components are to be obtained will almost certainly need foreign exchange, both for capital goods and for current operations. But this is not taken to detract in any way from the indigenous character of Sanjay Gandhi's project."* (Economic and Political Weekly, June 5, 1971, Page 1117). It is no matter even if the ancillary industry is foreign-owned and depends for its production mainly on imports, as is the case in India.

(2) Birlas have been licensed to put up a fertiliser plant at Goa, to save the country from the drain of foreign exchange. It is going to be one of the biggest fertiliser companies in the private corporate sector with an estimated capital outlay of Rs. 56.55 crores, with an annual capacity of 2 lakhs tonnes of Ammonia and 3.4 lakhs tonnes of Urea.

Economic Times of May 13, 1970, reporting in its feature *"Focus on New Issues"* reveals the following characteristics of this Company :

> *"The share of the United States Steel Corporation, the company's foreign collaborators, in the present paid-up capital stands at Rs. 2.83 crores in equity shares out of the total equity capital of Rs. 4.17 crores."*
>
> *The present issue is for Rs. 11 crores (Rs. 6.87 crores equity and Rs. 4.13 crores, preference). Of this Rs. 72.75 lakhs are reserved for the United States Steel Corporation for consideration of knowhow to be supplied by them. Another Rs. 239.25 lakhs are reserved to be allotted to International Finance Corporation. Messrs Armour and Co., have been offered shares worth Rs. 22.5 lakhs, Bank of America Rs. 75.0 lakhs, First Chicago International Finance Corporation Rs. 18.75 lakhs, and Communidade of San Coale, Goa Rs 0.63 lakhs.*

The balance of Rs. 6.71 crores is now offered to the public.

Furthermore, this fertiliser factory of the *"Birlas'* will receive "long-term loans from abroad of Rs. 30.02 crores."

It is clear how 'Indian' is this Indian company, in which capital investment of not less than Rs. 37 crores is invested by American Banks and the U.S. Steel Corporation.

Economic Times further reports that *"the government has assured the company that it will be permitted to import naphtha in case supply by IOC falls short. Again, the company has been permitted to import its total requirements of phosphoric acid for a period of five to seven years."*

The 'Patriot's, reasoning for the establishment of this industry is unexceptional. The country's need to achieve self-sufficiency in food can hardly be overemphasised. The importance of fertilisers to fulfil this national task is unquestionable. That the import of fertilisers is a great drain of the foreign resources is a fact known to all. Therefore, the overall requirements have consistently been demanding the establishment of indigenous production to save the country from continuing the drain of foreign exchange. *"Ceasor's wife cannot be questioned"*. The patriotic motives of the

Birlas shall not be questioned, even if they were to establish a foreign-owned, foreign-financed, import-oriented 'swadeshi' industry. This is in the nation's interest, fulfilling a long-felt national need, even if the industry is tied to continuing imports of raw materials and components thus mortgaging its future for all time to come ! !

Such is the behaviour of comprador big bourgeoisie and its servitor, the Government of India. Such are the ways in which India has been irrevocably drawn into the vicious circle of continuing imports to make fuller utilisation of established industrial capacity.

Therefore, to envisage an independent industrial development of India under the rule of the big bourgeoisie, is a mirage.

In the course of my study of history, I have not come across any country which had, in such utterly slavish manner, begged for aid and alms for development of very conceivable aspect of the country's life-from elementary education to nuclear research, from poultry and piggery development to cattle breeding, from soil survey to crop production, from road and rail transport to defence, from handicrafts to machine-building, from family planning to home science.

In the name of industrial development, India had incurred and is incurring hundreds of crores rupees of loan every year. Out of this, a major portion is handed over to foreign private investment to secure and strengthen its hold on all industrial sectors in the country. Non-project imports, or general-purpose loans as they are called, are mainly intended for import of raw materials or intermediate goods to feed the existing industries.

> *"Private foreign investment, economic aid in the form of loans and grants, unequal trade relations, discriminatory tariff and restraints. and trade embargoes, are the mechanisms through which foreign monopoly capitalism pumps out surplus from India, bolsters finance capital, and exercises control over the market of India, and in the process blockades and sabotages development of productive potential of the economy and encroaches upon the political soverignty of the country. In this formidable array of weapons, inter-governmental economic assistance is the strategic one."* ("Problems of Economic Growth", Ranjit Das Gupta, Page 252).

To the end of September 1970, India has been allotted, by various countries and the World Bank, a total of Rs. 9,171.3 crores of loans and grants out of which Rs. 8,063.4 crores have been utilised. The thirst of Indian economy for foreign loans and grants is so unquenchable. It has the greatest growth rate. There is not a single phase or item of our life into which it has not entered.

To talk of the **'take-off'** stage of the Indian economy in these circumstances is a deception of the people.

Cost of Repayment of Foreign Loans

We have noted that, with the beginning of India's balance of payments crisis in 1957-58, there has been a huge flow of aid in increasing quantities from Western countries as well as from the Soviet Union and other East European Countries.As we have already noted, major assistance has been received from the US, UK, and West Germany and from the IBRD and IDA. This growing aid has become such an unbearable burden on the Indian economy that it has become the major stumbling block inhibiting economic growth.

Today, this growing indebtedness has been responsible for a continuous drain of wealth from India.

Composition of Total Debt and the Growing Proportions of External Debts

The external debt of India has been growing so fast that the proportion of external debt to total outstanding public debt, which was a little over 1 per cent in 1950-51, rose to 16 per cent in 1960-61. It took a leap by 1970--71, the proportion of external debt to the total outstanding debt in 1970-71 being 46.2 per cent. According to budget estimates of 1971-72, it would further rise to 47 per cent by the end of March, 1972.

At the same time, the proportion of external debt to national income has been growing. In 1950-51, the percentage of external debt to national income was a mere 0.3 percent. By 1955-56, it had come upto 1.1 per cent. By the end of the Second Five Year Plan, 1960-61, it had risen to 5.7 per cent and by the end of the Third Plan, that is by the end of March 1966, 6to 12.6 per cent. During the three non-plan years - or the years of plan holiday it has further progressed to 19.3 per cent.

The following table, prepared from the Reserve Bank of India Bulletin, May 1970 and March 1971, gives the full picture of our growing indebtedness to foreign powers, and the proportionate increase of external debt to the total public debt and to the national income.

TABLE : 6.18

Summary of the Debt Position as at the End of the Financial Year

(Rupees in crores)

As at the End of	Total Public Debt	External Debt	Total Internal Debt	National Income	Percentage of 3 to 5	Percentage of 2 to 5
1950-51	2054	32	2022	9530	0.3	1.07
1955-56	3442	113	2329	9980	1.1	4.62
1960-61	4736	761	3975	13308	5.7	16.05
1965-66	8005	2590	5415	20586	12.6	32.24
1966-67	10837	4623	6214	23647	19.6	42.66
1967-68	11956	5401	6555	27922	19.3	47.47
1968-69	12727	5927	6800	20678*	20.9	46.66
1969-70	13375	6141	7234	31174*	19.7	45.91
1970-71	14041	6577	7464	NA	–	46.84
1971-72	14856	6987	7869	NA	–	47.30

Source : **Reserve Bank of India Bulletin,** May 1970 and March 1971.
The National Income for 1968-69 and 1969-70, from **"Economic Survey"** : 1970-71 : Page 78.

The growth of external debt is a profound indication of the growing crisis of India's economy. Foreign capital, whether it is loan capital or investment capital, has a cost. It has to be paid only in foreign curency, which can be done only through greater exports and lesser imports. Surplus in foreign trade is a necessity for the repayment of foreign loans.

Since the proportionate rate of growth of external debt is faster than the rate of growth of National Income, it is clear that the Indian economy is fast approaching a stage when it can no longer repay the loans it has so far incurred.

The following table from Economic Times (Dr. B. Prasad of Patna University in an article, *'Foreign Capital Has Cost')* reveals the consistently high debt servicing charges India has been incurring in the past few years and the consistent stagnation of both industrial and agricultural production, revealing our government's anxiety to beg for loans to repay loans, our production lagging far behind the repayment of loans-cum-interest, cannot cope with the problem. Neither the growth of industrial production,nor the growth of agricultural production, and hence the growth of national income, are anywhere near the rate of growth of debt service payments.

(See for Table : Page. 213)

It is clear, from the above table, that for the past 10 years, the debtservicing problem has been facing the country in the most serious manner. Except in 1962-63, debt servicing has been continuously on the increase; it has more than doubled, whereas neither the national income nor industrial and agricultural production can achieve this *'Great Leap'*

The repayment of foreign debt is a serious problem before India. Till March 31, 1970 total authorisation of external assistance has reached the phenomenal figure of Rs. 9,444 crores – out of which authorised loans amount to Rs. 8,862 crores (Economic Survey, Page 153). Further authorisations during 1970-71 amount to Rs. 736 crores (p. 153). According to the Hindu, dated June 20, 1971, India yesterday received the assurance of external assistance of $ 1,50 million for the current financial year (1971-72) – in Indian currency worth nearly Rs. 860 crores.

Total loans authorised upto 1971 by various *'friendly'* countries, for quick growth of the Indian economy, is Rs. 9,598 crores. With the aid authorised for 1971-72, the total amount will reach the grand figure of Rs. ten thousand, four hundred, and fifty eight crores, by the end of March 1972.

It is no wonder that we have reached a stage when *"we have no funds with which to pay, we have no foreign exchange"* (Professor Gyan Chand : "India : A Private Enterprise", Tri continental : 1970).

TABLE : 6.19

Growth in Debt Service, National Income and Agricultural Production

1 Period	2 Debt Servicing Payments (in crores of dollars)	3 Per Cent Increase in 2 over the Previous Period	4 National Income at 1948-49 Price (in crores of rupees)	5 Per Cent Increase in 4 over Previous Period	6 Per Cent Growth in Industrial Production	7 Growth in Agricultural Production 1948-49:100
1961-62	21.4	—	13,060	2.6	9.1	144.8
1962-63	18.6	-13.0	13,310	1.8	9.7	139.6
1963-64	22.4	20.4	13,970	4.9	8.3	143.1
1964-65	25.4	13.8	15,000	7.3	8.6	158.9
1965-66	26.3	3.9	14,660	-2.2	7.2	132,7
1966-67	31.9	21.4	14,950	1.9	-0.8	132.0
1967-68	44.4	39.2	16,281	8.9	-0.7	161.8
1968-69	49.5	11.6	16,544	1.6	6.4	159.5

Source : **Economic Times** : May 7, 1970 & May 8, 1970.

It is no wonder that net aid that India is receiving will shrink fast, since repayment is growing faster. Therefore, the Indian bourgeoisie and its representative, the Government of India have been pressing for more aid. Statesman, in its editorial on June 13, 1971, a week before the Aid India Club's meeting in Paris, pleaded that *"the burden of debt servicing is slated to rise by another $ 30 million to a huge $ 610 million in 1971-72, and this increase will at least have to be offset if aid availability is not to fall further"*. The Hindu of June 18, 1971, in a news item under the heading *'Consortium May Agree to India's Plea'*, writes that one of the three requests to the Consortium from India is *"the continuance of debt relief arrangements which ended with the completion of $ 300 million (Rs. 525 crores) over the period of the last three years"*. The request for further loans to repay old loans is the latest pleas to our *'donors'*.

The following table, from the Economic Surveys of 1969-70 and 1970-71, shows how net aid exclusive of food aid is getting reduced absolutely due to increased debt servicing, during the period after the Third Five Year Plan.

TABLE : 6.20

Inflow of Foreign Assistance	Net Aid After Debt Servicing 1966-67	1967-68	1968-69	1969-70	1970-71
1. Gross aid disbursements	1134	1196	903	866	769
Of which food aid	420	387	213	188	131
2. Gross aid excluding food aid :	726	866	717	711	670
3. Total debt servicing	274	333	375	412	435
Of which :					
(a) Amortisation payments	160	211	236	268	283
(b) Interest payments	114	122	139	144	152
4. Net aid flow (1-3)	860	863	528	454	334
	(75.8%)	(72.1%)	(58.5%)	(52.4%)	44.6%)
5. Net aid flow exclusive of food aid (2-3)	452	533	342	299	235
	(52.6%)	(61.8)	(47.6%)	(42.1%)	(35.1%)

Note : *Gross aid disbursements take into account debt relief, inclusive of debt rescheduling, postponement etc; debt service payments relates to those involving foreign exchange.*

The proportion of net aid, exclusive of food aid, is declining so fast because of increasing debt servicing charges, that our foreign exchange resources are facing an extreme crisis.

As the Economic Survey of 1970-71 pathetically reports : *"During recent years, the net inflow of foreign credit has been falling even faster than the utilisation of external assistance; debt service payments have been steadily increasing. Interest payments on, and amortisation of external debt which together amounted to only Rs. 143 crores (in post devaluation rupees) during 1961-62 had more than doubled by 1967-68. Debt service charges have continued to rise : from Rs. 333 crores in 1967-68, they rose to Rs. 436 crores by 1970-71. During 1971-72, debt service charges are estimated to reach the high level of Rs. 486 crores. For many years to come, the annual outgo of foreign exchange on account of servicing of debt already incurred will continue to be well over the level of 1970-71, that is Rs. 435 crores"* (p. 62).

In the five years after the Third Five Year Plan (1966-67 to 1970-71), India has utilised foreign loans to the extent of Rs. 3,690, whereas it had paid Rs. 1,830 – nearly 50 per cent of loans utilised. More and more, the debt repayments are increasing, even in relation to the national income. Debt repayments are growing faster than the growth of national income. The following table shows the sorry state of affairs that, even out of the meagre national income, a greater percentage year after year is being drained out of the country by our friendly donors making India poorer by their magnanimous assistance which did not help to increase proportionately the agricultural or industrial production. During the Second Plan, debt servicing was only 0.20 per cent of the national income. During the Third Plan, it increased to 0.73 per cent and in the three years after the Third Plan it progressed further to 2.20 per cent of the national income in 1968-69. At the same time, debt servicing absorbs nearly 30 per cent of India's export earnings.

(See for Table : Next Page)

TABLE : 6.21

Debt Servicing Charges as Per Cent of National Income and Exports

Years	Debt Servicing (Rs. in crores)	Net National income (Rs. in crores)	Per Cent of debt Servicing in National income	Total Per Cent Exports (Rs. in crores)	Per Cent of debt Servicing in Exports
1961-62	143	13763	1.03	668.3	21.4
1965-66	227	15021	1.51	783.3	27.7
1966-67	275	15243	1.80	1079.3	25.4
1967-68	333	16660	1.98	1254.6	26.4
1968-69	376	17057	2.19	1367.4	27.4
1969-70	413	17955	2.30	1403.2	29.5
1970-71	435	N. A.		N. A.	
Total III Plan	542.6	73591	0.73	3735	14.5
Total I Plan	23.8				
Total II Plan	119.0				

The above table has been prepared from the **Economic Survey 1969-70 and 1970-71**

External debts can be repaid only by exporting the commodities to foreign countries and thereby earning foreign exchange. But if exports are not more than imports, and imports are greater than exports, there will be a deficit in the foreign exchange account. It automatically leads the deficit-incurring country to ask for time to repay the deficit. It amounts to seeking loans to cover the deficit in foreign trade. If the deficit is continuous, then the question of repayment of loans does not arise, unless more loans are incurred for repayment of loans or gold is purchased in the market and exported to the countries who have given us the loans.

Due to immense amounts of growing imports, necessitated by the subservient nature of our collaboration with foreign finance capital, as noted in the previous section, our imports are more than our exports. Added to the deficit, the growing debt servicing and the increasing outgo of investment income, has imposed severe restrictions on Indian economic growth.

The following table shows the trade deficit, along with amortisation and debits in investment income, in our balance of payments account.

TABLE : 6.22

Foreign Exchange Drain

(in crores of Rupees)

	Trade Deficit	Investment Income	Amortisation	Total
1960-61	475.2	61.9	37.6	574.7
1965-66	566.7	134.3	74.4	775.4
1966-67	806.3	203.9	129.0	1139.2
1967-68	787.8	229.3	169.1	1186.2
1968-69	373.1	239.7	159.6	772.4
1969-70	168.4	251.6	180.8	600.8

Source : **Reserve Bank Bulletin** April 1971, Pages 656-657.

The above figures are revealing. One factor of importance, with dangerous implications, is the growing drain of our resources in the shape of investment income which has grown by more than three times in this ten-year period-from Rs. 61.9 crores to Rs. 251.6 crores. In the same period, amortisation payments have also been growing phenomenally. During this ten-year period, payments under this head have increased by nearly five times - from Rs. 37.6 crores in 1960-61 to Rs. 180.8 crores in 1969-70. Since foreign private investments are on the increase, and since the Government has been moving about more frequently with a begging bowl on various pretexts to all available foreign capitals and international sources, these payments will increase more than what they are now.

From the recent figures of decreasing trade deficit, any one not in the know of actualities can be misled into believing that India's international trade has turned the corner from bad to better. The trade deficit has decreased from Rs. 787.8 crores in 1967-68 to 168.4 crores in 1969-70. This was mainly due to a reduction in maintenance imports - total imports came down phenomenally, from Rs. 2,032.8 crores in 1967-68 to Rs. 1,750.5 crores in 1968-69, and got further reduced to Rs. 1,582.3 crores in 1969-70. This fall in imports was the result of the economic crisis in industrial production. As the Economic Survey of 1969-70 points out, the economy could manage with such a low volumes of imports because of a *'slack'* in the economy and relatively *'low volume of investment activity'* during the recession and immediate post recession years. *"With the revival of industrial activity, the need for both maintenance imports as well as capital goods imports would increase."* The Economic Survey of 1970-71 again reiterates that *"much larger imports of such inputs have now become essential not only for a fuller utilisation of the existing industrial capacity. Therefore, external assistance at this stage would be most effective in promoting growth and development, if an increasing portion of it were forthcoming in the form of non-project assistance"* and further, the Government of India pleads that *"the need for debt relief .... cannot be over - emphasised"* *(Pages 62 and 63).*

Indian economy has been brought to the stage wherein national capital accumulation has been made impossible. Its economic vitals are being squeezed in the shape of trade deficit, amortisation payments, and export of investment income for the accumulation of super profits for the international monopolies.

The nation has been reduced to a state of beggary in the international sphere.

APPENDIX :

External Debt of India

(Rs. Crores)

	1980	1985	1986	1987	1988	1989
External assistance	12,178	24,004	26,638	32,312	36,578	46,838
I. M. F.	–	4,888	5,271	5,548	4,732	3,696
Commercial borrowings+	1,252	6,908	8,075	11,243	13,543	19,147
Total	13,430	35,800	39,984	49,103	54,853	69,681
N.R. (E) R. !	–	2,864	3,461	4,336	5,107	5,899
F.C.N.R.	–	955	2,189	3,511	4,947	8,255
Total	–	3,819	5,650	7,847	10,054	14,154
Grand Total	13,430	39,619	45,634	56,950	64,907	83,835

\+ including non-government debts
! including accrued interest

Source : **R.B.I. : Report on Currency and Finance, 1988-89.**

Debt Servicing

Year	Debt Service ratio
1984-85	13.6
1985-86	16.0
1986-87	22.0
1987-88	24.0
1988-89	25.0

Source : **R.B.I., Report on Currency and Finance, 1988-89.**

Approvals of External Commercial Borrowings

(Rs. crores)

Year	Public Sector	Financial Institu-tions	Purchase of ships	Private Sector	Total
1980-81	810	.....	90	138	1038
1981-82	391	151	270	392	1204
1982-83	1554	133	109	240	2026
1983-84	459	119	344	162	1086
1984-85	1086	159	283	379	1906
1985-86	951	380	74	295	1700
1986-87	784	250	65	297	1396
1987-88	1598	809	32	215	2654
1988-89	2413	1353	198	350	4314
1989-90	2189	705	185	238	3317

Source : Economic Survey, 1989-90

External Loans to Industrial Development

(Rs. Crores)

Year	Sanctions	Utilisation Yearly Average	Utilisation	Yearly Average
1966-74	1599.1	449.9	3675.3	459.4
1974-78	1608.6	402.2	1478.5	369.6
1978-82	1895.5	473.9	1214.4	303.6
1980-85	3270.5	654.1	2312.1	462.4
1985-88	6665.3	2221.7	2230.4	743.5

Source : RBI, Report on Currency and Finance, 1988-89

Borrowings of Financial Institutions From Central Government and RBI During 1971-89

(Rs. Crores)

Financial Institutions	Government of India	Reserve Bank of India
IFCI	164	1.66
IDBI	2294	14418.00
ICICI	189	–
Total	2647	14419.66

Source : RBI, Report on Currency and Finance, 1988-89

Borrowings by Export–Import Bank of India

(Rs. Crores)

Year	RBI	GOI	IDBI	Foreign countries
1982	70	20	172	–
1983	125	45	155	26
1984	180	55	137	63
1985	260	64	120	66
1986	345	69	103	107
1987	435	71	86	108
1989	530	70	53	117

Source : RBI, Report on Currency and Finance, 1988-89

Net External Assistance

(Rs. Crores)

Year	Total Assistance	Amortisation	Interest Payments	Total Debt Servicing	Net Flow	Percentage Net Aid
1970-71	780	254	158	412	368	47.2
1971-72	821	271	175	446	375	45.7
1972-73	605	302	177	479	126	20.5
1973-74	803	300	184	484	319	39.7
1974-75	968	331	181	512	456	47.1
1975-76	1436	335	174	509	927	64.6
1976-77	1248	383	187	570	678	54.3
1977-78	1076	464	203	667	409	38.0
1978-79	1094	479	218	697	397	36.3
1979-80	1139	440	238	678	461	40.5
1980-81	1624	518	286	804	820	50.5
1981-82	1870	538	311	849	1021	54.6
1982-83	2250	587	360	947	1303	57.9
1983-84	2245	616	417	1033	1212	53.9
1984-85	2332	647	529	1176	1156	49.6
1985-86	2896	776	591	1367	1529	52.8
1986-87	3578	1176	853	2029	1549	43.3
1987-88	5032	1581	1043	2624	2408	47.9
1988-89	5167	1659	1304	2963	2204	42.7

Source : **RBI, Report on Currency and Finance, 1989-90**

Disbursements by Financial Institutions During 1987-89

Rupee Loans Foreign Exchange

Financial Insitutions	Rupee Loans Sanct.	Rupee Loans Disbur.	Foreign Exchange Loans Sanct.	Foreign Exchange Loans Disbur.	Underwritings, subscriptions Sanct.	Underwritings, subscriptions Disbur.	Total Sanct.	Total Disbur.
I.D.B.I.	7512	5940	630	268	278	76	8420	6282
I.F.C.I.	2182	1374	596	252	153	39	2931	1665
I.C.I.C.I.	2423	1424	734	367	182	65	3339	1856
I.R.B.I.	395	218	–	–	–	–	395	218
S.F.C.S	1308	941	–	–	–	–	1998	2072
S.I.D.C.S	588	421	–	–	48	26	1457	985
Sub-Total	14408	10318	1960	887	661	206	18540	13080
UTI	1796	1028	–	–	1202	812	2998	1840
LIC	799	718	–	–	570	412	1369	1130
GIC	61	46	–	–	160	173	221	219
Sub-Total	2656	1792	–	–	1932	1397	4588	3189
Total	17064	12110	1960	887	2593	1603	23128	16269

Source : **R.B.I.,, Report on Currency and Finance, 1988-89**

Summary of the Debt Position

(Rs crores)

Year	Total public debt	External debt	Total internal debt	National income	% of 3 to 5	% of 3 to 2
1	2	3	4	5	6	7
1970-71	19,864	6,485	13,379	82,211	7.9	32.65
1975-76	30,150	7,489	22,661	95,433	7.8	24.84
1980-81	59,749	11,298	48,451	1,10,484	10.2	18.91
1984-85	1,13,441	16,637	96,804	1,33,972	12.4	14.67
1985-86	1,37,484	18,153	1,19,331	1,40,647	12.9	13.20
1986-87	1,66,564	20,299	1,46,247	1,45,675	13.9	12.19
1987-88	1,95,561	23,223	1,72,338	1,50,573	15.4	11.88
1988-89	2,28,241	25,239	2,03,002	–	–	–

Source : **R.B.I., Report on Currency and Finance, 1988-89.**

Financial Resources of Capital Issuing Companies

(Rs. Crores)

Year	No. of companies	Share Capital	Loans from government institutions	Total project	Percentage of 4 to 5
1	2	3	4	5	6
1971	57	48	85	148	57.4
1976	83	88	146	257	56.8
1981	121	74	140	394	35.5
1984	441	254	341	658	51.8
1985	395	330	445	925	48.1
1986	676	575	769	1484	51.8
1987	385	738	1150	2591	44.4
1988	119	747	585	1570	37.3

The total external debt of India is an intriguing figure. The World Development Report, 1990 puts it at 57,513 million dollars. The RBI estimates it as 50,114 million dollars. The government of India puts it at a lower figure than the RBI by NRI deposits. Depending upon the figures provided by the RBI, the external debt has been increasing with leaps and bounds. It increased from Rs. 13,430 crore in 1980 to Rs. 83,835 crore in 1989 at the growth rate of 58 per cent per year. This growth rate is far beyond those of population, national income, industrial and agricultural production.

The changing composition of the stock of external debt is reflected in the raising share of external commercial borrowings. They raised from Rs 6,908 crores in 1985 to Rs. 19,147 crore in 1989. It now stands at 27 per cent of external debt and 40 per cent of external assistance. This increasing share of commercial

borrowings coupled with non-resident deposits has raised the average cost of external debt. The debt servicing ratio (ie. debt-servicing payments excluding those of NRI deposits as per cent of export of goods and invisibles other than official transfers) reached to 25 per cent. If the interest payments on NRI deposits is also included, it would be well above 50 per cent.

The growth of external debt is a profound indication of the growing crisis of Indian economy. Since the proportionate growth rate of national income, agricultural and industrial production is far smaller than the rate of growth of external debt, it is clear that India could no longer repay loans it has incurred. Since its economic vitals are being squeezed in the form of trade deficit, amortisation payments, export of investment for accumulation of super profits for foreign monopolies, capital accumulation in India has become impossible and thus the independent development of national industry has become impossible.

As Com. TN concluded, "the nation has been reduced to a state of beggary in the international sphere".