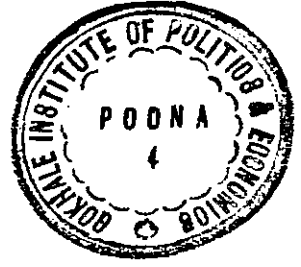


REPORT OF
STUDY GROUP ON CREDIT FACILITIES
FOR EXPORTERS



Issued by
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GOVERNMENT OF INDIA



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REPORT OF THE STUDY GROUP ON CREDIT FACILITIES FOR EXPORTERS

We were constituted in April 1960 as an informal study group to examine the question of liberalising and improving the credit facilities which are now available for exporters. The composition of the study group was as follows :

1. Shri T. C. Kapur
Managing Director
Export Risks Insurance Corporation
4, Rampart Row, Bombay. (Chairman)
2. Shri N.M. Chokshi
General Manager
Bank of Baroda
Bombay.
3. Shri B. S. Agarwal
Engineering Export Promotion Council
Calcutta.
4. Shri K. N. R. Ramanujam
Director, Division of Banking Research
Reserve Bank of India, Economic Department
Bombay.
5. Shri R. K. Seshadri
Deputy Secretary
Ministry of Finance
Government of India
New Delhi.
6. Shri R. Venkateswaran, Deputy Secretary
Ministry of Commerce and Industry
Government of India
New Delhi. (Member Secretary)

2. There were no formal terms of reference, but the Ministry of Commerce and Industry indicated to us, while constituting this study group, that we were expected to examine :

- (i) the nature and extent of the facilities required for exports;
- (ii) the commodities or groups of commodities to which these facilities might be extended in the first instance; and
- (iii) the basis for extending such facilities to other commodities or group of commodities, e. g. whether the facility, say, of extending the period of credit would be related to the consideration whether the commodity is quickly consumable or not.

We have interpreted these directions very liberally, and our conception of the task assigned to us has been that we should try to ensure that the volume of credit which is now available to exporters, directly or indirectly, should be

increased, and the terms on which this credit is available should be based on a recognition of the special position and needs of the export trade, so that a steadily increasing volume of exports from this country may be facilitated year after year.

3. We had six meetings at Bombay and one at Delhi at which the various suggestions made to us were discussed. The representatives of the Indian Banks' Association and the Exchange Banks' Association met us at Bombay in August 1960, and the Engineering Export Promotion Council supplied us with certain data and information which we had asked for in connection with the present enquiry. We would like to acknowledge the assistance which we have received from these organisations.

Need for Increase in Exports

4. Though there has been some improvement in our exports during the last two years, the gap between our import needs and our export earnings continues to be quite wide despite the severe restrictions on imports in force since mid-1957. The chief problem before the country in the field of external finance is how to bring about a substantial and sustained increase in exports. We have kept this important objective in mind in our examination of credit facilities to exporters.

5. It is a matter for some concern that, although there has been a marked increase in industrial production, exports have not moved in step. The average of the index of industrial production (1951=100) was as high as 167.0 in the first ten months of 1960 as compared with 139.4 and 149.3 in the corresponding period in 1958 and 1959 respectively. The increase has been substantial in respect of sugar, paper, finished steel, aluminium, industrial and transport equipment, heavy and other chemicals and electrical and engineering goods.

Increase in Output of Engineering Goods—

6. The indices of production in some branches of the engineering industry which are particularly important from the point of view of export possibilities, are set out in the table below :

		(Base : 1951=100)					
		1952	1957	1958	1959	First ten months of	
						1959	1960
Diesel Engines	..	58.6	229.6	355.6	418.6	417.3	559.8
Sewing Machines	..	112.6	376.7	461.5	568.2	544.6	647.1
Dry Cells	..	90.8	116.2	117.3	130.6	125.2	137.7
Storage Batteries	..	75.4	154.5	169.3	210.6	205.5	237.5
Electric Lamps	..	134.5	213.6	196.4	224.5	230.8	257.5
Electric Fans	..	92.0	246.9	299.1	341.4	331.5	448.6
Bicycles	..	172.4	691.8	798.6	867.0	837.0	889.3

7. Despite the impressive increase in the output of the engineering industry which is apparent from the preceding table, exports have not been substantial and are confined to a few items. In the calendar year 1959, exports of engineering products amounted to about Rs. 7 crores, of which nearly 25% went to Europe, North America and Central America. In 1960, they amounted to about Rs. 9 crores. A target of Rs. 50 crores is in view at the end of the Third Five-Year Plan.

8. This target is, in our opinion, quite modest. At the moment, however, the engineering industries are handicapped in increasing their exports substantially as the prices of their products are generally out of alignment with international prices, partly because of the higher prices paid by them for certain categories of raw materials and partly because of higher manufacturing costs, stemming from a low labour productivity and only a partial utilisation of their capacity. If adequate incentives are offered to them so as to facilitate the expansion of their sales abroad, the increased volume of output will not only contribute to a reduction in their unit costs but secure for the country a welcome augmentation of its foreign exchange earnings.

9. The steady, if unspectacular, growth of these exports in recent years has already made it necessary for the commercial banks to increase the scale of their advances to the export industries. Both the foreign and major Indian scheduled banks are today more intimately concerned with, and interested in, exports than they were a few years ago.

Assistance from Banks

10. A considerable amount of assistance from the banks has been made available in the form of loans and advances to the export industries as a part of bank advances to the industrial sector generally. These advances, it is interesting to note, have not only been maintained at a steady level but have also increased in recent months in spite of the overall restrictions on the advances of the banking system and the reductions during the slack season which the Reserve Bank has tried to bring about, especially in the last two years. The table below indicates the advances by the banking system to the major industries on certain dates.

Advances of Scheduled Banks to Industries from June, 1954 to April, 1960

(Rs. crores)

Industries	End of June 1954	End of April 1959	End of October 1959	End of April 1960
Cotton textiles (including ginning, pressing establishments).	68.46	132.50	120.02	123.89
Jute	107.1	24.04	18.36	24.89
Other textiles	15.55	21.12	19.55	16.26
Iron and Steel	5.06	28.59	28.15	24.43
Coal, Other mining and quarrying.	4.75	11.39	13.78	12.60

Industries	End of June 1954	End of April 1959	End of October 1959	End of April 1950
Engineering	15.20	72.90	82.82	86.31
Sugar and Gur	14.12	52.61	17.19	76.26
Vegetable oil crushing and refining.	9.26	21.38	11.93	21.82
Chemicals, dyes, paints and pharmaceuticals.	9.60	17.99	19.64	25.59
Cement	0.76	15.01	14.40	15.02
Public Utilities	5.64	7.22	9.51	22.16
Others	33.80	65.43	63.13	84.08*
Total	192.91	471.18	418.48	533.31*

ed *Includes advances to plantation industry (Rs. 17.53 crores), which were formerly included under Agriculture.

Financing Export Bills

11. The volume of export trade financed through bills has shown a rise in recent years. The proportion of export bills to total exports rose from 53 per cent in 1956 to 66 per cent in 1959, as indicated in the following table:—

Export Bills Negotiated

	1955	1956	1957	1958	1959	(Rs. crores)	
						First half of 1959	1960
<i>Total Export Bills Negotiated.</i>							
1. Purchased (Demand bills)	252,49	230,19	227,45	228,33	306,71	140,91	150,56
2. Discounted (Usance Bills)	120,99	95,29	93,22	94,74	107,92	45,75	45,18
3. Total	373,48	325,46	320,67	323,07	414,63	186,66	195,74
4. Per centage of 2 to 3	32.3	29.2	29.0	29.3	26.0	24.5	23.1
5. Total	607,90	619,20	610,30	573,60	625,77	268,45	303,56
<i>Exports</i>							
6. Percentage of 3 to 5	61.4	52.6	52.5	56.3	66.3	69.5	64.5

NOTE—The above table does not include bills which are sent abroad by banks to their agents for collection and remittance of proceeds. Such export bills held for collection amounted to Rs. 122.5 crores in 1958, Rs. 119.6 crores in 1959 and Rs. 59.6 crores in the first half of 1960.

12. The negotiation of demand bills involve the locking up of bank funds only for a limited period of 10—12 days in respect of demand bills on sight. In respect of demand bills payable on the arrival of goods, the period may be longer but does not usually exceed three months. However, in the present international context, foreign buyers are generally keen on business on longer term credit. It is, therefore, necessary for banks to extend credit to exporters increasingly on a term basis, the period of credit coinciding with the requirements of foreign buyers.

13. The percentages of the export bills drawn in various currencies are indicated in the table below :

Percentages of Export Bills Invoiced in Various Currencies

	1958	1959	First half of	
			1959	1960
Sterling	63.3	59.0	60.5	57.8
U. S. Dollars	12.0	12.9	13.6	13.7
Indian Rupees	24.0	27.3	25.1	27.7
Other Currencies	0.7	0.8	0.8	0.8
Total	100.0	100.0	100.0	100.0

14. From the point of view of the financing banks, the currency in which an export bill is financed is not very material, especially as the banks are now able to borrow from the Reserve Bank, in case of need, on the security of export bills expressed in any approved foreign currency. The income accruing from the bill business is lucrative. The yield on funds invested by banks on export bills is much higher than that on domestic loans and advances (including inland bills). The rate of yield on export bills in the first half of 1960, for instance, was 7.5 per cent per annum as compared to 5.8 per cent per annum on loan and inland bills together. Exporters have, therefore, experienced no difficulties at any rate in the recent past, in securing accommodation from the banking system through negotiation of their export bills before maturity.

15. As regards exports against letters of credit, the State Bank of India decided in 1956, shortly after its constitution, to liberalise the conditions on which "packing credit" to exporters in India against letters of credit opened in their favour may be granted. Other commercial banks, we understand, have also been granting these advances. These advances enable the exporters to undertake the processing or finishing of the goods intended for export. They bear interest according to the current rules of the Foreign Exchange Dealers' Association of India at a minimum rate of 6-1/2 per cent, but the availability of funds at this, or at a slightly higher rate, has on the whole, been adequate.

16. We would like to mention, before we pass on to a discussion of the question whether the assistance which is available to the export trade in these forms can be supplemented or extended by other measures, two major developments which have facilitated the grant of loans and advances to the export industries by the banking system.

Export Risks Insurance

17. The first and chronologically earlier development, has been the establishment of the Export Risks Insurance Corporation. This Corporation, which was registered in July, 1957 covers certain major risks involved in exports on credit terms. It also covers risks of exports on a consignment basis. It commenced business on the 14th October, 1957. Within the comparatively short period since then, it has been able to underwrite risks to a substantial extent, its maximum liability as at the end of December 1960, including the claims which were expected to arise on account of policies which were no longer current, being Rs. 8.42 crores as against the total permitted liability of Rs. 25 crores. It is estimated that the Corporation already covers risks in respect of 3.4 per cent of the insurable export. This is an overall figure. In 1960, in the case of one country, as much as one-fourth of our exports to it was insured by the Corporation, and in the case of engineering goods, about one-sixth of the total exports to all destinations was covered. Recently, the Corporation has been permitted to cover certain risks of pre-shipment advances by banks and government organisations. It is expected that the banks will take advantage of this and that packing credit facilities will be made available to exporters more readily.

18. The insurance cover given by the Corporation offers additional security to the banks for advances which they make to exporters against their export bills. In 1960, bills of some of the insured exporters of the value of Rs. 2.37 crores were negotiated by the banks. This figure does not include advances granted to exporters without the assignment of the benefits of the policies. Even so, the volume of bank credit to insured exporters is not adequate, having regard to the value of the additional security offered by the Policies issued by the Corporation.

19. When additional security becomes available to banks in the shape of policies issued by the Corporation, the banks should give comparatively better facilities to insured exporters. While some of the bankers are, in fact, giving adequate facilities to insured exporters, there are a few banks which are not at present doing so. We suggest that so long as an insured exporter is considered creditworthy, financial facilities should not be denied to him by banks.

Bill Market Scheme

20. The second major development has been the extension of the Bill Market Scheme of the Reserve Bank of India so as to cover exports financed by authorised dealers. Exporters sending goods to the countries which are members of the I. M. F., can now draw export bills, in foreign currencies or rupees at their option, against which advances will be available at the prescribed minimum rates, i.e. those fixed under the rules of the Foreign Exchange Dealers Association of India, read with the recent directive of the Reserve Bank in regard to the raising of interest rates, the financing bank being entitled to refinance from the Reserve Bank of India at the bankrate, i.e. without any extra charge on account of the stamp duty provided that the financing bank is

within its basic quota for borrowing from the Reserve Bank, or at 1% or 2% above the bank rate, in case the financing bank has exceeded its quota.

21. The minimum amount of an export bill, namely, Rs. 5,000 and the minimum limit for borrowing by the financing bank from the Reserve Bank of India, namely, Rs. 1,00,000 have been so fixed as to enable the banks to negotiate through the Reserve Bank bills of even small exporters. The questions whether exchange risks are to be covered, whether a policy of insurance against export risks should be taken out and also whether a margin should be maintained on the amount of the bills in the loan accounts have been left to the discretion of the exporter and his bank: Export bills drawn payable at sight have also been allowed to be held as security by the banks in the loan accounts. Further, there are no specific restrictions on the usance of the export bills concerned, provided the usance promissory notes lodged with the Reserve Bank mature within 90 days. The banks are also allowed to rediscount abroad the export bills held by them as security in the relative loan accounts, provided they ensure that their borrowings, if any, from the Reserve Bank under the scheme are at all times maintained within the figure of total outstandings in the loan accounts which should be fully secured by other export bills.

22. The arrangements for financing exports which we have mentioned so far indicate the growing attention which has been paid to this problem in recent years. In normal circumstances, these measures might perhaps have been adequate and satisfactory. With the emergence of buyers' markets, and the difficulties in the flow of international capital or in the raising or grant of united international loans adequate in relation to the needs of the importing countries, exporters, especially of capital goods, have had to offer increasingly attractive credit terms to their customers, taking upon themselves, the burden, in part, of financing the development of the importing countries many of which are under-developed. The Radcliffe Committee on the working of the monetary system in the U.K. declared the situation in 1959 as follows :

"Would-be purchasers in the importing countries have, therefore, come to look to the exporter from whom they are purchasing (or to his government) to arrange for the provision of the credit which they require. They have been enabled to do this by competition between the leading industrialised countries for this type of business and by the great importance which these countries attach to obtaining initial orders, with a view to gaining a foothold for the later supply of spare parts, replacements and allied goods. As a result, exporters in this country now find themselves vying with their industrial competitors in other countries not only on the price and quality of their goods and on delivery dates, but on the credit terms which they are prepared to offer".*

As potential exporters of engineering and capital goods, among other commodities, competing in the world markets with a number of industrially advanced countries, which have been offering attractive credit terms for several years, we have no option but to accept the facts of the situation as they are to-day.

*Report of the Committee on the Working of the Monetary System (U.K.), August 1959, pp. 304-305.

Representations from Export Trade

23. The facilities and concessions suggested or demanded by our exporters in order that they may be able to compete effectively in the world market will have to be considered against this background. The concessions which the representatives of the export trade have asked for are mainly :

- (i) arrangements for ensuring the ready availability of financial facilities for exports;
- (ii) an increase in the period of six months now prescribed under *Rule 6* of the Foreign Exchange Regulation Rules, 1952 for the realisation of the proceeds of exports;
- (iii) the provision of medium-term credit for exporters, corresponding to the extended periods for which they themselves are required to offer credit to their customers overseas; and
- (iv) a reduction in the rate of interest charged on export bills or advances against exports.

In addition, the banks have asked for a simplification of the procedure now prescribed for borrowing from the Reserve Bank against export bills. These demands are examined briefly in the paragraphs which follow.

24. As regards the ready availability of finance for exports, no lender can be induced to lend any money, unless he is satisfied that the financial position of the borrower is such that the loan would be reasonably safe. A borrower cannot expect to obtain loans which are beyond his own financial resources. In respect of exports, the banks make financial facilities available against bills. If bills are not accepted by the foreign buyers or they do not pay for them the banks have to secure the amounts advanced from the exporter. If the advances are beyond the resources of the exporter the transaction will result in a loss to the bank concerned. Chances of resource to the exporter depend on the business methods of the exporter and the general standing of the buyer. If the business methods of the exporter are doubtful and there is no reasonable satisfaction about his ability to carry out faithfully the terms of sale contracts or agreements and to maintain the standard of goods to be exported, the banks cannot be expected to assist him. Banks keep a close watch on the bills of every exporter and stop financing where they notice that the bills are frequently dishonoured. It is obvious that no method can be evolved by which the difficulties of such exporters can be solved. Even the policies of ERIC cannot be of much use to such exporters in getting credit from banks. Our general impression after talks with banks and important exporters is that exporters of standing and good reputation can and do get adequate credit facilities. This impression is further supported by the figures given in paras 10 and 12.

25. It has however been brought to our notice that some organisations other than banks are financing exporters. We suggest that the Export Risks Insurance Corporation should consider the desirability of making available to such organisations insurance of the pre-shipment credit which they extend to exporters.

26. As already pointed out, exports on cash basis are being replaced to some extent by exports on term credit granted in favour of buyers. It is important that we should not participate in a competitive race by giving unduly long credits. The period of six months allowed by *Rule 6* of the Foreign Exchange Rules, 1952 is quite reasonable so far as consumer goods are concerned for which longer credit is not allowed by our competitors. In respect of commodities exports of which are made by foreign competitors on longer term credits, an adequate increase in the period prescribed under *Rule 6* of the Foreign Exchange Rules is, however, necessary and we understand as a matter of fact that the Exchange Control Department of the Reserve Bank of India has recently relaxed this rule in favour of exporters of certain categories of engineering goods up to one year from the date of shipment.

Longer Credit for Certain Engineering Goods

27. A reference to the commodities and products figuring in our present export list would go to show that longer term credit is specifically called for only in respect of certain types of engineering goods. We, therefore, asked the Engineering Export Promotion Council to indicate for particular classes of goods, the periods up to which the credit periods may have to be extended. The particulars furnished to us by the Council are reproduced in Annexure I.

28. We do not think that it would be appropriate for us to make detailed recommendations as to the periods for which credit may be allowed in respect of the commodities mentioned in Annexure I. We would, however, suggest that, broadly speaking, engineering and capital goods could be divided into the following categories, namely,

- (i) consumer goods like razor blades, dry batteries, electric bulbs and cutlery, for which the period of six months now prescribed seems to be adequate;
- (ii) light engineering consumer durables, like sewing machines or bicycles, for which a maximum credit period of eighteen months may have to be allowed for the exporters;
- (iii) trucks and automobiles and parts, for which the prevailing credit period in the export markets is already three years;
- (iv) heavy machinery and equipment for factories e.g. ring frames, boilers and sugar mill and textile machinery, in respect of which enquiries have been received, but credit up to about five years has been asked for by potential importers abroad.

We must leave it to the discretion of the exchange control authorities acting on the advice of the Ministry of Commerce and Industry and in consultation with the Exports Risk Insurance Corporation to decide, with reference to the trends in respect of various types of goods in the export markets from time to time, on the duration of the periods over which the proceeds of our exports may be collected in relaxation of the normal rules.

29. The credit periods mentioned above will run, as usual, from the dates of shipment. We have considered the question whether a time limit in excess of five years may not be desirable. Our view is that we should adhere, on the whole, to the position which has been affirmed by the Union D'Assureurs des Credits Internationaux (the Berne Union) that the period of export credit should not normally, exceed a maximum of five years, post-shipment or delivery. The departures, if any, from the five-year rule should be confined only to the most exceptional cases, where the Government so directs.

30. As regards exports the proceeds of which are allowed to be collected beyond six months, the proposed relaxation should be subject to the requirement that a reasonable down-payment should be made within six months from the date of the shipment, and that periodical payments, at instalment of not more than twelve months, should also be made thereafter. The amount of the down-payment and the number of instalments may be fixed with reference to the prevailing trends in respect of each export item in the export markets from time to time.

31. The relaxations mentioned above should be confined to the exports of engineering and capital goods. There is no justification in our opinion, for an extension of the present credit limit of six months to any other goods because, on the basis of available information, foreign exporters do not give credit beyond 6 months in respect of other commodities.

32. The lengthening of the credit periods as proposed in respect of engineering and capital goods will make it necessary for us to review the existing arrangements for financing exporters in India during these extended periods. We have carefully examined this problem. We feel that it may be desirable and also practicable at this stage to increase the period of currency of bills in respect of certain specified exports and that arrangements can also be made for the bulk of the medium-term finance for exports to be found by some institution other than the Reserve Bank.

33. It will be desirable for us to ensure, if possible, that a reasonable proportion of credit will continue to be available, even after the extension of the credit periods, in the form of purchase or discount of export bills.

34. It has been suggested for this purpose that the Reserve Bank should recognise export bills as eligible for purchase, rediscount or advances, without limit of time or for comparatively long periods. We have, however, carefully considered this suggestion in the light of the history, practice and working of central banks in other countries, both advanced and less-developed. The provisions in the central banking legislation of a few countries relating to rediscount of bills of exchange with a maturity of more than 90 days are summarised in Annexure II. It will be seen from this Annexure that the maximum term of eligible bills drawn for commercial and industrial purposes is 4 months in Rhodesia and Union of South Africa, six months in Thailand and Kire and nine months in Cuba and Philippines.

35. The rationale of the provision for short-term lending arises from the fact that a Central bank, in respect of its banking as distinguished from its currency functions, is governed by the same considerations as are applicable to commercial banking institutions. It has to meet essentially short-term obligations like any other commercial bank and cannot be expected to lend for medium to long-term periods, especially as there is a risk that such lending by a Central bank of issue, in preference to a financial institution which is able to mobilise genuine long-term savings, may become an important contributory cause of monetary expansion and inflation. In view of these considerations, we feel that it will be neither practicable nor desirable for the Reserve Bank to lend money for other than short-term periods. In India itself, the establishment of the Refinance Corporation as a lender of the last resort providing refinance for medium-term loans has been based on an appreciation of the limitations of the Reserve Bank in regard to the provision of finance for other than short-term periods.

Currency of Export Bills

36. Although an attempt to increase the period of currency of export bills, which might convert them into other than short-term obligations has to be ruled out for these reasons, we believe that the period of ninety days which has now been prescribed as one of the conditions of eligibility before these bills can be discounted at, or offered as a security to the Reserve Bank is nevertheless very short, and can be increased to some extent without impairing the liquidity of the Reserve Bank or affecting its financial position and status as the institution with overall responsibility for the soundness of commercial banks and other financial institutions in the country.

37. The period of ninety days now mentioned in the various sub-sections of *Section 17* of the Reserve Bank of India Act was prescribed in 1935 in entirely different conditions. As the normal period of invoicing of export bills, even for some consumer goods and other traditional exports, e.g. tea, is now longer than ninety days, we think that it will be desirable if the Reserve Bank could be enabled to relax the conditions of eligibility to some reasonable extent. We suggest, therefore, that the Bank might consider whether the currency of export bills as distinguished from that of other eligible paper, might not be increased to six months or one hundred and eighty days, i.e., the same period as is now prescribed by *Rule 6* of the Foreign Exchange Regulation Rules, the present period of ninety days being allowed to continue as regards all other transactions not connected with, or related to exports.

38. *Section 17(3)(b)* of the Reserve Bank of India Act may be amended suitably, or a new sub-section namely (3)(bb) may be introduced in this section whichever may be regarded as more appropriate, to give effect to the proposal made in the preceding paragraph.

39. It has been suggested on behalf of the banks that apart from increasing the period of currency of export bills as suggested above, some relaxation of the procedure now prescribed for making advances against export bills may also be necessary. According to the procedure which is now in force, it is necessary for the banks purchasing or discounting export bills to lodge as

security with the Reserve Bank the usance promissory notes made by their constituents (and endorsed by the banks) arising out of the conversion of their loan/over-draft, accounts secured against the export bills. They are also required to furnish to the Reserve Bank certificates as to the financial soundness of the parties who draw the usance bills and the *bona-fide* commercial nature of the transactions. A summary statement is also called for from the banks each month showing particulars of the export bills held by the banks as security in the accounts of their constituents.

40. It is significant in this connection that no bank has so far borrowed against export bills under the bill market scheme. The Indian and Exchange Banks' Associations represented to us that the procedure laid down by the Reserve Bank under the bill market scheme insisting on the lodgement of usance bills drawn by exporters makes it difficult for the banks to take advantage of the scheme. The exporters are unwilling to draw usance bills, as required by the Bank, in view of the fact that they have already given to the banks, for purposes of negotiation, documentary bills including usance bills which have been sent abroad for purposes of acceptance and collection. Thus, the procedure for borrowing against export bills laid down by the Reserve Bank calls for a revision, if banks are to take advantage of the facilities under the Scheme.

Reserve Bank Loans

41. It has been suggested, in this connection, that banks which are entitled to borrow under the export Bill Market Scheme should be enabled to obtain advances from the Reserve Bank on the security of mere promissory notes; they cannot obviously be accompanied by the relevant bills of exchange, as they have to be sent abroad for acceptance and realisation of proceeds on the due date. If the facilities under the export Bill Market Scheme are to be utilised on an appreciable scale and if export finance is to be made available by banks on an increasing scale, we consider it necessary to change the existing provision in the Reserve Bank Act, which provides for loans by the Reserve Bank only against bills with two good signatures. We consider that this change is called for only in respect of the Bank's loans against export bills.

42. Our reasons for making the above recommendation are the following. For purposes of borrowing against domestic bills, as the borrowers of banks enjoy credit facilities in the form of over-drafts or cash credits, some of them on a clean basis, they are quite willing to convert a part of such credit in the form of usance bills, which are now being tendered by the banks as security to the Reserve Bank under the Bill Market Scheme. Exporters are, however, placed in a different position. The export bills, being mostly documentary in nature, themselves constitute security and having given such security, the exporters are naturally reluctant to execute usance bills for purposes of enabling the banks to borrow against export bills.

Amendment of Section 17 of Reserve Bank Act

43. We therefore recommend that *Section 17* of the Reserve Bank of India Act may be suitably amended, in order to permit the Reserve Bank to finance banks in respect of their loans against export bills on such terms and according to such procedure as the Bank may think fit. The legal provision may be simple, but the Bank can provide for suitable safeguards in its rules, so that the amount

advanced by the Bank to scheduled banks is only against the security of export bills. The Bank will, no doubt, undertake a scrutiny of the bills at an appropriate stage or impose other suitable conditions such as that the loan amount should not exceed at any time the outstandings of export bills with the banks. These safeguards will ensure that there will be no extension of credit from the Reserve Bank for purposes other than the refinancing of export bills and they would be adequate to prevent any abuse of the facility.

Finance for Longer Periods

44. We shall now turn to the relatively more important problem, namely, the financing of exports for periods longer than six months, i.e. in forms other than the purchase or discount of export bills or the advancing of loans against them. We have already referred to the fact that the practice in other countries is not to entrust this responsibility to Central banks. On the other hand, in a number of countries, specialised institutions have been entrusted with these functions in the post-war years so as to facilitate the grant of credit to the export trade for other than short-term periods. As India has, for various reasons, lagged behind other countries which have launched their export drive on this basis, and as we are making later on in this report an important recommendation intended to fill this gap in our financial system, it may be desirable at this stage to review the steps which have been taken in other advanced countries.

Export Credit Guarantee Department in U.K.

45. In the U.K. the Export Credits Guarantee Department offers direct guarantees to bank in respect of exports of capital goods for a term not exceeding 5 years from the date of shipment or acceptance by the buyer. It is also interesting to note that since April 1958, the conditions on which a direct guarantee may be offered by the Department to the banks have been somewhat liberalised, by an increase in the percentage of cover from 85 to 90 per cent and a reduction in the minimum amount of the transaction qualifying for an unconditional guarantee to £100,000. Within the limits set by the E.C.G.D., and even in the absence of facilities for the rediscount of the paper guaranteed by the E.C.G.D., joint stock banks have not so far experienced any difficulties in providing the necessary finance.* The Radcliffe Committee has, however, recommended against the contingency that the length of the credits may be further extended and also that banks may not be sufficiently liquid to be able to advance the necessary amounts in future, consideration may, if necessary, be given in future to :

- (1) the proposal to make E.C.G.D. guarantee paper eligible for rediscount at the Bank of England, provided that the period of maturity does not exceed two or three years; or alternatively,
- (2) the establishment of an Export Finance Corporation as a public or semi-public body.

According to an announcement dated February 6, 1961, the Bank of England will refinance, up to 18 months' maturity/instalments of medium-term loans extended to exporters by the clearing banks.

Special Institutions on the Continent

46. In a number of countries on the Continent, specialised institutions of the kind envisaged in the Radcliffe report have already been established. In France, for example, the Banque Francaise du Commerce Extérieur which was set up in 1946 as the successor to the Banque Nationale Francaise du Commerce Extérieur (the capital of the reorganised institution being held by the Banque de France, the nationalised banks and other specialised credit institutions) is entrusted with important responsibilities in relation to foreign trade which include the guaranteeing of export paper by its acceptance or aval. In Belgium, the Institute for Rediscount and Guaranty established in June 1935 in participation with the commercial banks (its obligations being guaranteed by the State) rediscounts export paper for medium-term periods. In the Netherlands, the Export Finance Company established in 1951 on the same pattern provides similar facilities. In Italy, Austria and West Germany, the Institute Centrale per il Credito a Medio Termine (Medio Credito), the Oesterreichische Export Fund G.m.b.H. and the Kreditaotalt fur Wiederaufbau (KfW), which are official agencies owned wholly or predominantly by Government provide export credits on convenient and acceptable terms from the point of view of the importers overseas.

47. The KfW in particular has expanded its activities in view of West Germany's growing status as an exporter of capital goods. It is now entitled to draw on a special allocation from out of the E.R.P. Special Funds for financing exports, provides assurances of stand-by credit to intending exporters, and has started lending directly to Governments and other financial institutions.

48. The impressive increase in the export of capital goods and machinery by Western Europe in the post-war years has been facilitated very greatly by the assistance to exporters available from these institutions.

Export-Import Bank of U.S.A.

49. The Export-Import banks of the U.S.A. and Japan are in a special category. But, as the functions and scope of these organisations are already well-known in this country, it is not necessary for us to deal with them in any great detail except to point out that there has been a considerable increase in the volume of business handled by them. In September, 1959, the percentage of the value of exports for which credit could be granted by the Eximbank of the U.S.A. was increased from 75 per cent to 85 per cent. In Japan, an Asian Development Fund has been established by the Government and is being administered by the Export-Import Bank as an Agent. The total disbursements of the Eximbank of the U.S.A., including P.L. 480 loans but excluding the amounts of the sanctioned loans which were subsequently cancelled or taken over by private institutions, exceed \$ 10 billions, as at the end of 1959. The cumulative total of the loans granted by the Export-Import Bank of Japan as at the end of March 1960 was of the order of 340 billion yen or nearly a billion U.S. dollars.

50. We have referred in the foregoing paragraphs to the activities of Government and quasi-government agencies. Although medium to long-term export credits have been made possible primarily by such agencies, commercial

banks severally or in combination have also provided some finance for this purpose. The merchant bankers of London and the clearing banks have advanced substantial sums to overseas buyers in recent years. In the Netherlands, the Amsterdamsche Bank and the Netherlands Trading Society have established subsidiaries to handle export finance; and in West Germany the Ausfuhrkredit A.G. (AKA), a consortium of private banks with access to official under-writing facilities was established in March 1952, and has since then helped very substantially in promoting exports from the Federal Republic to the Middle East, the Far East and Africa. In the U.S.A. itself, notwithstanding the substantial role played by the Eximbank in the financing of exports, the American Overseas Finance Company, formed in June 1955 by five of the leading commercial banks supplements the volume of export credit which is available by purchasing on certain conditions medium-term dollar obligations to manufacturers and exporters in the United States, establishing revolving credits where exporters anticipate successive sales to foreign customers, and making direct loans of dollar funds to foreign Government and agencies.

51. As a capital importing country, we cannot obviously hope to match these efforts on the same scale. But in order to ensure that we are not dislodged from the export markets which we may have some chance of developing in future, we must examine seriously at this stage the question of making our own credit terms more attractive, or at least less unattractive, in comparison with those offered by other countries.

Refinance Corporation

52. Our own approach to this problem has to be pragmatic. Taking into account the institutional framework in our country and the scale on which it will be possible for us to grant credit, there is no need in our view for the establishment, at present, of a new institution such as an Indian Exchange Bank or an Export-Import Bank. The Refinance Corporation, which has sizable unutilised long-term funds at its disposal at present and which also may get a large flow of similar funds in future, can, on the other hand, easily function as a refinance institution for medium-term export credit, which may be defined as credit extended for periods over 6 months and not normally exceeding 5 years.

53. We understand that practically all the authorised dealers in foreign exchange are now entitled to borrow from the Refinance Corporation. The Corporation is a non-statutory body; and its procedure and methods of operation are, therefore, likely to be relatively more flexible than those of other institutions incorporated and governed by special laws.

54. The use of P.L. 480 funds for facilitating export credits is also supported by precedent. In West Germany, for example, the Ausfuhrkredit A.G. derive its resources in part from E.R.P. funds, the Plafond B, a special fund for financing rediscounts of export bills originally placed at the disposal of the Kreditanstalt having been made over to the former organisation. The Kreditanstalt itself, as we have indicated earlier, continues to be eligible for assistance from the ERP special funds. In Japan, the capital of the Export-Import Bank has also been contributed in part from out of the U.S. aid counterpart fund special account. In Austria the Export Fund was set up to extend short-term credit up to 12 months, the resources of the Fund being the E.R.P. counterpart fund; the

present resources of the Fund amount to Sch. 100 million and are shortly to be raised to Sch. 110 million. There is no reason, in our opinion why the Refinance Corporation should not, in course of time, play, in relation to Indian exports the same role as it played by the specialised institutions in these two countries. If the Corporation is able to help, over a period of some years, in building up new export possibilities and in diversifying and increasing the country's exports, the use of P.L. 480 funds for this purpose would have been abundantly justified.

Conditions for Refinance

55. The conditions which may be imposed for such refinance should not be stricter than those indicated below:

- (i) the term of the loan must not be less than six months, or more than the period allowed by exchange control under Rule 6 of the Foreign Exchange Regulation Rules, 1952 but restricted in any case, to the period for which a loan for purposes other than exports might normally be granted by the Corporation;
- (ii) the Reserve Bank's order granting the necessary exemption under Rule 6 of the Foreign Exchange Regulation Rules, 1952, should be produced along with the application for the loan;
- (iii) if the loan or advance has been granted at the pre-shipment stage it must be a condition of the loan that it will be liable to be recalled if substantial steps to the satisfaction of the Corporation had not been taken, within six months of the loan being granted, for the processing or manufacture of the goods intended for export, or if these goods are diverted subsequently for other uses and purposes; and
- (iv) the advance against the exports must be insured with the E.R.I.C.

These conditions seem to be reasonable and fair, without being unduly onerous from the point of view of exporters. They are, suggested accordingly for consideration by the corporation and the other authorities concerned.

56. At present, the Memorandum of Association of the Corporation refers to the basic objective of promoting industrial development as indicated in sub clauses 1 and 3 of clause III. If clause III 2 alone is taken into account, it seems there is nothing to prevent the Corporation from giving money for purposes of exports. However, in order to place the matter beyond doubt, it is suggested that sub clauses 1 and 3 of clause III may be amended so as to provide for the promotion of exports as one of the objectives of the Corporation and also extension of credit for this purpose by the Corporation. The Clauses may be revised as under—

- III. 1 To promote industrial development and exports within the private sector in India by providing, affording, or procuring finance and financial facilities for the establishment, re-establishment, rehabilitation, equipment, re-equipment, maintenance, working, expansion, development or modernization of industrial undertakings and enterprises and for purposes of export.

- III. 3 To provide through banking or other channels finance in all forms for the above purposes; including loans, advances, discount or re-discount of bills of exchange and usance promissory notes and other instruments, in such manner and on such terms and conditions as the Company may think proper.

In addition to amending the Memorandum of Association of the Corporation, there is need to incorporate this change in the agreements concluded between the Indian and the U.S. Governments on the one hand and between the Indian Government and the Refinance Corporation on the other so that among the permissible purposes for credit extension by the Refinance Corporation promotion of export also will be included. The documents taken by the Refinance Corporation for their loan transactions would also call for a corresponding change.

57. The State Bank of India and its eight statutory subsidiaries will be among the institutions entitled to borrow from the Refinance Corporation under the arrangements envisaged in the preceding paragraphs. Our attention has, however, been drawn to the fact that *Section 33(XIX B)* of the State Bank of India Act, 1955, as introduced in the Act in 1957, while it contemplates lending to persons engaged in specified industries by the State Bank of India for periods in excess of six months, cannot, as it stands at present, permit medium term credits to exporters other than industrial companies. There is no corresponding restriction in the State Bank of India (Subsidiary Banks) Act. But *Sections 45 and 46* of the State Bank of India (Subsidiary Banks) General Regulations framed under this Act do not permit loans in excess of 12 months except under special authorisation by the State Bank in consultation with the Reserve Bank of India. We suggest that the question of amending the Act or the Regulations, as the case may be, so as to permit the grant of export credits for medium term periods by the State Bank of India and its statutory subsidiaries, may also be examined.

Interest Rates

58. We shall now deal with the question of interest rates. The export trade is asking for relatively cheap bank credit on two main grounds. Firstly, it draws attention to the example of *West Germany* and *Japan*, in both of which a system of preferential discount rates by the Central Bank is said to operate in favour of export bills and suggests the adoption of a similar system in India. Secondly, it also focusses attention on the fact that domestic prices of some of the export goods in India are higher than international prices. If exporters are charged a lower rate of interest on their overdraft, cash credit and bill facilities, this may reduce their costs to a certain extent and thereby provide a stimulus to exports.

59. We have carefully examined both these arguments. Both *Germany* and *Japan*, to reconstruct rapidly their economies in the post-war period, have generally maintained a structure of relatively high interest rates to stimulate a larger flow of savings and a high level of investment. For instance, the maximum bank rate in *Germany* in the post war period was as high as 6 per cent and in *Japan* it was 8.40 per cent, the market rates of interest in

these two countries being generally 2 to 3 per cent higher than the Bank rate. It was against this background and in order to provide credit to exporters at rates on a par with those prevailing in the export markets such as the U.S.A., U.K. etc. that in both the countries, a system of preferential discount rate was introduced. According to this system, the exporters were afforded the facility of a concession in the rediscount/advances rate by the Central Bank equivalent to the difference between its own higher bank rate and the lower bank rate in the country to which their goods were consigned. This system remained in force in Germany between October 27, 1950 and May 19, 1955 until the bank rate itself was brought down. In Japan, the system still continues because the basic bank rate of the Bank of Japan, even today, stands at 6.935 per cent which, relative to the discount rate in other countries, is distinctly higher.

60. Interest rates in India have, until September 1960 remained at a fairly low level. In fact, the comment of the Mission consisting of the three International Bankers which visited India in 1960 was that in relation to the demand for capital and the high level of investment in the country, the structure of interest rates is relatively low in India. Commercial banks in India could borrow from the Reserve Bank, until September 1960, at 4 per cent against government securities and incur an additional 0.20 per cent in respect of loans against bills. The effective borrowing rates of banks in India are among the lowest in the world. The lending rates of banks to exporters are higher by 2 to 3 per cent over their effective borrowing rates.

61. In September 1960, however, the Reserve Bank introduced a system of quotas and penal rates on borrowings from it by the scheduled banks in excess of the quota. The Reserve Bank also issued instructions to the scheduled banks to raise their average lending rates by not less than 1/2 per cent and also fixed the rate of interest at 2 per cent on deposits of and subject to notice of not less than 21 days. As a result of these measures, the banks increased their average lending rates by 1/2 per cent which among others, should have raised the interest rate charged to exporters by more than half a per cent. In view of the developmental needs of the economy, there may be a tendency for the rates of interest to raise further gradually and by stages. It is in the context of this rising trend of interest rates that we consider it desirable to minimise the impact of any further rise in interest rates charged to the export trade. We make the following recommendation to achieve this objective.

Exemption from Credit Control Measures

62. We think that some relief is called for in the relatively high rates charged by the banks to exporters at present or likely to be charged in the future. We therefore suggest that the Reserve Bank might sympathetically consider exempting the credit to the export trade from the operation of its credit control measures, selective and general, in so far as they affect the volume and cost of bank credit.

63. The exemption from credit restrictions will introduce some degree of flexibility in the determination of the rates at which exporters are able to borrow; and by making the element of competition in the determination of such rates more real, these concessions, if granted, will secure for the exporters such advantages as they may reasonably expect.

64. We have now dealt with all the main demands made on behalf of the exporters. Before we conclude this report, it may, however, be desirable to deal with certain minor connected issues which also seem to call for some remarks.

65. The Export Bill Market Scheme, which has been described in paragraph 20 and 21 of this Report has been sanctioned for the time being upto the end of September, 1961. We assume that with the amendment of the Reserve Bank of India Act indicated by us in paragraph 38, the arrangements for the grant of loans against the security of export bills will be placed on a permanent footing.

Opening of Branches of Indian Banks in Foreign Countries

66. The development of export markets in certain countries is likely to be facilitated if Indian banks can be persuaded or encouraged to establish branches in these countries. We understand, however, that at the end of 1959, there were only eight scheduled banks which had offices in foreign countries, other than Pakistan, and that the number of offices maintained by them, was 51, the total deposits by the public at these branches being a little less than Rs 60 crores.

67. These foreign branches, as may be expected, have been established mainly in countries and areas where Indian nationals have settled previously. Four new branches of the bank of Baroda in British East Africa and one office of the United Commercial Bank each in Hongkong and Singapore were opened in 1959, but on the whole Indian banks, for understandable reasons, have been hesitant to open branches in areas which are entirely new to them. In West Africa, the Middle East and also in Europe and North and South America Indian banks including the State Bank of India, are thus still largely unknown, although our trade with these countries has increased, and our exports to these countries, among others, may be expected to increase appreciably in future.

68. We do not intend to minimise the difficulties of establishing branches in new areas. The local requirements regarding the acceptance of deposits as in the U.S.A. and participation in ownership as in Iran or the legal formalities as in Egypt are such that it is not always easy to open new offices. Where commercial banks are already functioning within or outside the public sector the possibilities of our being able to run newly established branches of our banks, on the basis of deposits obtained by the branches themselves and without any need for the remittance of funds from India, are not likely to be very encouraging. Further, international banking has generally been developed only by countries which have a creditor status on international account, as reflected in the history of the banking industry of the U.K., U.S.A., Germany, Japan, etc. We are inclined to think that while the difficulties of opening branches abroad are real and while it may not be possible for Indian banks to embark, in these circumstances, on an ambitious branch expansion programme outside India, a narrow or defeatist approach to this problem is both unnecessary and unjustified.

69. If Indian scheduled banks, or at least the more important of them, expect to become sufficiently well known in due course in all the major financial centres of the world, the difficulties, such as they are, must be faced and overcome earlier rather than later. The position is not likely to change materially in future, while the local conditions and requirements which have to be satisfied, before Indian banks can establish themselves in other countries, may if anything, become even more onerous or difficult after some time.

70. A foreign office of an Indian bank, established in a country with which our commercial and trade relations are or are likely to become very intimate, may be able to offer a variety of services, such as the furnishing of credit reports on the status of importers in the foreign country, collection and remittance of instalment payments from them against export credits, financing of local agents of Indian exporters, and the assessment and study of market possibilities from the point of view of export promotion. If the branch in question is enabled to handle, within certain specified limits, public or quasi public fund on behalf of Indian Government agencies and also to earn commission on letters of credit or other business connected with our expanding trade both ways with the country in which the branch has been established, it may cease to be unprofitable within a very short time and may in fact become remunerative after some time.

71. We believe that a stage has now been reached at which the major Indian scheduled banks, including in particular the State Bank of India, should systematically explore the possibilities of being able to undertake the functions indicated by us in the leading financial centres of the world, with which we have recently been brought into intimate contact, whether as a result of official and semi official aid programme or otherwise.

Recommendations

72. We have now completed our examination of all the important problems and shall summarise the major recommendations arising out of this enquiry. The proposals which, we think, are likely to be practicable and helpful, from the point of view of facilitating a long term increase in our exports are indicated below—

- (i) the desirability of giving cover for pre-shipment advances made by private organisations other than banks be examined by Export Risks Insurance Corporation (paragraph 25);
- (ii) the Reserve Bank should examine in consultation with the Ministries of Commerce and Industry and Finance whether *Rule 6* of the Foreign Exchange Regulation Rules, 1952 cannot be relaxed in suitable cases where it is customary or necessary to grant credits for periods longer than six months and subject to suitable safeguards as regards the initial and subsequent instalment payments, the question of granting general or special exemption in such cases may be sympathetically considered (paragraphs 28 and 30);
- (iii) the exemptions actually authorised according to the foregoing recommendation should be confined to engineering and capital

goods and the maximum period of the extended credit should be five years from the date of the shipment save in very exceptional cases (paragraphs 29 and 31)

- (iv) the question whether *Section 17 (3) (b)* of the Reserve Bank of India Act can be amended or a new sub-section (3) (bb) may be inserted, so as to permit the discounting of, or the grant of advances export bills with a maturity up to 180 days may be examined (paragraph 38);
- (v) the Reserve Bank may examine the desirability of extending loans against usance export bills on the security of the promissory note of the scheduled bank and amending the provisions of the Act accordingly in so far as they relate to loans and advances against export bills (paragraph 41);
- (vi) the possibility of modifying the agreements governing the working of the Refinance Corporation and amplifying its memorandum if necessary, so as to enable it to grant export credits for medium-term periods may be considered paragraphs (52 to 55);
- (vii) the question whether *Section 33 (XIXB)* of the State Bank of India Act and *Regulation 46* of the State Bank of India (Subsidiary Banks) General Regulations 1959 should be modified suitably so as to permit the grant of export credits for medium-term periods by these banks may be examined (paragraph 57);
- (viii) the Reserve Bank of India may consider possibilities of exempting or giving concessions in respect of usance export bills and packing credit from the purview of their credit control measures bearing on the volume and cost of scheduled bank credit (paragraph 2);
- (ix) the major Indian scheduled banks, including the State Bank of India may be invited to undertake a regular and systematic survey of the possibilities of opening branches in the more important trading centres of the world, and particularly in West Asia, West Africa, Europe, North America and South America (paragraph 71);

73. Our colleagues Shri K.N.R. Ramanujam, Shri R.K. Seshadri and Shri Venkateswaran while agreeing with the foregoing recommendations, wish to make it clear that these recommendations are based on their personal views and opinions and should not in any way be understood as committing the Reserve Bank or the Government of India.

74. We should like to point out in conclusion that the scope of our enquiry has been necessarily limited. There are various aspects of export promotions such as reduction of costs in industries, quality control, systematic surveys, of consumer demand and tastes in foreign markets by individuals units, improvement of packing and special attention to the finish and durability of our products, promptness in attending to enquiries and complaints, which have not been covered in this report. We are not directly concerned with these aspects and do not therefore feel called upon to deal with them in any detail but we

do not wish to be understood as suggesting that credit facilities are likely to be useful in a situation in which inadequate attention is being paid to these more important and fundamental issues.

(Sd.) T. C. Kapur
Place : Bombay
Date : 23-2-61.

(Sd.) R. K. Seshadri,
Place : New Delhi,
Date : 18-3-61.

(Sd.) N. M. Chokshi,
Place : Bombay,
Date : 23-2-61.

(Sd.) R. Venkateswaran,
Place : New Delhi,
Date : 5-3-61.

(Sd.) K. N. R. Ramanujam,
Place : Bombay,
Date : 23-2-61.

ANNEXURE I

List of Exportable Engineering Items and the periods up to which credits should be afforded to importers

Maximum period
up to which credit
should be available

A. Capital Goods—

1. Sugar Mill Machinery (including Khandsari Machinery).				
2. Textile Mill Machinery	} Five Years
3. Jute Mill Machinery .. .. .	..	..	..
4. Oil Mill Machinery .. .. .	..	..	..
5. Shoe Making Machinery .. .. .	..	..	..
6. Tea Machinery .. .. .	..	..	..
7. Flour Mill, Rice, Dal Machinery .. .. .	..	..	..
8. Printing Machinery .. .. .	..	..	..
9. Paper Making Machinery .. .. .	..	..	..
10. Wood Working Machinery .. .. .	..	..	..

B. Producer Goods—

1. Electric Motor beyond 50 H.P.	} Five Years
2. Transformers (Power and Distribution) .. .. .	..	..	..
3. Generators .. .. .	..	..	..
4. Switch Gears .. .. .	..	..	..
5. Industrial Switch Boards and Control Panels .. .. .	..	..	..
6. Circuit Brakers .. .. .	..	..	..
7. Air Brake Switches .. .. .	..	..	..
8. Telephones .. .. .	..	..	..
9. Telephone Switch Boards and Telegraphs .. .. .	..	..	..
10. Gas Plants .. .. .	..	..	..
11. Borehole Turbine Pumps .. .. .	..	..	..
12. Diesel Engines beyond 40 H.P. .. .. .	..	..	..
13. Bus, Bus Body Kits, Motor Vehicles and Chassis .. .. .	..	..	..
14. Transmission Line Towers .. .. .	..	..	..
15. Sub-station Structures and Railway Electrification Structures .. .. .	..	..	..
16. Structural Fabrications such as Bridges, Factory Sheds and Buildings .. .. .	..	..	..
17. Lathes .. .. .	..	..	..
18. Diesel Engines below 40 H.P.	24 Months

B. *Producer Goods*—contd.

19. Electric Motors upto 50 H.P.	} 18 Months
20. Centrifugal Pumps	..	..
21. Vehicular Trailers and Auto Parts	..	..
22. Tools—Hand and Machine	..	..
23. Agricultural Implements	..	..
24. Gas Cylinders	..	..
25. Railway Track Fittings	..	..
26. Steel Trunks	..	..
27. Weighing Scales	..	..
28. Oil Expellers	..	..
29. Railway Signalling Equipments	..	..
30. Tubular Poles and Accessories	..	..
31. Tipping Wagons	..	..
32. Tar Boilers	..	..
33. Storage Batteries	} 180 Days
34. Bolts, Nuts and Rivets	..	..
35. Earth Augurs	..	..

C. *Consumer Goods*—

1. Sewing Machines and Parts	} 18 Months
2. Cycles—Parts & Accessories	..	..
3. Electric Refrigerators, Air Conditioners and Water Coolers	..	..
4. Electric Fans	..	..
5. ACSR Conductors	..	..
6. Copper Wires	..	..
7. Electric Flourescent Tubes and Fittings	..	..
8. Electric Lamps GLS	..	..
9. Wire and Wire Products	..	..
10. Pressure Lamps and Stoves	..	..
11. Non-pressure Lamps	..	..
12. Mild Steel Pipes and Fittings	..	..
13. Razor Blades	..	..
14. Steel Trunks	..	..
15. Steel Doors and Windows	} 180 Days
16. Umbrellas, Umbrella Fittings and Ribs	..	..
17. Steel Furniture	..	..
18. Wooden Furniture	..	..
19. Cutlery	..	..
20. Hardware of metals viz. Locks, Padlocks, Builders Hardware and other miscellaneous Hardware	..	..
21. Pins, Clips and Staple Pins	..	..
22. Automobile Tyres and Tubes	..	..
23. Tyres and Tubes—Cycles	..	..
24. Public Addressing Equipment	..	..
25. G. I. Buckets and Bath Tubs	..	..

C. Consumer Goods—contd.

26. Aluminiumwares	..	..	..	..
27. Brasswares	..	..	..	..
28. Copper Sheets	..	..	..	..
29. Batteries, Dry and Components	..	..	..	..
30. Crown Corks and R.S. Closure Butane	..	..	..	..
31. Ghamellas	..	..	..	..
32. Stainless Steelwares	..	..	..	..
33. Tin Containers	..	..	..	..
34. Iron Castings (Manhole Covers etc.)	..	..	..	..
35. Cast Iron Products	..	..	..	..
36. Hand Pumps and Spares	..	..	..	..
37. Wire Nails and Panel Pins	..	..	..	..
38. Watering Cans	..	..	..	..
39. Hair Pins and Hair Grips	..	..	..	..
40. Conduit Pipes	..	..	..	..
41. Magnetic Toys	..	..	..	..
42. Heel Tips	..	..	..	..
43. Typewriters	..	..	..	..
44. Thermit Portions	..	..	..	..
45. G. I. Wire Netting	..	..	..	..
46. Flourescent Lamp Chokes	..	..	..	..
47. ERWMS Tubes	..	..	..	..
48. Radios.	..	..	..	..
49. Tea Chest Fittings	..	..	..	..
50. Laboratory Water Taps and Sluice Valves	..	..	..	..
51. Ice Can	..	..	..	..
52. Barbed Wire	..	..	..	..
53. Wood Screws	..	..	..	..
54. Water Heaters	..	..	..	..
55. Water Fittings	..	..	..	..
56. Enamelled Ware	..	..	..	..
57. G.I. Washers	..	..	..	..
58. Snuff Tin Boxes	..	..	..	..
59. Floor Sweeping Machines	..	..	..	..
60. Driver Units and Horns	..	..	..	..
61. Brass Builders Hardware	..	..	..	..
62. Room Coolers	..	..	..	..
63. Expanded Metals	..	..	..	..
64. Photo Frames, Mirrors and Novelty	..	..	..	..

180 days

ANNEXURE II

Provisions in Central Bank Acts in regard to Rediscounting of Bills with over 90 days's Maturity

Country	Particulars
U.S.A.	Acceptances by the Federal Reserve Banks if drawn for <i>agricultural</i> purposes and secured at the time of acceptance by ware-house receipts or such other documents conveying or securing title covering readily marketable staples may be discounted with a maturity at the time of discount of not more than <i>six</i> months' sight, exclusive of days of grace.
Canada	The Bank of Canada is authorised to buy and sell bills of exchange and promissory notes endorsed by Chartered Bank drawn or issued in connection with production or marketing of products of <i>agriculture</i> , products of the forest, products of the sea, products of quarry and mine, or products of lakes and rivers as defined in the Bank Act and having maturity not exceeding <i>180</i> excluding days of grace from the date of acquisition. <i>Renewal—</i> The Board may make regulations authorising in special circumstances not more than <i>one</i> renewal of any such bill of exchange or promissory note or other document.
Brazil	Monetary authorities lend to the commercial bank through the Rediscounts Department and the Bank Loans Fund. The Department discounts paper with a maximum maturity of <i>one year</i> (in the case of agricultural loans).
Cuba	The National Bank is permitted to rediscount commercial paper of 90 to 270 days duration. The maturity depends upon the type of transaction.
Union of South Africa.	<i>Prohibited Business—</i> The Reserve Bank may not— (a) buy or discount bills of exchange or promissory notes issued or drawn for commercial and industrial purposes, which have a maturity exceeding <i>one hundred and twenty</i> days; (b) buy or discount bills of exchange or promissory notes issued or drawn for <i>agricultural</i> purposes which have a maturity exceeding <i>six months</i> .
Ghana	The Central Bank is authorised to purchase, sell, discount inland bills and promissory notes financing <i>seasonal agricultural</i> operations or the marketing of crops and maturing within <i>180 days</i> exclusive of days of grace.

Country	Particulars
<i>Renewal—</i>	
Ghana— <i>contd.</i>	.. In exceptional circumstances the Board by resolution may authorise <i>one</i> renewal or <i>one</i> substitution only in either case not more than 50 per cent of the original amount of any such bills for a period not exceeding <i>90 days</i> .
Rhodesia	.. The Central Bank is prohibited to buy or discount bills of exchange or promissory notes issued or drawn for commercial and industrial purposes which have maturity exceeding 120 days and those for <i>agricultural purposes</i> which have maturity exceeding 6 months.
Sudan	The Central Bank is permitted to discount or advance against bills, or promissory notes drawn or issued for the purpose of financing seasonal <i>agricultural</i> operations or marketing of crops maturing within 9 months of the day of acquisition.
Malaya	The Central Bank is authorised to purchase, sell, discount and rediscount inland bills of exchange and promissory notes bearing two or more good signatures drawn or issued for purpose of financing <i>seasonal agricultural operations</i> or the marketing of crops and maturing <i>within six months</i> (exclusive of days of grace) from the date of acquisition. The Bank may not allow the renewal or substitution of maturing of bills of exchange purchased, discounted, or rediscounted by or pledged with the Bank, provided that in exceptional circumstances the Bank may <i>authorise one renewal</i> or substitution only in either case of not more than 50 per cent of the original amount of any such bill for a period not exceeding <i>ninety days</i> .
Thailand	The Bank of Thailand is authorised to purchase, sell and rediscount bills and promissory notes arising out of <i>bona fide grade or commercial</i> transaction bearing two or more good signatures, one of which shall be that of a bank, and maturing within such period as may be fixed by the Court of Directors but not exceeding <i>6 months</i> from the date of such purchase etc. exclusive of days of grace.

Country	Particulars
Philippines	<p>The Central Bank may rediscount, discount, buy or sell bills, acceptances, promissory notes and other credit instruments with <i>maturities of not more than 180 days</i> from the date of their rediscount or acquisition by the Central Bank and resulting from transaction related to—</p> <ul style="list-style-type: none"> (a) the importation, exportation, purchase or such of readily saleable goods and products, or their transportation within the Philippines; or (b) the storing of non-perishable goods and products which are duly insured and deposited under conditions assuming their preservation, in authorised bonded warehouses or in other places approved by the Monetary Board. <p><i>Production credits</i>—the Central Bank may rediscount, discount, buy and sell bills, acceptances, promissory notes and other credit instruments <i>having maturities of not more than 270 days</i> from date of discount resulting from transactions related to the production or processing of <i>agricultural</i>, animal, mineral or industrial products. Documents or instruments acquired in accordance with this sub-section shall be secured by a pledge of the respective crops or products.</p> <p><i>Extension of Maturities</i>—</p> <p>Whenever in the opinion of the Monetary Board a deflationary situation exists which requires special expansionary credit measures the Bank may extend the maximum maturities to periods not exceeding <i>1 year</i>.</p>
Eire	<p>The Central Bank may rediscount exchequer bills and bills of local authorities which have previously been accepted, discounted or endorsed by an associated bank or any other bank or credit institution carrying on business wholly or partly within the State and which mature in not more than 12 months from this date.</p> <p>Rediscount bills of exchange, first class commercial bills and maturity in the case of bills drawn for <i>agricultural</i> purposes or based on live stock is not more than <i>12 months</i> (excluding days of grace) from their date or in any other case, is not more than 6 months (excluding days of grace) from their date.</p>

Country	Particulars
Greece	<p>The Bank may discount, purchase or sell <i>bona fide</i> inland agricultural bills and notes bearing not less than two good signatures and maturing <i>within 9 months</i> provided that this category of bills and notes does not exceed 25 per cent of the total amount of the Bank's portfolio of inland bills and notes acquired under this Section. It is further provided that the rate at which such inland agricultural bills and notes shall be discounted may be a rate not more than 1 per cent below the Bank's official minimum rate of discount for all other classes of bills.</p> <p><i>Renewal—</i></p> <p>In exceptional circumstances and after resolution passed by the Board of directors, one renewal may be permitted for a period not exceeding <i>3 months</i>.</p>

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