From the Chair

The Punjab National Bank Limited

Speech of the Chairman, Shri Shanti Prasad Jain

THE following is the full text of the speech of Shri S P Jain, Chairman, at the 112th Ordinary General Meeting of the Bank held on Tuesday the 14th April, 1959 at New Delhi:

Gentlemen,

I have great pleasure in welcoming you all to the 112th Ordinary General Meeting of the Bank.

With the completion of the Bank building in Parliament Street, the Head Office shifted to the new premises in September, 1958, This is the first meeting in our new premises. From this central location, your Bank is in a better position to serve its varied constituents. The building at Underbill Road is being used to house the Staff Training College and the Office of the District Manager. Delhi Circle.

New Offices

In accordance with your Banks policy of setting up offices in developing centres, nine branches were opened during the year taking the total number of offices in India to 362, I bad mentioned last year about the re-organisation of the Foreign Exchange Department. The re-organisation has now been effected on a regional basis to serve better the foreign trade needs of our country. There has also been some re-organisation at the Head Office. The Western Circle has been strengthened by the appointment of an Assistant General Manager at Bombay.

Balance Sheet 1958

The Report of your Directors and Audited Statement of Accounts are already with you. You will observe that the profits for the year 1958 stand at Rs. 110.74 lakhs after contributing Rs. 10.87 lakhs to Employees Gratuity Fund Trust and providing for contingencies including Rs. 4.52 lakhs brought forward. The profits of the Banking Industry as a whole during the year 1958 were lower as compared to the previous year due to higher cost of money and higher establishment expenses coupled with low demand for funds from Trade and Industry. Provision for taxation has been made at Rs. 33.50 lakhs and Rs. 17 lakhs transferred to Reserves. Provision for bonus to staff has been raised from Rs. 18 lakhs to Rs. 30.75 lakhs. A final dividend of Re. 1/- per share (free of Income-tax) has been recommended making the total 20 per annum as in the last year.

Deposits

The deposits of your Bank during 1958 increased by Rs. 5 crores bringing the total to more than Rs. 129 crores. Most of the increase in the deposits of your Bank has been in time deposits whereas the demand deposits increased only slightly. The demand deposits in respect- of all banks (excluding the State Bank) declined by about 6.4 per cent during 1958 while time deposits increased by about 26.8 per cent. The competition for deposits continued and the interest rates were ruling high. Your Bank did not, however, bid for deposits at the prevailing high rates. It intends pursuing the same policy this year as well. I express the hope that the Inter-Bank Agreement reached in September last will help not only in arresting the trend of higher deposit rates but actually scale them down to a level consistent with economic banking operations.

Advances

The advance deposit ratio of all banks in the country registered a fall from 62.7 per cent to 55 per cent during the year. This has been largely due to the Reserve Bank's restrictions on advances against foodgrains etc., and also lack of demand for funds due to curtailment of imports. Your Bank's ratio of advances to deposits has been comparatively low. It has been the keen desire of your Bank to widen the scope of advances for better and profitable employment of its funds and at the same time assist national development. With this view, your Bank has been investigating and studying the commodities market and the needs of newly developing industries. Your Bank is already taking interest to the extent possible in the development of small-scale industries. It is in fact a paradox that while banks with surplus funds have need to employ them more profitably, the industries needing finance for expansion and development are handicapped for want of finance. Admittedly, the needs of industry for development purposes are much greater than what the financial institutions in the country find it possible to meet. In this connection, the commercial banks in the country can play a more effective role as a credit institution than they are able to do at present. The present situation of increasing funds with banks and the needs of industry and trade not being adequately met by the financial institutions and the capital market has to be considered by the Reserve Bank and the Government of India with a view to giving banks new opportunities.

Investments

With the availability of more funds and advances not rising, the banks have been able to pay off a substantial amount of borrowings from the Reserve Bank and enlarge their investment portfolio. Your Bank's investments in the year increased by nearly Rs. 24 crores to more than Rs. 62 crores. *The* investments of all Scheduled Banks stood at an all time high of Rs. 638 crores and in Government Securities at the end of 1958 they were as much as 40.50 per cent of deposits compared with 31.69 per cent at the end of 1957.

Second Plan & Foreign Economic Assistance

This leads me to the general trends affecting our economy and its development. The last two years have been a difficult period for our country. Many hurdles appeared in the path of the Plan\s progress. But for the kindly, timely and liberal measures of assistance in terms of food supplies, aids and loans from friendly foreign countries, the World Bank and other financial institutions, it would have been impossible to meet the crisis that faced the country. The World Bank under the stewardship of Mr. Eugene Black has been taking a lead in mobilising assistance for India's development. Mr. Erhard of West Germany and Mr. Samuel Waugh, President, Export-Import

Bank, U. S. A have been responsible for positive measures of help. It is the flow of good-will from various directions through many channels that we experienced. This ha? been the silver lining.

Third Plan: Resources—Internal & External

The need of our country is more production, larger development at a faster rate and larger savings for productive investment. In order to meet the needs of employment and higher living standards, there should be progressive acceleration in the rate of development of our economy. The tempo of development has to be kept high. Obviously, the ensuing Plan has to be larger. With the need for a. big Plan, the pressure on resources domestic and foreign should obviously prove large?'.

During the last two years, so far as foreign resources were concerned, we were able to pull through only the core of the Plan with finance from abroad substantially through governmental agencies. Our capacity to borrow has been strained. Our requirements are bound to grow higher with a faster rate of economic development. Having regard to this, our ideas and policies would need some alteration. Some adjustment in the quantum of foreign exchange demand is possible through a discerning policy on imports Imports are already greatly pruned, but further scrutiny is possible in certain directions. Essential developmental needs should be able to get precedence over production of less essential goods. There may be selective imports giving higher priority to developmental imports to meet the more basic needs of the economy. Even with these changes, the demand for foreign exchange would remain considerable and be beyond our capacity with our present technique of borrowing. The Government and the Planning Commission should study the industrial policy from the point of view of an appropriate re-shaping. Apart from Government to Government borrowings from abroad. foreign capital both in the shape of private loans and equity participation should be induced to come into the country, work with the people shoulder to shoulder in the development of the country's economy and share the prosperity. Such private projects will be self-propelling.

So far as internal resources are concerned, many economists and experts have engaged themselves in analysing and working out the effects of increased national income and the channels of utilisation. They have also been assessing the percentage of national income to be saved for development and what and how it could be attracted to the exchequer. The invariable conclusion of the experts appears to have been that adequate resources are not saved by the society on account of increased consumption arising from higher national income. This has led the Government to the policy of cutting consumption through higher and higher excise duties and introducing compulsion on savings through higher and new taxes, Provident Fund, small savings and even proposing compulsory insurance. This policy tried during the past few years has not yielded and does not appear likely to yield sufficient resources to the Government for carrying on the development programme at the desired level. On the other hand, the policy has resulted in lower production even in the existing industries. Thus in effect, the policy of creating compulsory savings by reducing consumption so that the money may be utilised for development to create employment has led to non-utilisation of available industrial capacity creating unemployment. This off-shoot of the policy needs study and review by the Planning Commission and the Government.

Development & Private Enterprise

In implementing the policy of compulsory mobilisation of domestic resources for development, it is the State which comes in for more prominent part. Incentives to efforts and initiative, of individuals are relegated to a secondary place though they are appreciated in principle. In this connection, the larger enterprises in the public sector are in themselves useful in the development of the country. Many of the big projects generate factors helpful to the economy. This is so especially with regard to the steel plants, electric grids etc. But criticisms arise when public resources are utilised in fields in which individuals are anxious to carry on business and where they can operate more efficiently. Individual resources that could be available for development and which would have induced many others to save are siphoned off. Such criticisms as are made are obviously not against the public sector or public sector enterprises as such but only against the policy of including such fields of activity possible under individual initiative into the public sector.

Bank Finance for Development

In widening the base of industrial development, the commercial banks in the country can play a more effective role by extending necessary credit. The Reserve Bank of India under the leadership of its Governor, Shri H.V.R. lengar, with his knowledge of industrial development in this country and outside has given a sort of blessing to banks extending medium credit to industries. This will enable the banks to acquire experience in a new class of business and in due course contribute further through the new channels to the development of the economy,

Housing & Hire Purchase

In recent years. the banks have learnt the technique of financing hire purchase of consumer goods The system of hire purchase has in the past few years greatly helped the development of road transport in our country reducing pressure on the railway system. There is great scope for extending the system leading to increased consumption of different consumer goods and expansion of industries. This technique of financing can be further extended to apply to small individual houses which will not cost more than either a car or a truck. Such small houses costing anything between Rs. 10,000 to Rs. 30,000 should be easily and readily marketable In Western Europe, credit is being extended on such securities to Housing Societies. A great handicap in this respect in our country is that the land laws both in rural and urban areas are very rigorous. This needs careful study by the Central Ministry and State Governments.

Results through Incentives and Initiative

The purpose of our Plan is to create & better life for the people. In this effort, the approach makes for the difference between the communist and the democratic ways of life. What is sought to be achieved through an element of compulsion in the communist way of life is sought to be achieved in the democratic way of life through incentives and initiative. It is a truth under any circumstances that compulsion produces minimum results with maximum effort. Incentives and' initiative produce maximum out of the individual with the least effort. The system of incentives has been recognised in the communist way of life as ig evident from the introduction of output awards, bonus etc. The more efficient machinery of the democratic way of life is thus being used in the communist society while keeping the element of compulsion in the over-all structure. India that has chosen the democratic form of Government and democratic way of life must use the means that count for results, sure and enduring.

Note:—This does not purport to be a record of the proceedings of the annual general meeting.

Managing Director's Speech

The Duniop Rubber Co. (India) Ltd.

Mr. John Luckham's Review

THE 33rd Annual General Meeting of the Dunlop Rubber Co. (India) Ltd., was held in Calcutta on the 23rd April. Mr. John Luckham, Managing Director, said:—

Gentlemen,

The Directors' Report and Accounts for the year 1958 have been in your hands for some time, and with your permission I will take them as read.

You will have seen from the Directors' Report that Mr. Reay Geddes resigned from your Board in March, 1959. It was with very great regret that the Directors had to accept his resignation which he felt necessary to submit in view of his Increased responsibilities as Managing Director of the Dunlop Rubber Co. Ltd. I am sure you will want to join me in expressing the Company's appreciation of all the advice and guidance which we have received from him.

To fill the vacancy caused by the resignation of Mr, Reay Geddes, the Board appointed Mr. Cecil Stack who now retires by rotation and offers himself for re-election.

Mr. Stack is now Overseas General Manager of the Dunlop Rubber Co. Ltd., which position he took up after his retirement from India two years ago. I am sure that his great experience will be of real value to the Company.

It is also with regret that I have to report the resignations of Mr. A. W. Gillespie and Mr, F. G. W, Jackson,

Mr. Gillespie came to India in 1935, as Secretary and Chief Accountant of the Company, and was appointed a Director in 1947, 1 should like to express appreciation of his services, and extend best wishes to him in his retirement.

Mr. Jackson came to India in 1951 and has been Works Director since 1954. During his time at Sahaganj considerable expansions have taken place there and, of course, our new factory at Ambattur has been completed under Mr. Jackson's guidance. He is now taking up an appointment with the Dunlop Rubber Co. Ltd., and I should like to thank him for his valuable services and wish him success In his new appointment.

In the places of Mr. Gillespie and Mr. Jackson the Board are recommending the appointments of Mr. J. A. Moore and Mr. K. C. Ferguson respectively, who have each had long and varied experience in the Dunlop organisation and are fully qualified to take up these appointments.

The Directors have the question of filling the remaining vacancies on the Board under very careful consideration.

The Year's Trading

A further increase in production was achieved during the year under review In almost all lines, though this could not keep pace with the ever rising demand.

The expansion of road transport, in particular long-distance goods traffic, referred to In my speech last year, resulted in a steady increase in the demand for truck tyres as the year progressed. In fact, even in the rainy season when, in the past years, a falling off in demand has always been felt, there was for the first time no respite and our order book remained full throughout the year.

In the car tyre market, despite a fall off in demand from the car manufacturers who were affected by the general cut in import licences, our Replacement sales continued to increase. During the year, plans were made for the introduction of a new and improved car tyre, the Gold Seal, and production of these tyres will commence shortly in all the popular sizes, I should meution here that the position of the car industry in 1959 has improved and the level of production is already increasing.

Though the bicycle manufacturers were also affected by the import restrictions on components, they managed nevertheless to increase their production during the year, with a consequent rise in their offtake of tyres. The Replacement demand was also the highest ever, and we were unable to meet this in full.

Due to the rapid industrialisation of the country, the demand for our range of Industrial Rubber Products rose to a level far above our present capacity. One of the most important Items Involved is Conveyor Belting and we have already put up to Government our scheme for expansion.

Our total sales of Dunlopillo increased during the year. There was a smaller demand from car manufacturers but this was more than made up by increased sales of household items.

Raw Materials

The raw material supply position was generally satisfactory except for a temporary shortage of steel for the manufacture of bicycle rims, Government's policy for the import of steel was altered during the second half of 1958, which resulted in some delay in securing supplies and we were unable to increase production of bicycle rims to our full capacity.

Our consumption of rubber in 1958 increased to 15,926 tons as against 14,424 tons in 1957. We had to import a considerable quan-