play a very active role but years of neglect and ineffective policy decisions have not built up a structure of village and intermediate societies which can take over effectively the marketing of at least a sizeable proportion of what the cultivator can offer to sell after meeting his own requirements.

Though fitfully, the Government has taken various steps to support the co-operative movement in the last decade. One may perhaps liken them to the kind of measures which were earlier, in the 'twenties and the 'thirties, employed to develop new industries on the basis of the infant industry argument. But there a very important provision was made, namely the survey and evaluation of each case by an independent body, the Tariff Board. The co-operative movement is much more ramified and complicated than an individual industry, the progress of which is largely ascertainable in financial terms. If co-operatives are to gradually lose the support which they are receiving today, is it too much to ask for a comparable expert and independent evaluation—area by area and activity by activity?

The co-operative structure operates in the rural milieu where change is in any case slow. Barely two months ago the Government of India set up a high-power committee to review the existing co-operative laws, rules and practices with a view to locating loopholes which have enabled vested interests to entrench themselves in co-operative institutions, and to recommend measures for their elimination. But it is doubtful whether either the Government or the members who constitute this Committee realise the gravity of the tasks involved. A whole gamut of reforms of a socio-economic nature are necessary to be put through before the co-operative movement can really be a movement of the underdog, and be able to resist the pressures of other interests with strong urban ties.

Weekly Notes

Tell-tale Inventory

THE accounts of 48 operating Government companies, which have been analysed in the September issue of the Reserve Bank *Bulletin,* indicate some improvement in profitability in 1962-63. Profits before tax increased by 43 per cent against 18 per cent in 1961-62. Net earning on net worth went up to 5 per cent from 4 per cent. And, to use the new appraisal formula (ignoring the postulated lag of two to three years between investment and returns) laid down by the Planning Commission, the return (profits before tax and interest, but after depreciation) on investment (gross fixed assets plus *net* working capital) as at the end of the year rose to nearly 6 per cent from less than 5 per cent. This performance is encouraging, even though the sample of 48 excludes two giant companies, Hindustan Steel and Neyveli Lignite, The average age of the companies in the sample was 13 years at the beginning of 1962-63 so that it can no longer be said that they have been in operation for too short a time for their commercial performance to be evaluated.

The leeway to be made up before these companies attain normal standards of commercial efficiency is indicated, among other things, by the ratio of inventory to sales. This ratio was 50 per cent at the end of 1961-62 (against 31 per cent in the RBI sample of 1,333 non-Government public companies) and came down only slightly to 46 per cent in 1962-63. The size of the different components of the inventory of these companies is even more revealing (see table). Government companies have a comparatively lower ratio of raw materials inventory to sales as compared with the RBI's 1,333 non-Government public companies, but a significantly higher ratio of finished goods and work-in-progress; and the ratio for stores, tools and spare parts, etc, is 2.5 to 3 times as high.

One often hears the argument that it is worthwhile to keep large inventories in view of rising prices, foreign exchange difficulties and other uncertainties. Assuming that the private sector companies judge these factors in the most effective manner (which is doubtful) and, therefore, keep their inventory at some kind of optimum level in relation to sales (which is still more doubtful), how do Government companies justify their disproportionate inventory? At the end of 1962-63 the total amount locked up in inventory by Government companies was Rs 120 crores against Rs 299 crores in gross fixed assets. If they had kept total inventory at 33 per cent of sales, this would have released Rs 36 crores, and keeping stores and spare parts at 8 per cent of sales would have saved Rs 20 crores. What is important is that a large part of this saving would have been in foreign exchange now denied to other units, both public and private. Since production at many public plants has suffered grievously on various occasions due to shortage of components and parts, it would appear that the items kept in stock have been, in large part, of the wrong sort. Obviously, Government companies are still a long way off from even a reasonable minimum of proper inventory control.

Government Companies: Inventory as Per Cent of Sales

	Total Inventory as % of Sales	Raw materials as % of Sales	Finished Goods and Work-in-Progress as % of Sales	Other Inventory* as % of Sales
48 Government Companies				
1961-62	51	6	22	23
1962-63	47	8	20	19
1,333 non-Government Public Companies				
1961-62	31	9	15	7
1962-63	33	10	15	8

* Comprising mainly stores, spare parts, tools, etc.

More Synthetic Rubber Wanted

INTERESTS representing the natural rubber industry never tire of raising a scare about 'unequal' competition from synthetic rubber, even though everything points to a widening of the gap between natural rubber production and demand for rubber. At one of its meetings earlier this year the Rubber Board, which speaks for the rubber plantations, passed a resolution to the effect that issue of licences for new synthetic rubber factories or for expansion of capacity of the one existing factory would adversely affect natural rubber. And to protect natural rubber against imports, the Board asked the