further 2 million tons from this source. Tentative agreements have also been signed or an additional 4 million tons from the Bailadila project in Madhya Pradesh and at the rate at which the Japanese steel industry is expanding, there should be considerable scope for much larger exports, provided India makes available modern port facilities and reasonably priced internal transport.

As for the pattern of future development of iron ore, it needs to be emphasised that it is wiser by far, with iron ore in abundant supply all over the country, to develop those mines which are close to existing ports. Goa is a prime example of the vast possibilities of this type of development. Now with the development of Visakhapatnam, ore from Bailadila should have a good outlet. And with Paradip the Orissa iron ore mines will also have a port sufficiently close to make them competitive. It is in this context that the need to hasten slowly with the development of other ports like Haldia has to be judged.

Right now priority should go to development of Visakhapatnam and Goa to handle not only intermediate bulk carriers but the largest type of bulk carriers. Unfortunately, all those who have looked into and discussed the kind of delays that took place in Visakhapatnam have been struck by the poor planning and slow execution of the project. Even now the Government is dallying with the further expansion of this port. The blame must rest not only with the port authorities but also with the Transport Ministry whose ineffective officials have come very close to ruining what might be a brilliant beginning to a new phase of India's export drive.

The Small Fry

THE Reserve Bank's sample of 1015 *small* public companies, i e, those which have a paid-up capital of Rs 5 lakhs or below has a much smaller coverage, 26 per cent, against 87 per cent for 1333 large and medium-sized public companies. The small average indicates the depth of water in the corporate sector. But of the aggregate of about 25,500 companies on the register, 19,500 are private, of whicli the Reserve Bank has been able to bring roughly 500 within its sample of private companies, So far as the 6,000 public companies are concerned, the Reserve Bank has found less than 2,500 worthwhile for analysis. True, the sample figures are not entirely comparable with the aggregates, which include a large number of financial and more or less defunct companies but this large number is itself an indicator of the variety of non-industrial activity in the corporate sector.

The operations of small companies have been consistently less profitable than those of medium and large companies and their rates of fixed assets formation have also been lower. On the other hand, their inventory accumulation and reliance on external sources have generally been greater. And so, many people have rushed to the deduction that small companies are inherently less profitable. The truth is not that simple. The smaller a company, the more it is identified with a proprietor or a group of companies. In either case, it is more of a legal appendage than an autonomous entity. Since it is liable to a higher rate of tax, as compared with large companies in which the public has a substantial interest, it has a greater incentive to inflate costs at all levels.

The Reserve Bank studies of small companies (the latest relating to 1962-63 is published in the October issue of the *Bulletin)* also bring out another interesting factor: the value of raw materials consumed as a proportion of total cost is substantially higher than in large and medium-sized companies. This could be due to the greater materials bias of the goods produced by smaller companies or the purchase of materials at relatively higher prices or both. Since all the benefits of economies of large scale purchases are never fully reflected in the accounts of most large companies either (thanks to inefficient management and/or well known leakages), it is reasonable to presume that small companies are handicapped by high material prices and costs.

If one goes by statistics alone, the tax burden on small companies has been crippling. In 1962-63 profits before tax rose by 14 per cent against 2 per cent in the previous year but the ratio of tax provision to profits before tax rose from 56 to 68 per cent since dividends were kept more or less constant, there was a significant decline in retained profits, which led to a considerable increase in dependence upon external sources of finance for expansion. The sample companies raised in 1962-63 Rs 7 crores of gross total long-term funds, of which depreciation provided Rs 1.7 crores and reserves Rs 70 lakhs, while Rs 3.6 crores came from borrowings and less than Rs 50 lakhs from share capital. An interesting feature of the borrowings was that only Rs 1 lakh was drawn from statutory financial corporations—which is a sad comment upon the working of State Financial Corporations.

Indo-Kuwait Collaboration

THE talks between Lai Bahadur Shastri and the Prime Minister of Kuwait, Shaikh Subah Al Salam Al Sabha, now visiting this country, promise to open a new chapter in trade between the two countries. The two Prime Ministers are reported to have endorsed the need for increasing collaboration in the industrial sphere between the two countries.

Collaboration between India and other developing or under-developed countries is not a new idea. The shaping of Indian economic policy abroad on some such lines has been under consideration for the last few years, though the first definite step appears to have been taken only recently with the decision of the Union Government to set up a separate Board for Technical and Financial Assistance to African and Asian countries. India's own foreign exchange difficulties cannot be a reason for not exploring the possibilities of rendering assistance to other developing countries. Apart from the political compulsions, on economic grounds too, such assistance is not as quixotic as is sometimes sought to be made out since the physical counterpart of foreign assistance or investment is the goods and services which we supply. India manufactures a variety of capital and intermediate goods which countries in Asia, Africa and the Middle East stand in need of and which they would be eager to import against Indian aid or under collaboration arrangements. Apart from strengthening our economic ties with these countries, an objective which needs to be pursued for its own sake, such arrangements could well open the way for larger trade with them.

From India's point of view, collaboration with a country like Kuwait, which though under-developed is not bothered by foreign exchange problems, has the powerful additional attraction that it may very likely lead to the inflow of some badly-needed foreign capital. Repayment liabilities arising from such capital need not be too forbidding since it would be easier for India to export to these countries than to the developed countries.