



**TOGETHER**  
*for a sustainable future*

## OCCASION

This publication has been made available to the public on the occasion of the 50<sup>th</sup> anniversary of the United Nations Industrial Development Organisation.



**TOGETHER**  
*for a sustainable future*

## DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

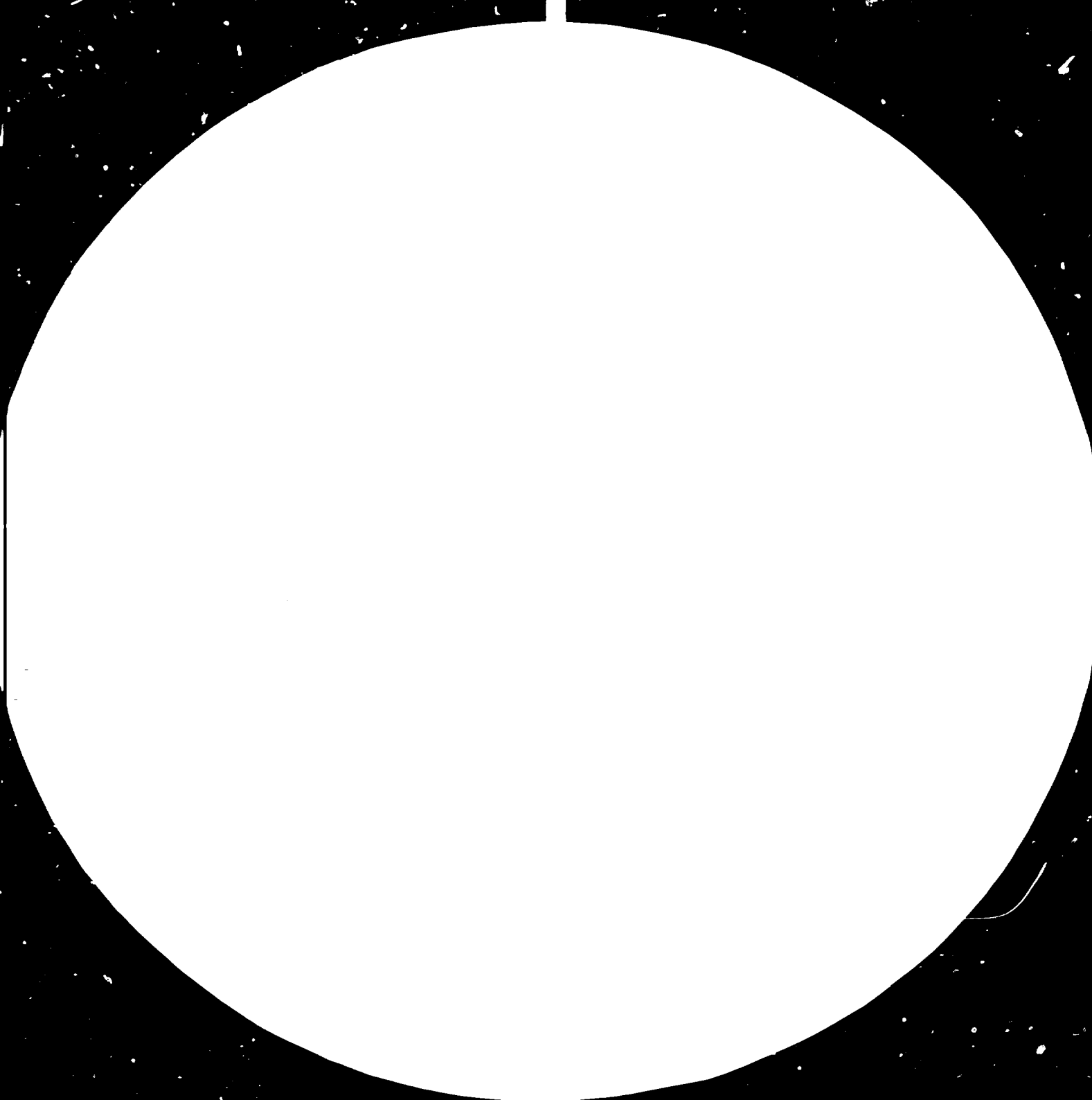
## FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

## CONTACT

Please contact [publications@unido.org](mailto:publications@unido.org) for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at [www.unido.org](http://www.unido.org)





MICROGRAPHY RESOLUTION TEST CHART

NATIONAL BUREAU OF STANDARDS-1963-A

11035

Distr.  
LIMITED

UNIDO/IS.276  
8 January 1982

UNITED NATIONS INDUSTRIAL  
DEVELOPMENT ORGANIZATION

ENGLISH

FINANCING OF MANUFACTURING ENTERPRISES IN  
BANGLADESH, INDONESIA, MALAYSIA, SRI LANKA AND THAILAND\*

Series on the domestic financing of  
manufacturing enterprises in developing countries

Prepared by

M.C. Shetty

UNIDO Consultant

in co-operation with

Regional and Country Studies Branch

Division for Industrial Studies

000000

---

\* This document has been reproduced without formal editing.

The designations employed and the presentation of material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country or its authorities, or concerning the delimitation of its frontiers.

The views expressed in this study are those of the consultant and do not necessarily reflect the views of the Secretariat of UNIDO or of the governments of any of the countries mentioned in the study.

V.82-20301



C O N T E N T S

	<u>Page</u>
FOREWORD .. .. .	xii
INTRODUCTION .. .. .	xxiii
I INVESTMENT AND SAVINGS IN RELATION TO GROSS DOMESTIC PRODUCT	
Introduction .. .. .	1
Trends in Savings .. .. .	1
Saving Levels and Change in the Rate of Savings, 1960s and 1970s .. .. .	2
Savings-Investment Relationship .. .. .	3
Savings-Investment Imbalance, High Rates of Interest .. .. .	3
Non-Financial Assets, Financial Assets and Overall Savings	4
II INVESTMENT IN MANUFACTURING SECTOR AND ITS FINANCING	
Relative Shares of Public and Private Sectors in Investment	7
Industry's Share in Investment .. .. .	8
Pattern of Financing of Capital Formation .. .. .	12
Small Scale Units/Cottage Units: Problems of Financing ..	34
Official Assistance/Private Foreign Investment and Other Flows into the Countries of the Region .. .. .	44
III THE BROAD PATTERN OF INDUSTRIALIZATION AND ADEQUACY OF FINANCIAL STRUCTURE .. .. .	49
Adequacy of Financial Structure: Savings: Equity as Investment Constraints .. .. .	54
Depreciation Rates: Tax Holidays: Internal Resource Generation .. .. .	56
The Market for Short Term Funds .. .. .	58
Long Term Finance .. .. .	61

	<u>Page</u>
IV AN OVER VIEW .. .. .	64
APPENDIX TO CHAPTER I .. .. .	69
STATISTICAL ANNEX .. .. .	76

L I S T O F T A B L E S

	<u>Page</u>
 <u>APPENDIX TO CHAPTER I</u>	
Table A.1	Bangladesh: Savings in Identifiable Financial Instruments (Million Takas) .. .. . 69
Table A.2	Indonesia: Savings in Identifiable Financial Instruments (Billions of Indonesia Rupiahs) .. .. . 70
Table A.3	Malaysia: Savings in Identifiable Financial Instruments (Millions of Ringit) .. .. . 71
Table A.4	Sri Lanka: Savings in Identifiable Financial Instruments (Millions of Rupees) .. .. . 73
Table A.5	Thailand: Savings in Identifiable Financial Instruments (Billions of Baht) .. .. . 74
 <u>STATISTICAL ANNEX</u>	
Table I	Total Gross Fixed Capital Formation Divided as between Public and Private Sectors .. .. . 76
Table II	Gross Fixed Capital Formation by Manufacturing Establishments .. .. . 77
Table III	Approved Foreign Investment Projects by Sector in Indonesia, .. .. . 78
Table IV	Implementation of Foreign Investment Projects in Indonesia by Sector .. .. . 79
Table V	Approved Domestic Investment Projects in Indonesia by Sector .. .. . 80
Table VI	Approved Domestic Investment in Manufacturing in Indonesia .. .. . 82
Table VII	Gross Fixed Capital Formation by Manufacturing Establishments in Peninsular Malaysia .. .. . 83
Table VIII	Gross Fixed Capital Formation by Manufacturing Establishments in Sabah (Establishments with 5 or more persons) .. .. . 84
Table IX	Capital Formation by Use .. .. . 85
Table X	Gross Fixed Capital Formation in Ceylon and Capital Formation by Use .. .. . 86



	<u>Page</u>
Table XI	Bangladesh Shilpa Bank, Local and Foreign Loans, Sanctioned and Disbursed, Loans Outstanding and Overdues .. .. . 87
Table XII	Bangladesh Shilpa Rin Sangatha, Local and Foreign Loans Sanctioned and Disbursed, Loans Outstanding and Overdues .. .. . 88
Table XIII	Indonesia: Longterm Loans by Industries (As on 30th June) .. .. . 89
Table XIV	Loans by Malaysian Industrial Development Finance Berhad (MIDF), as at the end of March .. .. . 90
Table XV	New Issues of Domestic Securities in Malaysia .. 91
Table XVI	Stock Exchange of Malaysia and Singapore and Kuala Lumpur Stock Exchange .. .. . 92
Table XVII	Investment Approvals in Industry within Greater Colombo Economic Commission 1978-1979 .. .. . 93
Table XVIII	Investment Approvals in Industry Outside Greater Economic Commission 1978-1979 .. .. . 94
Table XIX	Development Finance Corporation of Ceylon Financial Operation .. .. . 95
Table XX	Assets and Liabilities of Industrial Finance Corporation of Thailand .. .. . 96
Table XXI	Thailand: Commercial Bank Loans by Purposes .. 97
Table XXII	Small Industry Guarantee Issued: Sri Lanka .. 98
Table XXIII	SIFO: Loan Applications, Approvals, Denials and Withdrawals .. .. . 99
Table XXIV	Financing of Present Total Capital by Size of Employment and Source of Finance .. .. . 100
Table XXV	SIFO: Loan Approvals Classified by Purpose 1964-1977 .. .. . 101
Table XXVI	Current Accounts, Balance Investment Flows .. .. 102
Table XXVII	Composition of Financial Inflows (Bilateral, Multilateral, Official and Private .. .. . 103

## F O R E W O R D

Prepared by UNIDO Secretariat's Regional and Country Studies Branch,  
Division for Industrial Studies.

This study is part of a series of surveys of the effectiveness of financial intermediary institutions such as banks in collecting investible funds and channelling them to manufacturing enterprises in various parts of the developing world. The purpose of the following section is to introduce the subject of the relation between financial intermediation and industrial development. Subsequent sections make a brief presentation of the surveys.

### Financial systems and industrial development

Development economists usually discuss the subject of finance in terms of saving of adequate amounts of real resources to achieve given targets for capital formation. In development planning, for instance, it is common to estimate the resource requirements of a desired growth rate by means of an incremental capital-output ratio. This ratio determines the investment needed to sustain the desired growth of the capital stock. To match this investment a corresponding amount of real resources must be released from consumption. Thus, financing is basically an act of saving. At the practical level this approach usually stresses the need for policies to raise the quantity of resources saved for growth.

While this conception is useful for many purposes it neglects, however, the fact that real resources have to be transformed into investment and that this transformation can be done more or less efficiently. In the present study the focus is set precisely on this process of transformation. Here financing is understood to

mean the provision of purchasing power that investors can spend in advance of production. What matters here is not only the act of saving but also the transformation of these savings in a form suitable to investors.

It is only in the seventies<sup>1/</sup> that the intermediation procedure whereby real resources are transformed into lending was fully recognized by development economists as an important factor in capital formation. Since then it progressively appeared that the finance of development could be enhanced not only by increasing the quantity of real resources saved for investment but also by improving the effectiveness of the financial system whereby part of these resources are channelled to investment.

One could consider that in performing its intermediation function the financial system influences the amount of finance put at the disposal of industry in three respects.

To start with, there is the transformation of saving - mostly done by households but also by the government, the corporate and the foreign sectors - into financial assets. These financial assets constitute a pool of transferable funds from which the financial institutions can draw to onward lend. Such transferable funds are crucial for the financing of newly expanding sectors. The first contribution of the financial system to industrial finance thus is to offer financial assets attractive enough to compete with other uses for saving such as hoarding or speculative purchases.

---

<sup>1/</sup> When the publication of two books drew the attention of development economists to questions which previously had been discussed almost exclusively among finance specialists. See McKinnon, R.I., Money and Capital in Economic Development, The Brookings Institution, Washington D.C., 1973, and Shaw, E.S., Financial Deepening in Economic Development, Oxford University Press, New York, 1973.

The second aspect is the transformation of financial savings into lending. In the industrial field investment-funding basically requires long-term finance. Thus the financial system contributes to industrial growth by transforming short-term financial assets into the long-term form of the loans demanded by industry. This "maturity transformation" seeks to reconcile the short-term preference of the lenders to the long-term preference of the borrowers under the umbrella of the law of large numbers.

The third aspect is the allocation of investible funds. Financial savings can be made available to various alternative uses. Industrial investment is only one of these uses and it has to compete with housing credit, commercial credit, government borrowing, speculative purchases, etc. In practice there are wide inter-country differences in the proportion of total financial savings going to long-term industrial finance.<sup>1/</sup> This fact suggests that there is considerable room for increasing the finance made available to industry by imposing appropriate orientations to the financial system.

While acting on the financial system, which is only a set of intermediation channels, is not the same thing as increasing the amount of resources entering into the pipeline, it can attract additional savings, reduce leakages during the intermediation process and deploy the transferred funds more effectively. Improving the financial system is therefore tantamount to raising the quantity and quality of investment and hence the rate of industrial growth.

---

<sup>1/</sup> See Carrington, J.C., and Edwards, G.T., Reversing Economic Decline, The MacMillan Press, London, 1981. The book documents the differences among the Federal Republic of Germany, France, Japan, the United Kingdom and the United States of America.

Furthermore, it may be noted that efficient financial systems are needed not only to fully mobilize domestic resources but also to attract as much foreign resources as possible by identifying the best investment opportunities the country can offer and by creating a reassuring atmosphere of financial soundness.

### The Surveys

The series comprises four surveys. Two of them offer bird's-eye-views of Africa and Latin America. The two others review selected countries: India - to which a complete survey has been devoted by virtue of her size and the sophistication of her financial system - and Bangladesh, Indonesia, Malaysia, Sri Lanka and Thailand.

The surveys examine the source and type of financing and discuss the influence of the existing patterns, as well as gaps and deficiencies in the availability and channelling of finance to manufacturing enterprises.

Finance is in part provided directly to investors by initial savers. In this study, this source of finance is only dealt with in passing when the surveys discuss self-finance or when the subjects of company deposits or security markets are touched.

The central theme of the surveys is financial intermediation between lender and borrower.

The surveys examine the three main aspects of intermediation mentioned in the preceding section - collection, transformation, allocation - and address the following questions: Does the financial system make the contribution it is capable of making? If so, what should be done to keep the system in good condition as developing countries undergo the profound structural changes that

lie ahead of them? If not, how can it be brought into working order? It must be admitted that these questions have not been fully answered. The resources assigned to the task have been designed to provide background surveys, not specific solutions. It is felt, however, that the diversity of experiences analysed allows for an evaluation of problems, issues and policies that will be useful not only to the countries surveyed but also to other developing countries as well as to development finance corporations and aid agencies.

Every survey contains, of course, its own insight shaped by the particular circumstances of the region or country reviewed. The survey of India, for instance, offers a detailed financial analysis based on more than 2,000 balance sheets of companies in the manufacturing sector. The analysis is extended to several groups of companies and covers the financing of fixed assets and the financing of working capital in addition to the overall financing pattern. The African survey, acknowledging that Africa is heavily dependent on foreign financing, pays a good deal of attention to the relation between domestic and international financing. The Latin American survey presents the sources and uses of funds by industrial enterprises and analyses the main financial ratios of selected groups of enterprises in a number of countries of the region. The survey of Bangladesh, Indonesia, Malaysia, Sri Lanka and Thailand stresses the role of policies, such as tax incentives and accelerated depreciation, designed to generate resources within the industrial sector itself in the context of insufficient supply on the part of the financial system.

Underlying the particular insights is a common canvas to which the substance, if not the format, of all the four surveys tends to

conform. A synoptic scrutiny indicates that each survey reviews the main parts of the structure of the financial system - the financial institution, the financial instruments and the influence of background factors on institutions and instruments - in relation to the major functions of the financial system - collection, transformation, allocation.

#### The structure of the financial system

Schematizing a bit, it may be stated that the analytical focus shifts from one aspect to another according to the degree of financial sophistication of the region surveyed.

#### Financial institutions

The main financial institutions exercising an intermediary function are the banks and the development finance corporations (DFC). The paper dealing with Africa, which is on the lower part of the sophistication scale, gives emphasis to what constitutes the infrastructure of any financial system: the Central Bank and the commercial banking system. The paper on Bangladesh, Indonesia, Malaysia, Sri Lanka and Thailand gives relatively more attention to the role of DFCs and specialized banks. A cross-section of these two surveys reveals that the financial structure follows a typical pattern of change in the course of economic development.

In very poor countries the most important aspect of financial intermediation is the policy of the Central Bank in providing credit to productive enterprises.

Time and savings deposits require not only full convertibility into the means of payment but also a real return which is attractive enough to compensate for the time restriction on liquidity.

Provided these conditions are fulfilled, a relative diminution of coins and currency occurs and the commercial banking sector, broadly defined to include interest-bearing deposits of all kinds and possibly intermediate-term bonds sold to final savers, tends to gain importance in the organized capital markets. If banks are to take their due importance in the financing of industry, it is recommended that facilities should be made available throughout each country to acquire claims on banks.

As development proceeds, the rise of demand and time deposits in commercial banks is supplemented by the emergence of pension funds, insurance companies, etc.

The banking system usually is the main source of financing in the industry of developing countries, but its credit is almost entirely short-term because the banks lack the incentives, the means and the skills to deal with long-term credits or because they are prevented from doing so by law or custom.

The purpose of the DFCs is to fill the gap in medium-term and long-term credit and investment.

#### Financial instruments

The papers on India and Latin America, regions where a diversified institutional basis already exists, set the focus on the instrumental form of the funds provided to industry.

The Latin American survey describes the structure of financing existing in several countries of the region in terms of the importance of internally generated funds - reinvested profits plus capital utilization allowances - and funds provided by outside savers - debt and equity. This pattern is then compared to existing patterns in more developed countries and is found to be similar as



far as the proportion of financing by banks is concerned. An attempt is also made to weigh short-term vis-a-vis long-term credit financing. Here Latin America tends to have a disproportionate share of short-term financing, probably as a result of high and fluctuating inflation rates.

The Indian survey, taking advantage of a wealthier stock of data, describes not only the broad financing patterns of manufacturing enterprises but analyzes more in detail various financial instruments used to finance industry. This analysis leads the author to suggest possible improvements.

Sophisticated variants of term loans convertible into equity are proposed for consideration. The idea is to find ways of circumscribing the right of conversion which, in the eyes of borrowers, appears as a major drawback.

Follow-up procedures are judged to be burdensome for the successful enterprises and ineffectual in the case of non-compliance of the loan agreement. New procedures are suggested to improve this situation.

Underwriting operations as applied in India are found not to be conducive to an efficient use of resources by the borrowers. It is, notably, suggested to replace underwriting by a loan bearing a nominal interest.

A combination of participative debentures and convertible debentures is expected to give well managed, profit-earning companies considerable flexibility in re-moulding their capital structure to suit their projected investment programmes.

Company deposits are funds obtained from directors or shareholders or employees of the company and also from other

companies and individuals in the form of interest bearing, unsecured, short and medium term deposits. To protect depositors legal curbs are imposed on such deposits. It is found that risks are lower than average with manufacturing companies and it is consequently suggested to make a distinction between manufacturing enterprises and the other companies subject to these curbs.

#### Background factors

A common feature of the four surveys is the importance given to background factors in explaining the performance of financial systems. Background factors include inter-alia inflation, depreciation rules, tax incentives, accounting systems, financial policies, etc. All the mentioned factors are reviewed by the surveys but one of them is given particular attention. It is the policy (henceforth called "financial repression") identified as a policy of low interest rates leading to allocational inefficiency, decline in domestic saving, market segmentation and disintermediation.

The Latin American paper concentrates on the socially repressive context that emerged in the aftermath of 1973 when current inflationary pressures tended to increase considerably. Inflation was fought by imposing maximum interest rates and controlling the purposes of financial loans. But in real terms the interest rates became negative and this, according to the author of the survey, acted as a disincentive on financial saving and an excess of demand for loans was created. Thus, various systems and methods were successively implemented that aimed at rationing credit. In this context of rationing, the projects for which credit was obtained were not necessarily those bringing high social benefit

but those which by tradition, age, size, social and political "connections", etc. came within the "guidelines" for credit rationing. To make progress, projects outside these guidelines naturally had to be based on self-financing or on access to non-institutionalized financial markets. The resultant range of financial costs according to whether or not subsidized credit had been obtained necessarily led to a low level of investment, a poor apportionment of resources and a lower rate of economic growth.

#### The functions of the financial system

##### Collection

The studies reveal that in virtually all the countries surveyed there is room to mobilize more financial savings than what is actually done. Admittedly, in poor countries little can be done in the short term to enhance the total saving effort. However, a larger proportion of saving could be entrusted to industrial investors provided primary saving would accrue to a fund of uncommitted resources available for long-term investment. But this does not happen because savings tend to be realized in a form which is not freely transferable to long-term investment uses. The surveys shed light on this unused potential for industrial finance by pointing to two aspects of saving encountered in almost all the countries surveyed.

First the surveys report that as compared to developed economies only a modest proportion of total saving is held in financial assets: for instance 39 per cent in Bangladesh, 45 per cent in Malaysia, 33 per cent in Thailand.

Second, the financial assets held in the countries surveyed are generally of a type which is not suitable for subsequent long-term lending. It appears that these assets tend to be in the form of currency or sight deposits, or in deposits with the post office or entrusted to insurance companies. But money and quasi-money are not suitable for long-term credit, postal savings are offset by post-office holding of government and foreign securities, while insurance companies tend to acquire real estate or existing financial assets rather than to support new productive activities.

Time deposits, which in industrialized countries are the main contribution of households to the pool of investible resources, are negligible in most developing countries. In any case their maturity is not much longer than that of sight deposits. In the Southern Cone of Latin America, for instance, time deposits are, in over 80 per cent of the cases, for periods of less than 30 days.

Noting that a potential exists, the surveys suggest a number of measures that could be taken to attract more funds into financial forms suitable for lending to industry. Some of the measures are indirect ones. These include all the actions tending to increase the monetization of the economy. It is a well established law that as the ratio of money to income rises the ratio of all financial savings to income tends to rise more rapidly. In African countries the community's assets in the form of money and quasi-money are a remarkably low proportion of GNP as compared to industrialized countries (typical ratios would be 0.25 for African countries against 0.60 for industrialized countries). Thus, accelerating monetization in Africa would have the side-effect of increasing the source of funds suitable for financing industry. Another set of indirect measures relate to maintaining monetary stability. Money

denominated assets are eroded when the general level of prices is rising. Once serious inflation emerges savings tend to divert from financial form into land building and other durable assets that are not readily convertible to money.

More direct measures to encourage financial savings would include the development of institutions collecting fixed-term deposits. Provided deposit interest rates would rise with the maturity of deposits these institutions could attract savers and have a positive effect on the supply of long-term funds. This effect should not, however, be over-emphasized because in the countries surveyed most asset holders, used to the recurrence of inflationary bursts, seem to have a desire for liquidity which is insensitive to interest rates. In Latin America it has not been possible to alter this preference for liquidity even by indexing methods with real rates of over 12 per cent per year.

Funding the DFCs is another way to increase the supply of long-term funds. In order to promote investment, official regulations usually confine the DFC's to the lower end of the spectrum of lending rates prevailing in the country. The DFCs are consequently unable to raise significant resources on commercial terms. Hence the resources are provided by government transfer or through obligations imposed on the banks to keep part of their deposits and loan portfolios as non-interest bearing reserves with the Central Bank. This flow of resources is then channelled by the Central Bank to the various DFCs.

Additional resources at concessional terms are often made available from foreign sources (the World Bank, the regional development banks, special lending institutions of developed

countries). Sometimes long-term borrowing from foreign private sources is also possible.

A common technique for giving the specialized credit agencies some independence in resource availability is to assign them rediscount facilities with the Central Bank or with ad hoc trust funds. The Spanish system of requiring banks to include bonds of other development institutions in their required reserves is mentioned as a model that might be more widely adopted.

#### Transformation

In most of the countries surveyed the shortage of long-term capital is greater than that of short-term capital. There is thus a case for encouraging maturity transformation.

The survey of Africa notes that, since the Central Bank's rediscounting policies have to be taken into account by the commercial banks seeking funds for onward lending to their clients, Central Banks can influence maturity transformation in countries where they are net lenders to commercial banks. As this is the case in Africa, long-term finance can be encouraged in this region by specific Central Bank rediscounting policies.

Noting that banking legislation is frequently biased against long-term lending the African survey suggests that a more passive but perhaps more effective means of stimulating maturity transformation would simply consist of relaxing restrictive requirements for refinancing by Central Banks and widening banks regulatory requirements.

Commercial banking legislation overemphasizing liquidity requirements have been found to inhibit long-term assets. A re-examination of this legislation and the introduction of

German-Japanese concepts, more oriented towards venture capital, are recommended.

Similarly, insurance institutions could commit a larger share of their resources to long-term investment if they were released from "liquidity requirements" that make them captive markets for government deficit financing.

Even if legislation is not a hinderance financial institutions will tend to restrict long-term loans when funded on short-term deposits because there are interest rate and liquidity risks implied in the imbalance between the spans of deposits and loans.

The method which is being attempted in Argentina to encourage the development of a long-term market in spite of these risks is outlined in the Latin American paper. To protect financial institutions against the interest risk long-term loans are indexed to the cost of short-term money with the help of a new index-linking method which is supposed to be more stable than the method based on the inflation rate. This new system is based on the determination of the effective monthly rate paid by the financial institutions on 30 day deposits, weighed according to each institution's share of the total deposits in the financial system.

The second problem which arises when a bank makes long-term loans with short-term resources is the risk of a contraction in deposits due to a fall in the demand for money as a result of a contraction of the monetary base. As an example of a possible solution it is reported that the Central Bank of the Republic of Argentina has recently established a four year rediscounting system intended to lower the liquidity risk.

### Allocation

The pattern of lending to various sectors resulting from the role assumed by financial institutions can affect the financing of industry to a considerable extent.

In support of this statement it has recently been held that the role of financial institutions is decisive in explaining why Japan directs about 50 to 70 per cent of her financial saving to long-term industrial credit while in the case of the United Kingdom the same ratio is only about 20 per cent.<sup>1/</sup> The difference, it is said, is basically due to the fact that in the United Kingdom financial institutions are much more oriented to consumer credits and real estate mortgages. This contrast suggests the theoretical possibility for the United Kingdom to double or treble the flow of long-term industrial credit not by increasing her saving effort but by re-designing the modus operandi of her financial institutions.

The surveys convey a similar message: there is room for increasing industrial finance in developing countries by setting new roles for the financial institutions.

It appears, however, that a significantly fruitful reform would demand a considerable array of measures, some of them directed at forces outside the financial system itself.

To start with there is the challenge of creating a stable money-and-price environment. This would be the prerequisite for attracting savings in time deposits of over, say, one year. Furthermore, the pattern of interest rates offered should be shaped so that time deposits would be inflation-proof and more rewarding in real terms than short-time deposits. Laws and customs biased

---

<sup>1/</sup> See Carrington, J.C., and Edwards, G.L., op. cit., p.163.



against long-term loans should be removed. Finally the financial institutions, particularly the banks, should be encouraged to provide industry with term finance.

It is clear that a programme so decidedly oriented towards industrialization supposes that demand for industrial funds will increase correspondingly with supply. This cannot be taken for granted. Underdevelopment means that a number of adverse factors are affecting the level of real investment that an economy could absorb, particularly in the industrial field. Some of these factors can be neutralized by cheaper and less scarce finance, but not all of them. Finance is needed to put together the men, machines and other inputs needed to implement a project. But this presupposes that an attractive project exists and that access to markets and real factors of production is not constrained by non-financial rigidities. It would be only in a very outstretched sense that qualified manpower, market entry, efficient administration, to mention only a few examples, could be considered as constrained by financial scarcity.

The question of the demand for industrial funds would not matter so much if there was not a trade-off between welfare (for instance more housing for the poor) and growth as well as between sectors of activity (for instance agriculture or energy versus industry). In non-oil developing countries redeploying funds to industry is likely to crowd-out other uses. If some harmony between alternative uses is not respected there is a danger of bringing about social unrest or economic imbalances damageable to the whole process of capital accumulation.

I N T R O D U C T I O N

The material for the study was mostly collected from the different libraries in Delhi and Bombay apart from the concerned Embassy/High Commission offices. Also, a questionnaire was addressed to the Central and Development banks of the countries covered here. Friends working in these institutions were extremely helpful and they had most generously sent us all relevant literature. I am grateful to them for the same. As the programme for the study did not envisage field visits, information available in the individual countries had to be missed out. All the same, we have tried to capture the information/atmosphere of the respective countries as faithfully as possible.

The study being something in the nature of a research effort, we have not secured the permission of different persons/authorities whom we have quoted.

I am grateful to Mr. V. Sri Ram, till recently, Senior Economist in the Economic and Scientific Research Foundation, New Delhi, and presently Deputy Chief (Industry Division), Federation of Indian Chambers of Commerce and Industry, New Delhi, for painstakingly collecting all the required information and preparing the first draft of the report. In this he was assisted by Mrs. Santosh Bansal.

CHAPTER I  
INVESTMENT AND SAVINGS IN RELATION  
TO GROSS DOMESTIC PRODUCT

Introduction

The present study examines the financing of manufacturing establishments in Bangladesh, Indonesia, Malaysia, Sri Lanka and Thailand. It is set in the context of investment and savings on one hand, and policy measures undertaken to promote savings and directing the same into desired forms of investment, on the other. Besides dealing with the position during 1970s, the emerging trends are brought out. The countries are so selected that they cover a broad spectrum in terms of characteristics like resource endowment, infrastructure, institutional arrangements, openness or otherwise to foreign investment and so on.

Trends in Savings

Savings figures for the countries under survey are taken from World Tables, while gross fixed capital formation/domestic investment data are drawn from U.N. publications. Investment figures given in World Tables differ from the U.N. data. To make investment - savings data comparable, domestic investment data used here are also taken from World Tables.

Bangladesh - experienced sharp fluctuations in savings - gross domestic product ratios. The ratios are negative in four out of nine years and the figure is as low as - 5.3 per cent in 1976.

Indonesia - over the same period, witnessed a fourfold increase in this ratio from 4.6 to 18.4 per cent. The increase was particularly large after oil discovery/price hike of 1973. However, recession in foreign

countries and set back to exports in 1975 brought about a fall in incomes and savings.

Malaysia - started at a high level (27.8 per cent in 1969) comparable to the savings levels achieved by developed market economy countries and maintained this position to the end (29-28 per cent). However, savings fluctuated in between owing to unsteady exports, incomes, etc.

Sri Lanka - also experienced acute fluctuations from year to year, the decrease being particularly pointed around 1974/1975. Recent evidence suggests that she is poised for a breakthrough.

Thailand - achieved a high level of savings (22.2 per cent) by 1969 and maintained this more or less to the end (22-21 per cent). The amplitude of fluctuations is the smallest for Thailand though she is as much prone to export induced instability as the other countries.

#### Saving Levels and Change in the Rate of Savings, 1960s and 1970s

The GNP growth rate has fallen from 1960's to 1970's in Bangladesh. Her savings level which has been in the lowest bracket, experienced a further decline of 1.4 per cent per year in the 1970-76 period. Her investment level, however, marginally improved. Malaysia similarly experienced a higher growth rate in 1970-76 as compared to 1960s. As against a slight decline in 1960s savings grew markedly by 1.3 per cent per year in the 1970-76 period. Sri Lanka's growth rate has fallen and as against 0.6 per cent per year increase in 1960s savings ratio declined by 0.5 per cent. Thailand witnessed a reduced rate of GNP growth and equally her savings ratio which increased at 0.7 per cent in the 1960s

came down to 0.1 per cent level in the 1970-76 period.

#### Savings-Investment Relationship

With negative/low savings, whatever investment took place in Bangladesh had to be supported by aid inflows to the extent of 3-14 percentage points. Indonesia had investment-savings imbalance in a big way to start with, of 3 to 7 percentage points, but towards the end, there was a proper matching between domestic savings and investment. On the other hand, Malaysia's experience is unique in that internal savings (as a proportion of GDP) were higher than domestic investment as a proportion of GDP in five of nine years since 1969. Investment was ahead of savings only in those years, when owing to one reason or other, savings flagged. Sri Lanka worked out proper investment - savings balance only in such years when investment slackened; otherwise even the low levels of domestic investment had to be sustained by inflows from outside except for the last year when there was a reverse flow. Thailand's relatively high rates of investment were propped up by sizable inflows in the beginning as also towards the end.

#### Savings-Investment Imbalance, High Rates of Interest

There is need any way for mobilization of savings to break the vicious circle of low investment, low income and so on. Even where there is large induction of foreign resources, domestic efforts are needed to supplement outside investment. The prevalence of high rates of interests in the unorganized sector of developing countries ranging from 24 per cent per annum to 50 per cent and above, has acted as a deterrent to savings by organized sector. It has been observed that once government extends credit to the unorganized sector through co-operative societies etc., the

differential between rates of interest in the organized and the un-organized sectors gets reduced. <sup>1/</sup> There has to be a two pronged effort by financial intermediaries (a) by spreading out geographically and (b) opening new lines of credit to those asking for assistance. What is required is to reduce the diversion of funds into real estate, commodities, gold, etc. On this depends the volume of savings as also the volume of investment finance, whether it is directly invested in shares/debentures or routed through financial intermediaries like banks, investment companies, insurance companies, etc. For investment to gather momentum and proceed on desired lines, special financial institutions like development banks, institutions oriented to small industry, ethnic groups, etc. may have to be forged.

#### Non-Financial Assets, Financial Assets and Overall Savings

The high proportion of tangible assets in total savings is a significant point to be noted as brought out by a special study.<sup>2/</sup> It shows that in late 1960s between 67 and 85 per cent of savings in Bangladesh, 81 and 95 per cent of savings in Malaysia and 61 and 85 per cent of savings in Thailand were locked up in tangible assets. The situation in the other two countries could not have been much different. This coupled with the equally significant findings, that 75.7 per cent of savings between 1965 and 1970 in Bangladesh, 85.9 per cent of savings between 1965 and 1967 in

---

<sup>1/</sup> Anand G. Chandravarkar, "Interest Rate Policies in Developing Countries, Finance and Development", Vol.7, No. 1, March 1970;

Also, U. Tun Wai, "Interest Rates outside the organized Money Markets of Underdeveloped Countries", Staff papers, November 1957, placed the weighted average rate of interest in the unorganized markets between 24 and 36 per cent.

<sup>2/</sup> See Dr. Mohiuddin Alangir, "Structure of Private Savings in Participating Developing Countries". Also, Report of the Seminar on the "Mobilization of Private Savings", A.C. Chandravarkar, "Policy, Instruments to generate and mobilize Private Savings", Economic Bulletin for Asia and the Pacific, June 1975.

Malaysia and 67.2 per cent of savings between 1964 and 1972 in Thailand, were for self use, heightens the need for expanding the role of financial intermediaries to help mobilize savings. As things stood, savings through financial assets were just 2.5 per cent of income in Bangladesh against 6.4 per cent overall savings, 6.0 per cent of income in Malaysia against 13.2 per cent overall savings, 5.1 per cent of income of Sri Lanka and 4.4 per cent of income in Thailand against 13.3 per cent overall savings. Bangladesh and Sri Lanka did not register increase in savings, Indonesia, however, witnessed a big jump, and Malaysia more definitely and Thailand, less definitely so, and these three countries maintained high levels of savings over the period under survey.

Within financial assets, for the period for which detailed data are available, corporate securities were either negligible or non-existent except for Malaysia. Insurance and other contractual obligations were fairly significant in Malaysia but not that important in Thailand, Sri Lanka and Bangladesh. While contractual and compulsory savings formed 26.7 per cent of total savings in Malaysia between 1965 and 1967 their proportions was 7.7 per cent in Bangladesh between 1965 and 1970 and 7.5 per cent in Thailand between 1964 and 1970.

For the 1970s, data are scanty and not readily available, but, from such information as is there, it would seem that corporate securities taken as a whole (including those acquired by financial intermediaries) formed 1.3 per cent of total savings in Malaysia (Tables 1 to 5 in Appendix to Chapter I). Insurance and provident funds were 1.6 per cent and 6.3 per cent of total savings in Malaysia respectively; provident funds were 5.2 of total savings in Sri Lanka and insurance funds were

1.7 per cent of total savings in Thailand. Other deposits like Tabanas <sup>3/</sup> and Taskas in Indonesia, small deposits with the National Savings Bank in Malaysia, Premium Savings Certificates and Agriculture Co-operative Deposits in Thailand have not come to occupy anything like a significant position as could be seen from the above. Mostly, it is currency, demand deposits, time and savings that are important as savings instruments. Still, after the steps taken to widen the banking base and introduce different savings instruments, the share of financial assets, to the extent they could be identified, has only increased to 21.6 per cent in Indonesia, 40.6 per cent in Malaysia, 55.1 per cent in Sri Lanka and 37.9 per cent in Thailand, taking the latest year 1977 into account.

Larger volumes of savings, in the ultimate analysis, can be generated by larger and larger incomes. There is also need for closing speculative investment channels that drain away presently available savings. How, in the absence of a properly developed financial infrastructure, supply-demand interrelationship for finance gets distorted will be taken up in the subsequent Chapters.

---

<sup>3/</sup> Bank of Indonesia, Annual Reports, 1974 and 1979 Savings media devised by Indonesia's government and monetary authorities, Bank of Indonesia in 1971 to encourage small savings.



## CHAPTER II

### INVESTMENT IN MANUFACTURING SECTOR AND ITS FINANCING

#### Relative Shares of Public and Private Sectors in Investment

Data showing aggregate investment between public and private sectors are available only for Malaysia, Sri Lanka and Thailand. It may be kept in mind that most investment in the organized sector in Bangladesh would be in the public sector. Public sector will not be equally decisive in Indonesia but it had made its presence felt in development of infrastructure as well as in development of industries referred to earlier.

Malaysia - the public sector's share in gross fixed formation was 30.0 per cent in 1971 but hovered between 38 and 42 in recent years (Table I). The relatively large share of public sector and its impressive increase is attributable to investment in infrastructural facilities and in State-owned corporations like Petrons, Pernas, etc.

Sri Lanka - the public sector's share in investment in 1978 was as high as 60 per cent and a little less than 50 per cent in the two years preceding that. Within public sector public corporations invested in manufacturing and trading while that by government is in creation of infrastructural facilities. Increased public sector investment is as much due to restrictions on private sector as due to emphasis on expanding the State's activity. Subsequent to the government's attitude to private sector and foreign investment, the position could not be considered here.

Thailand - information is available up to 1975 from one source and from a different source from 1975 (the difference is marginal in the common year). Compared to 1970, public sector's share in capital formation

declined in 1974 but picked up to reach the earlier level. Investment in public sector was oriented to creation of infrastructure and petroleum, lines of activity where private enterprise was not forthcoming.

#### Industry's Share in Investment

Bangladesh - Qazi Kholiquzzaman Ahmed has pointed out, that in the background of unsettled conditions, no definite information is available for Bangladesh on investment in different industries or industry as a whole. In line with the earlier mentioned estimate it has been shown by Muzaffar Ahmed, that public sector, consisting of 400 enterprises commanded 85 per cent of the country's industrial capital. <sup>1/</sup> That means most of the investment earmarked for industry must have been in the public sector. The recent policy decision to enlarge the scope of private sector by pushing the ceiling limit and making foreign investment/collaboration possible has changed the complexion of things to an extent.

Data of a sort are available for recent years. According to Bangladesh Bank Report, of a total public investment of TK 1,630 million, TK 304 million was earmarked for industry. <sup>2/</sup> During 1978-79, TK 2,180 million with TK 930 million foreign exchange was sanctioned for 749 private sector projects.

For the two years 1978-80, new industrial investment to the extent of TK 4,680 million was envisaged.

The previous year's report <sup>3/</sup> states that as against the provision of TK1,910 million for the two years ending 1977-78, sanction during 1976-77

---

1/ Muzaffar Ahmed, Financing of Public Sector Enterprises from "Industrial Finance in Bangladesh, Ed. A.H.M. Habibur Rahman.

2/ Annual Report, Bangladesh Bank, 1978-79.

3/ Annual Report, Bangladesh Bank, 1977-78.

were TK 810 million but rose sharply to TK 2,110 million during 1977-78. Similarly, as against TK 47.9 million foreign investment sanctioned during 1976-77, sanction during 1977-78 was TK 161.6 million. Foreign investment proposals for TK 260 million were under consideration during 1978-79. It could be that the earlier report of the State commanding 85 per cent or thereabouts of total industrial capital no longer holds, with the State having disinvested its share as proposed. Whatever it is, the private/public sector balance was getting changed. The data cited here do not still add to much because the figures refer to government sanctions made and not to investments realized finally. Small scale/cottage sectors were disbursed loans amounting to TK 37.0 million and self-employed category loans amounted to TK 16.3 million. <sup>4/</sup>

Indonesia - manufacturing establishments in Indonesia, classified as per ISI classification, were responsible for 8.1 per cent of the domestic investment in 1970, 7.0 per cent of the investment in 1973 and 6.0 per cent of the investment in 1976 (Table II for gross fixed capital formation figures for different years from 1970). While for the four years 1970 to 1973, manufacturing establishments with 10 or more workers not using power or with five or more workers using power were considered, for 1975 and 1976 coverage under manufacturing establishments was different, establishments with 20 or more workers engaged having been taken. Investment in petroleum refineries etc. was not considered, though it must have been the single largest item. Both private and public sector owned establishments are presumably covered. It is to be qualified, that, while fixed capital formation data are taken for manufacturing establishments, for the country

---

<sup>4/</sup> Annual Report, Bangladesh Bank, 1978-79.

as a whole fixed capital and stocks figures are combined. Approval/ implementation figures for foreign investment projects under manufacturing and mining are given separately in Tables III and IV and approvals for domestic investment are given in Table V and VI. Domestic investment approvals from 1972 to 1975 are larger than gross fixed capital formation figures given in Table II which means that they had not eventuated into investment. Implementation of foreign investments projects has to be aided to this.

Malaysia - gross fixed capital formation by manufacturing establishments in Peninsular Malaysia and Sabah are given industry-wise in Tables VII and VIII, as per ISI classification, and they formed 8.7 and 16.4 per cent of aggregate fixed capital formation in 1971 and 1974 respectively (data are not available for Sarawak). If the position is looked at from the point of view of capital formation by use or form, machinery and other equipment and non-residential buildings have a large share, the former of 29 to 36 per cent and the latter of 16 to 20 per cent, but the point should be borne in mind that they are not wholly in the field of manufacturing (Table IX).

Sri Lanka - private sector's investment including non-manufacturing investment in Sri Lanka was between 50 and 65 per cent, 55.9 per cent in 1970, 64.1 per cent in 1973 and 52.2 per cent in 1977 but came down to 39.8 per cent in 1978 (Table X). This is partly because of the sudden upsurge in the share of public corporations, while this category of institutions in Sri Lanka is mostly investment oriented, some are concerned with trading also. Similarly, some of government and public enterprises' investment could be in the field of manufacturing and industry also. There

are no data spelling out investment in manufacturing specifically as in the case of Indonesia or Malaysia. Investment in plant and machinery and other capital goods in the private sector and public corporations was as large as Rs. 2,148 million in 1978 (39.5 per cent of fixed capital formation) Rs. 1,300 million in 1977 (37.2 per cent), Rs. 518 million in 1973 (27.2 per cent, Table X). For the economy as a whole including government and public enterprises, public corporations and private sector, investment in machinery ranged between 17.8 per cent (Rs. 530 million in 1974) and 26.1 per cent (Rs. 1,169 million in 1976) of aggregate capital formation (Table IX). These give some idea of the magnitude of investment in manufacturing. Non-residential buildings have been combined with residential buildings (Table IX).

Thailand - investment data for manufacturing establishments are not separately available. The share of machinery and other equipment in total fixed capital formation was 30.2 per cent in 1965 and 43.2 per cent in 1974. Non-residential buildings' share ranged from 12 to 20 per cent (Table IX). As stated earlier, these figures are for the economy as a whole but it should also be remembered that government/public sector investment is relatively less significant in Thailand. In the absence of continuous information, the evidence that there were 342 applications in all, for a total investment of Bt. 10.9 billion in 1978, of which 202 applications involving Bt. 4.5 billion were sanctioned and that 54 applications involving Bt. 0.6 billion materialized may be kept in view.<sup>5/</sup> Corresponding figures for 1979 are Bt. 14.6 billion (338 applications), Bt. 7.5 billion (233 sanctions) and Bt. 1.1 billion (69 finally materialized).

---

<sup>5/</sup> Board of Investment Data.

The 1977 direct foreign investment was Bt. 1.2 billion. The earlier set of figures does not probably include short term/long term loans, trade credits, etc. which go to swell the sources side of capital formation. Also these figures could be with reference to corporate units or branches whereas manufacturing establishments covered earlier may be partnerships or family units.

Years	Retained earnings	Gross profits	TK millions earmarked for depreciation
1969-1970	43	10	77
1968-1969	33	18	121
1967-1968	20	20	113

#### Pattern of Financing of Capital Formation

Bangladesh - information on the pattern of financing is even more sketchy than information on the magnitude of fixed capital formation in manufacturing industry. Qazi Kholiquzzaman <sup>6/</sup> has mentioned that during the sixties the pattern of financing in jute industry to take an instance was that 24 per cent of the total investment was promoters' contribution, so to say, 19 per cent was brought in as public equity and 58 per cent was brought in as short/long-term loans. The local entrepreneurs' contribution was as low as 10 per cent in some units. In any event, local ownership was lower in jute as compared to textiles, the other major industry. Even with high profits, induced by built-in advantages in the form of incentives like bonus voucher scheme for exports, etc. the position in

<sup>6/</sup> Ibid, Qazi Kholiquzzaman Ahmed, The Bangladesh Department Studies, Autumn 1978.

the period 1965 to 1970 was that retained earnings were negative in three years. As mentioned earlier, abandoned units by Pakistan citizens as well as locally owned units were taken over by the State in 1972. That provision for depreciation was not being made and used properly, was pointed out by Muzaffar Ahmed. <sup>1/</sup> As is well known, depreciation and retained income representing internally generated funds are significant to financing. With the economy in a state of turmoil, even accounts could not be properly maintained according to M. Raihan Sharif. <sup>8/</sup> For 10 public sector corporations with an estimated profit of TK 196 million as an investment of TK 10,000 million were as low as 1.96 per cent. How much could have been retained out of this can well be imagined.

A perusal of Bangladesh Bank's Reports reveals disinvestment by government in public sector undertakings. Even then, there was great pressure for funds. The liquidity gap, which was a peculiar financial problem arising out of the inherited capital structure of companies, was TK 870 million around 1973/74 for jute manufacturing companies alone. It was resolved that (a) Bangladesh Shilpa Bank should exclusively finance private sector and their expansion, (b) Bangladesh Shilpa Rin Sangastha should finance all balancing, machinery and replacement projects of the public sector; and (c) Bangladesh Small Industries Corporation should finance projects in the industrial estates with emphasis on smaller units up to TK 0.1 million. This is apart from the finance that was to be

---

<sup>1/</sup> Ibid Muzaffar Ahmad, Industrial Finance in Bangladesh, ed. A.H.M. Habibur Rahman.

<sup>8/</sup> Ibid, M. Raihan Sharif, Industrial Enterprises, some financing and related issues, in the Bangladesh context in Industrial Finance in Bangladesh, ed. A.H.M. Abidur Rahman.

provided by commercial banks.

The amount of Bangladesh Shilpa Bank's loans disbursed to public sector cumulatively, as till March 1980, were TK 400 million under local currency and TK 307 million under foreign currency (Table XI). Corresponding figures for private sector are TK 28 million and TK 93 million respectively. The gap between loans sanctioned and loans disbursed is particularly striking for the private sector while data are not complete for the public sector. Perhaps for the reasons of taking over earlier business loans, outstanding amounts are more than the loans disbursed. Overdues for the latest year are a third of outstanding loans. In the case of Bangladesh Shilpa Rin Sangstha, once again, the gap between loans sanctioned and disbursed is wide for the private sector (Table XII). The amount of loans disbursed to private sector is larger in value than those given to public sector, TK 270 million against TK 160 million. Outstanding loans are, once again, more than the cumulative totals. Overdues were presumably kept separate from outstanding loans at least in one year. Of TK 2,191 million given as loan between 1977 and 1980 by Bangladesh Shilpa Bank, 81 per cent was given to new projects and 19 per cent for balancing equipment. It was observed at a point that of TK 2,619 million given as loans by banks, TK 2,187 million went to public sector and 84 per cent of bank credit to manufacturing sector went to two industries, jute and textiles. The difficult budgetary resources position including foreign resources availability rendered the financing of industry difficult. Liquidity gap as well as foreign resource gap brought down capacity utilization to low levels. What proportion the long term and short term loans formed of the external resources of companies is not known. But larger overdues



mentioned earlier brings out the difficulties faced by manufacturing establishments.

Indonesia - domestic investment approvals in manufacturing totalled Rp 190 billion between 1968 and 1971, went up to Rp 341 billion in 1973 but hovered between Rp 170 and 200 billion in the next three years for reasons cited earlier. During the next two years again it went up to Rp 400 billion and Rp 531 billion. Foreign investment in manufacturing units totalled US\$ 35.6 million between 1967 and 1969, increased progressively to US\$ 392 million in 1975 but came down to US\$ 186 million by 1977. The trend was reversed in 1978. There are no specific data on the financing of capital formation for Indonesia.

First, about internal resources. <sup>9/</sup> Accelerated depreciation rates of 10 per cent on building and 25 per cent on investment (infrastructure and plant and machinery) have been provided for. Companies having tax holiday facility could avail of accelerated depreciation provision for four years after the expiry of the tax holiday. There was a move to restrict incentives and tax holiday benefits after the 1974 upheaval. Though certain changes were immediately introduced, in the last two to three years, the network of benefits has again been widened to include mining companies, units outside Java, units registering on stock exchange and so on. <sup>10/</sup> Corporate tax and dividend tax benefits extend from 2 to 6 years, with significant reduction for 5 years thereafter, depending on the priority status of the given industry, size of the firm, employment potential, location and quickness with which the unit is set up. From

---

<sup>9/</sup> Investing, licensing and trading conditions abroad, Business International Inc., Hammaraskjoeld Centre, Plaza, New York, Hand-out by Indonesian Embassy and Foreign Investment in Indonesia Today, Its Legislation and Policies (Hand-out by Indonesian Government). Asian Finance and Far Eastern Economist Review different issues.

<sup>10/</sup> Handout by Indonesian Embassy.

a minimum of two years, one year is added for each of the additional plus points like technology, exports, labour, import/use of local materials and so on. For reinvested profits, there is a blanket tax holiday concession of five years.<sup>11/</sup> Similar treatment is accorded to expansion programmes. During tax holiday period, capital gains are subject to normal corporate tax rates. Managements that returned after the end of the Sukarno regime were accorded all these facilities. Such firms as are not covered by tax holiday are eligible to investment allowance of a certain magnitude in addition to depreciation. Also, up to 20 per cent of new investment made in a year could be deducted from taxable profits. Corporate tax in any event is 35 per cent for first 10 years and 45 per cent for 20 years thereafter. There is additionally exemption from withholding tax for mining companies that are domiciled. Interest and dividends are also exempted from corporate tax. While in normal circumstances, depreciation has to be spread over a certain period on the straight line method, accelerated depreciation can cover total expenditure in four years.<sup>12/</sup> Besides, depreciation can be adjusted on the basis of upward revision of value of assets taking cost escalation in view in the case of companies that keep their accounts in Indonesian Rupiahs. To cite an example against depreciation provision of 5 million Rupiahs normally possible or allowable, it could go up to as much as 7,167 million Rupiahs after the permissible upward revision of the value of assets.<sup>13/</sup> It would be an under-statement to say that all these would have had a highly favourable influence on the quantum of internal resources of the corporate/manufacturing sector.

---

<sup>11/</sup> Foreign Investment in Indonesia, Today: Its Legislation and Policies.

<sup>12/</sup> Ibid, Investing, Licensing and Trading Conditions Abroad, Indonesia.

<sup>13/</sup> Ibid, Investing, Licensing and Trading Conditions Abroad, Indonesia.

Similarly, the relatively low income tax rates would have created a climate for savings, though, like in most developing countries, equity investment base is highly localized though the Capital Market Executive Board (BAPEPAM) was empowered to determine which companies are eligible to sell shares etc. and PT Danreksa (funded by Government) was formed to help the transfer of share to local investors as and when they found the shares attractive. At the highest level personal tax rate was 50 per cent on taxable income of Rp.18 million. With liberal allowances, the effective tax rate is far less. Equity investment which is normally an important component of external resources of the corporate sector was not coming forth particularly from local investors inspite of generally high profitability ratios. Survey of current business <sup>14/</sup> places the rate of return of U.S. companies engaged in manufacturing at 35.8 per cent, which are the highest for any country. Local companies may not have made comparable profits but the liberal allowances would have made any investment worthwhile.

Foreign investors tended to rely not only on initial capital but also on medium/long as well as on foreign resources. Generally equity investment was working out cheaper than medium/long term/short term loans. The 'swap facility and 'debt investment conversion scheme' were meant to augment liquidity. However, control by state owned banks to the extent of 80 per cent of the credit did not make the task of foreign firms any easier. There were 10 foreign owned banks but they were prohibited from expanding their operations since 1967 and they controlled only seven to eight per cent of the total credit. <sup>15/</sup> This had created a serious liquidity problem for foreign companies.

---

<sup>14/</sup> U.S. Department of Commerce: Survey of current business.

<sup>15/</sup> Bank of Indonesia Report, 1978-1979.

Non-priority industry categories that were not eligible to receive credit were equally in difficulty. Unless the idea was that foreign investors should bring in the whole amount of the funds required, there was no purpose in permitting a perennially illiquid situation, when profits, interests, capital could be freely remitted and such taxes as were there on remittances were low in any event. As for industry, long/medium term credit up to three to five years (with two to three years' grace period) and long term credit of up to 15 years for the industries covered by Repellita III - covering 75 per cent of investment cost were being made available but the cost of credit was high. <sup>16/</sup> To non-priority industry, interest cost was as high as 21 per cent, but for more favoured users like exporters, manufacturers, it was 14 to 15 per cent. <sup>17/</sup> Credit has become costly as compared to pre-devaluation years. <sup>18/</sup>

In the background of hazy investment data, it is not possible to work out how much of the investment was financed by internal sources and how much by external sources, beyond underlining the significance of rates of depreciation/accelerated depreciation, profits, profit-ability, tax rates, tax holiday provision etc. It is no more than a catalogue of available incentives, particularly in the context of financing. As against this, the medium/long term credit extended by Bank Pembangunan Indonesia (BAPINDO), Development Finance Corporations like PT Indonesian Development Finance Co. (PTIDFC), PT Private Development Finance Company of Indonesia (PT PDFCI) or by Investment Corporation like PT Indonesian Investment International (PT INDOVEST), PT Merchant Investment Corporation (PT MERIN CORP.),

---

<sup>16/</sup> Handout by Indonesian Embassy.

<sup>17/</sup> Handout by Indonesian Embassy.

<sup>18/</sup> Bank of Indonesia Report, 1978-1979.

PT Asian Euro-American Capital Corporation, PT First Indonesian Finance and Development Corporation (PT FICOR INVEST), PT Mutual International Finance Corporation (PT MIFC), PT Inter Pacific Financial Corporation, PT Financial Corporation of Indonesia (PT FINCONESIA), PT Bahana Pembinaan Usha Indonesia (PT BAHANA), PT Multinational Finance Corporation (PT MULTICOR) and PT Indonesia Financing and Investment Company (PT IFI) helped to fill in the investment requirements of the manufacturing sector. The broad division is, that development type of institutions channel funds to business enterprises through medium and long term loans and investment type of institutions invest in securities and commercial paper. Thus, funds committed by BAPINDO alone rose by 7.6 times from Rp. 17,787 million in 1973 to Rp. 135,090 million in 1979 and outstanding funds by 8.0 times from Rp. 12,870 million in 1973 to Rp. 103,708 million in 1979 (Table XIII). The outstanding amount provided by Development and Investment type of Financial Institutions in 1979 was Rp. 165,539 million and Rp. 18,826 million respectively. <sup>19/</sup> Total Rupiah credit by banks went up from Rp. 1,089,000 million in 197 March to Rp. 5,253,357 million in 1979 March and foreign exchange credit from Rp. 127,000 million in 1974 March to Rp. 386,740 million in 1979 March. Of the domestic/Rupiah credit, 31.9 per cent went to manufacturing in 1974 but its share came down to 26.3 per cent in 1979. The share of trade was ahead of manufacturing in 1974 but it slipped to the third position by 1979. Mining which was well below agriculture, others etc. soared to the first position and took 33.4 per cent of the total Rupiah credit. Mining was the most important constituent of foreign exchange credit, followed by manufacturing at some distance but owing to a change in the arrangement of data, credit given in foreign exchange to mining was taken out and manufacturing nearly accounted for the

---

<sup>19/</sup> Bank of Indonesia Report 1978-1979.

the whole of credit in March 1979.

Malaysia - The following table brings out, in a rudimentary way, the pattern of financing in Malaysia. The different incentives provided by the Malaysian Government to generate internal resources or alternately provide external resources additionally, will be taken up subsequently.

	<u>M \$ million</u>				
	1975	1976	1977	1978	1979
Pioneer Companies	39	22	36	38	19
1. Total Capital Investment	172.1	207.8	261.1	175.1	78.0
2. Paid up capital	141.1	86.8	134.7	109.3	54.1
3. 2 as per cent of 1	82.0	41.8	51.6	62.4	69.4
4. Loan capital	37.5	103.4	126.4	65.9	24.0
5. 4 as per cent of 1	22.1	49.8	48.4	37.6	30.8
6. Local capital	89.9	63.7	127.9	107.5	53.1
7. Foreign capital	82.2	128.6	101.9	59.9	24.8
8. 6 as per cent of 1	52.2	30.7	49.0	61.4	68.1

Source: Bank Negara Malaysia, Different issues.

	1975	1976	1977	1978	1979
Pioneer Approvals in Principle	95	105	97	110	106
Proposed called up capital	143.3	227.1	101.9	204.5	192.3
Investment Tax Credit	42	76	56	72	60

cont'd

	1975	1976	1977	1978	1979
Proposed called up capital	124.2	80.7	50.8	123.5	84.2
Labour Utilization relief	13	7	11	6	5
Proposed called up capital	7.8	2.9	22.7	4.5	3.6
Other Incentives	23	14	18	15	11
Proposed called up capital	112.7	30.9	87.3	36.5	50.6
Companies Approved without fiscal incentives	288	223	218	225	302
Proposed called up capital	174.5	116.9	100.5	110.8	922.7

Source: Bank Negara, Malaysia

For the pioneer industries, for which separate break-down is available, the share of paid up capital varied from 42 per cent to 82 per cent. Firms with pioneer status had particular appeal and for that reason pioneer firms may have had a large paid-up capital component. Even otherwise, as was noticed in the case of Indonesia, the share of paid-up capital is invariably large in countries where the financial infrastructure is not properly developed or foreign capital had to come in. Foreign capital's share in total finance ranged from a high of 70 per cent to a low of 32 per cent. From the next Table, the sudden spurt in the investment of companies without fiscal incentives in 1979 calls for more detailed examination. It is too early to say whether this is because a corporate sector has come into its own and is venturesome enough to invest or it is just a flash in the pan.

The continued importance of foreign investment is to be seen in the context of the expectation that M \$ 3 billion of the targetted 10 billion investment in the manufacturing sector in the Third Plan is to be provided by foreign investment. Private investment as a whole is expected to be M \$ 26.8 billion.

Like Indonesia, Malaysia has offered several concessions not only to attract investment but also to help the firms as have come in to expand.<sup>20/</sup> Accelerated depreciation rates have been provided for buildings (up to 10 per cent in the first year), machinery (initial year 20 per cent) etc. Depreciation is on a straight line basis subsequently at the rate of 2 per cent on buildings and at 5 to 25 per cent on machinery. Resident companies which do not qualify for investment tax credit but export 20 per cent of production qualify for higher depreciation. This can go to as high as 40 per cent. More than 90 per cent of total outlay can be depreciated or written off in five years as compared to 20 per cent or thereabouts under normal rates. For modernization, special depreciation of up to 40 per cent in the first year was provided for. One and half times the normal depreciation is allowed on industrial buildings. As a further concession, the 1977 budget allowed for 80 per cent write-off on plant and machinery in the first year itself for 20 categories of industries. The 1979 budget extended this facility to all industries for expenditures undertaken between 1978 and 1979. A further bounty was conferred by the 1980 budget by extending this for a further period of three years. Corporate tax rate is presently 45 per cent. Excess profits tax is at the rate of five per cent. Tax holiday of five to eight years is given keeping the extent of capital invested, pioneer status

---

<sup>20/</sup> Malaysian High Commission handouts, Bank Negara, Malaysia and Investing, Leasing and Trading, Report on Malaysia. Asian Finance and Far Eastern Economic Review, different issues.



labour utilization ratio and locational factors in view. Priority industry, local raw material content, and impact on the area, are additional considerations which could lead to the tax holiday being anything from 8 to 10 years. Pioneer as well as non-pioneer companies can take advantage of tax holiday benefits. Both these factors would have gone a long way to buoy up internal resources. Profitability <sup>21/</sup> in a sample of 52 publicly owned companies was as high as 40.6 per cent in 1977-78 and 31.9 per cent in 1978-79, which gives an idea of how much could have been ploughed back, particularly when reinvested profits earn further investment concessions. Net income in 1978 formed 6.75 per cent of Total Assets for 40 Malaysian companies figuring among the big 500 of Asia's growth rim countries, Hong Kong, Japan, Malaysia, Philippines, Singapore, South Korea and Thailand according to Asian Finance Profit margins were over 40 per cent in three of Asian Finance Sample, for three between 30 and 40 per cent and for four between 20 per cent and 30 per cent. A financial survey <sup>22/</sup> of limited companies conducted by the Department of Statistics of Malaysia brought out that profit-sales ratio of locally controlled companies was lower at 4.8 per cent as compared to 6.5 per cent for foreign companies. Capacity to retain profits to the extent indicated here may have been less in domestic companies but the various benefits would all the same have created a climate for generating large internal resources. Taxes on interest, royalties dividends remitted are only 15 per cent. There are additionally export incentives and tariff protection benefits.

Individual income tax rates are relatively low, the maximum being 55 per cent above taxable income of M \$ 100,000. There are several permissible

---

<sup>21/</sup> Investing, Trading and Licensing, Report on Malaysia. Also, Asian Finance, 15th September 1979.

<sup>22/</sup> Sanjaya Lall, Transfer Pricing in Assembly Industries, Malaysia and Singapore, Economic Papers 11 for Commonwealth Secretariat, 1978, quoting the Malaysian Survey.

tax deductions such that on an income of M \$ 60,000 approximately, the net effective rate works out at 27.8 per cent.<sup>23/</sup> There is no dividend withholding, unless the nominal tax rate is 40 per cent and investing public can with the wide range of benefits open to them get refunds in most instances. Still, investing being limited to certain sections, there was perforce heavy dependence on foreign sources, apart for the reason of import of technology.

It was stipulated in 1976 that 20 per cent of all new loans should be given to 'bumiputras' or indigenous Malays, while 25 per cent was to be given to manufacturing. In view of the difficulty in identifying eligible 'bumiputra' recipients the first condition was dropped in 1979. Non-resident companies could borrow up to a maximum of M \$ 500,000 without specific official permission and approval is being given to foreign companies up to the limit of their paid up capital and foreign term loans. In order to increase liquidity in the economy, short term bankers' acceptances (from 30 to 200 days up to a maximum of M \$ 30,000) and medium term new credit instruments (from 180 to 1,095 days, up to a maximum of M \$1,000,000) were issued to finance trade, import, etc. and these were available for discount.<sup>24/</sup> This relieved liquidity pressures and helped foreign as such as domestic companies.

The Malaysian Industrial Development Finance Board (MIDF) started in 1960, Borneo Development Corporation Sabah Development Bank and Sabah Credit Corporation have been financing industrial investment. This is apart from medium/long term loans provided by commercial banks, merchant banks and finance companies. The number of loans given by the biggest of Malaysia's Development Bank (MIDF) and the amount outstanding is given in Table XIV.

<sup>23/</sup> Ibid Investing, Trading and Licensing, Report on Malaysia and Asian Finance, 15th September 1979.

<sup>24/</sup> Handout on Malaysia and Bank Negara, Malaysia.

In view of loan repayments, outstanding loans do not reflect trends in applications/sanctions. Though loans are fairly well spread, textiles and food have a certain predominance. Wood products etc. on one side and metals and machinery on the other are picking up. Both 'bumiputra' and 'small' loans commitments have less weightage in the total but they are numerically significant. Small loans not exceeding M \$ 150,000 each were half in number in 1979 (and two thirds of the total number of 2,396 loans approved). Bumiputra loans were 69 in number accounting for M \$ 25.4 million out of a total of 346 loans with a value of M \$ 120.5 million. At the end of 1979, total outstanding loans of the Borneo Development Corporation were 303 in number amounting to M \$ 15.4 million, concentrating generally on infra-structural growth. The Sabah Development Bank had M \$ 62 million at the end of 1979 and its loans were mainly in the area of transport hire purchase, construction and marginally in industries. The Sabah Credit Corporation was reconstructed to give fillip to small industry, bumiputra construction units and marginally to large sized units.<sup>25/</sup>

The particular orientation of Borneo Development Corporation and Sabah Development Bank and Sabah Credit Corporation and MIDF's own concern with the more traditional industries/smaller units led to the formation in 1979 of the Industrial Development Bank of Malaysia. This bank was formed to concentrate on long term loans to capital intensive/high technology companies. Its authorized capital was M \$ 100 million. MIDF and other development banks amongst themselves accounted for 75 per cent of the outstanding loans to manufacturing sector till 1979. MIDF has been

---

<sup>25/</sup> Bank Negara Malaysia, 1979.

financing up to half of the fixed capital requirements of manufacturing units with loans ranging from 5 to 15 years, at 8 to 9 per cent interest, for acquisition of industrial assets. Buyers had to make an immediate payment of 25 per cent and pledge the assets and pay back the balance of money. Equally, factory loans of up to 80 per cent (or not exceeding M \$ 250,000) was being provided. Though reared in British banking traditions, commercial banks, merchant banks, finance companies have been providing medium and long term credits. Of the total commercial bank lending of M \$1,057 million, manufacturing sector's share in 1973 was M \$ 235.7 million (22.3 per cent): at the end of 1979, of a total commercial bank lending of M \$12,582 million outstanding manufacturing sector's share was M \$2,567 million (20.4 per cent). Contribution of merchant banks and finance companies is relatively less to manufacturing. As compared to other countries, rates of interest charged by commercial banks/development banks are less harsh and penal, which did not necessarily imply plentitude of funds but larger inflows, better mobilization, less of inflation and therefore less of diversion of funds.

Symptomatic of the country's stability and general acceptance of equity as a form of investment, there has been a steady increase in the issue of new corporate securities in Malaysia over the years. Private placement and rights issues are more favoured as compared to public issue (Table XV) the value/volume of tradings in industrials as compared to tradings in commodities/metals is given in Table XVI. The stock markets of Bangladesh, Sri Lanka, Indonesia and Thailand are fledglings in comparison.

Sri Lanka - the important role of public sector corporation in Sri Lanka's economic life has been noticed earlier. Corresponding to the importance attached to public sector corporations, there was proportionately less of emphasis on private sector manufacturing establishments and more of rigid attitude to foreign investment. What with difficulties on the export front and the non lifting of stocks, utilization rates were low both in public and private sectors. In steel,<sup>26/</sup> fisheries, oil, fats, tyres, capacity utilization was around 50 per cent, while in most other industries, utilization was even less. Many public corporations dealing with cement, leather, steel, hardware, were making losses; only those concerned with textiles, paper, etc. were recording increases in output. Even that was more in value terms than in physical terms. Public corporations were showing poor results despite liberal foreign exchange allocations. Gross profit before tax on the capital employed by public corporations was 4.5 per cent in 1974 and 4.0 per cent in 1975 while the cost of credit to government, that funded these institutions was nine per cent. Hard information is not available but retained income/profits must have been minimal. This together with depreciation provision would have been just adequate for upkeep/replacement of machinery and could not in any case have provided much of thrust to industrial growth in the public sector. Private sector units were probably more hard hit, in that raw materials and critical inputs were not being made available in requisite measure.

The creation of free trade/investment zone through Greater Colombo Economic Commission (GCEC) and Foreign Investment Advisory Committee (FIAC) in 1977 was intended to spur foreign investment. Local industries that

---

<sup>26/</sup> Annual Report of Central Bank of Ceylon, 1975.

were languishing for lack of finance, inputs etc. were to be helped through a Local Investment Advisory Committee (LIAC).<sup>27/</sup> Table XVII shows the number of approvals/number of units contracted, investment approved/ contracted with relevant information on foreign investment component under GECE for the two years the scheme has been in operation. Thus, investments for Rs.1,625 million and Rs.1,041 million were approved for 1978 and 1979 respective and Rs.263 and Rs.619 million investment contracted for the two years. Number of units, total investment and foreign investment components under FIAC and LIAC outside Greater Colombo, in the two years, are given in Table XVIII. While local investment is better distributed, foreign investment is concentrated in textiles, more specifically garment making and non-metallic minerals with minor forays into food beverages and chemicals.

There is no detailed information on depreciation rates, corporate tax rates, etc. will 1976/1977 and even less information on what effect these provisions had on internal/external resources of the corporate sector or manufacturing establishments generally. Depreciation rate was between 2 and 10 per cent and corporate tax rate on resident and people's companies on a graduated basis from 35-40 per cent to 100 per cent (with refund provision) and on non-resident companies at 65 per cent (non-refundable basis) while income tax rate on a graduated basis from 7.5 to 50 per cent.<sup>28/</sup> Going counter to earlier approach, the need for foreign investment as a vehicle to augment financial resources and provide improved technology/ managerial skill as also a direct linkage to markets came to be stressed. The reason for investment increase witnessed in the last two to three years,

---

<sup>27/</sup> Annual Report of Central Bank of Ceylon, 1979.

<sup>28/</sup> Asian Business Director, Kothari and Sons: Revised rates as per the 1980 budget are set out in Chapter III.

is provided by the usual package of incentives <sup>29/</sup> (a) accelerated depreciation with sufficient coverage for units making losses, (b) tax holiday of up to 10 years taking into account employment, foreign exchange generated, capital and technology brought in; and (c) further tax holiday benefits of up to 15 years subject to the payment of a turn over tax of two to five per cent in lieu of income and corporate tax. There was to be no tax on dividends, remittances and no income tax on foreign persons. A whole panoply of concessions, tax holiday (up to 1983) for certain types of activities, exports, liberal deductions for savings, redefinition of small companies, exemption of certain category of capitals gains, reduction of the non-refundable rate of tax on resident companies was offered.

Table XIX sets out the loans granted by the Development Finance Corporation of Sri Lanka as also its equity investments; the highest recorded for any year is Rs.24 million in 1969-1970, the loan granted in 1973-1974 being Rs. 111 million (for some reason the Central Bank Reports stopped giving this information after 1975). From the Development Finance Corporation's report for 1976 it is noted that total sanctions up to 1976 were Rs.250 million (including foreign currency loans of Rs.74 million) and equity investment of Rs.12 million. To widen the scope of this facility, National Development Bank of Sri Lanka was formed in 1979 with a paid-up capital of Rs.600 million. The Bank has already obtained foreign credits equivalent to Rs.187 million. It could borrow both within Sri Lanka and outside. Further loans of up to 12 years depending upon the soundness of individual projects, cash flow position can be given.

---

<sup>29/</sup> Press Release No. 7/80 Sri Lanka High Commission, New Delhi, together with the folder setting out incentives. Also, the Budget Speech (1980) of Hon'ble Ronnie De Mel, Minister of Finance and Planning.

Also, equity participation of up to a maximum of 25 per cent (to be in the range of 10-15 per cent normally) is the capital of a company could be made. Underwriting facility is also to be extended. There is no information on the quantum of loans to industry by commercial banks. The high rates of interest charged by commercial banks of 12.5 to 18 per cent against government securities and of 13 to 20 per cent against stock in trade; of 13 to 21 per cent on advances and bills discounted as also the high rates on medium/long term loans (10.5 to 16 per cent by Development Finance Corporation and of 10.0 to 12.0 per cent by the newly started National Development Bank) brings into bold relief the difficulty of finding adequate finance.

Thailand - The Board of Investment has been detailing at regular intervals information relating to taxation, individual, corporate, incentives, etc. There is no hard information on the pattern of financing in the corporation sector. For one thing, there was not even a uniform/settled definition specifying public and private limited companies at one stage. Even tax rates were subject to negotiation and bargaining. The characteristic that stands out prominently about Thailand is her anxiety to attract investment. Despite reasonably high rates of saving, there has been resources stringency and high rates of interest (of 17/18 per cent) for the manufacturing sector.

Depreciation rates vary from 5 per cent (on building) to 20 per cent (on plant, vehicles, etc.) and are admissible under straight line or any other method, provided the amount is the same. Depreciation



can be deferred for the period of tax holiday. <sup>30/</sup> Promoted firms are eligible for tax holiday from three to eight years depending on employment, local content, magnitude of investment, exports etc. They are also exempted from import duty to the extent of 90 per cent of duty. There is no excess profits tax. In order to encourage investment, taxes on dividends were reduced from 25 per cent to 20 per cent; also, branch profits' remittance has been reduced from 25 per cent to 20 per cent. In the case of countries, with which double taxation agreements have been concluded, withholding tax can be waived or further reduced. Tax on remittances arising out of royalties and interest payments has been fixed at 25 per cent. Headquarter companies are not subject to any tax on their Thailand earned income, if it does not accrue to them. Corporate taxes are levied depending on their incomes, at rates ranging from 20 to 30 per cent; this itself varies between companies listed on stock exchange and those not listed on the stock exchange. There has been some increase compared to 1978 but joint ventures have been compensated in other ways. For countries with tax treaties, the burden works out less, and these include South Korea, Japan, Netherlands among others. All these measures must have had a favourable impact on internal resource generation. Except for that foreigners/foreign companies cannot acquire land permanently through purchase, there are very few restrictions. The

---

<sup>30/</sup> General Information on Taxation, Board of Investment (BOI), Investment Promotion Act 1977, 15 powerful Reasons Why you Should Invest in Thailand, BOI, Collection of Loans Pertaining to Investment Promotion BOI, Handout by Thai Embassy, Investing, Licensing and Trading, Report on Thailand, Bank of Thailand, Annual Report 1969 to 1978. Also, Banking and Finance for Investment in Thailand, Industrial Finance Corporation of Thailand, Procedures for Implementation of Promoted Projects, Thailand's Growth Strategy, Investment opportunities in Thailand, Thailand's Board of Investment, Welcome to Thailand (all by Office of Board of Investment), Comparative Advantage of Textile and Cement Industries in Thailand, Institute of Developing Economics, Tokyo, (Chapter III).

total effect of all this is the high profitability of a large number of companies as brought out by the Asian Finance Survey. It is a different matter how far these companies have been grafted into Thailand's priorities and requirements.

Like in other countries of the region, effective income tax rate is low, though the minimal rate at the highest level is 65 per cent. There are standard deductions, for children, spouse, etc. There are lower rates for income derived from companies, deposits with banks etc. Though some of these steps have been taken to encourage saving, investment in shares, etc. investment habit is restricted to certain groups only and has not spread.

It has been brought out by the Board of Investment that since its inception in 1960 till June 1979, 527 outside firms involving Baht 407 billion have availed themselves of the facility (of which 505 are joint ventures and 22 are wholly owned foreign firms) and 581 Thai firms involving Baht 1,260 billion have got similar benefits.

Outstanding term loans given by the Industrial Finance Corporation are shown in Table XX. These have increased by over five times between 1970 and 1978. It does not still give the full picture as repayments are not considered here. Over 20 years, 520 loans have been given in all by the corporation amounting to Baht 6.2 billion. According to Bank of Thailand report, manufacturing has received almost 66 per cent of loans. While loans occupy an important part of the corporation's portfolio, from the data published by Bank of Thailand, interest in equity is negligible. This is understandable because the stock market is a recent creation, though

there has been at times, as in 1977/1978 furious trading, Foreign Currency share has been going up while local sources' contribution to long term funds has been declining. Though local as well as foreign firms qualify for loans, foreign firms have been looking to foreign banks, investment companies or own sources for funds. There have been according to Asian Finance and Far Eastern Economic Review, several cases where medium and long term loans were taken from foreign banks, investment banks, Asian and Euro dollar markets to meet medium and long term credit needs as well as working capital needs. The fact that cash flow position of most foreign originating firms or joint ventures has been comfortable would have added to the complacency of the authorities.

Commercial bank loans by purpose given by the Bank of Thailand are set out in Table XXI as from 1970. In the last five years, the share of manufacturing in the total has been steady around 18 per cent, though the volume of loans has doubled in this period. What is given under import and export could perhaps be related to manufacturing and not just trading. The continued importance of wholesale/retail trade and the position of real estate, construction are, however, significant pointers. This explains why foreign banks, which were in a way prevented from expanding their operations, had a local loan commitment of Baht 11,649 billion with a deposit base of Baht 5,492 billion only, at the end of 1979. This means the balance must have been made good by induction of funds from outside. <sup>31/</sup> Even apart from foreign owned companies, joint ventures, there was a chronic shortage of both short and long term funds

---

<sup>31/</sup> Bibliography. See foot note <sup>30/</sup> and particularly IFCI's study in Banking and Finance for Investment.

whose effect was particularly harsh on Thai companies generally and small scale companies/firms particularly. The permissible monthly interest was 1.5 per cent but the typical rate was 3.0 per cent, more often going up to 5.0 per cent. Commercial paper of a short term as well as long term nature was consequently raised by joint ventures/foreign owned companies.

Small Scale Units/Cottage Units: Problems of Financing

Considering the place of small units in the countries under study in view of the size of market, the nascent character of industrialization in these countries and the employment generating potential the small unit has in certain lines, financing of small scale enterprises/establishments has a certain significance. The informal or cottage sector is even more hard put to find finance. Development/Government agencies have stepped in and are rendering help. Whether finance is the only problem and marketing, inputs etc. are not equally important raise a different set of issues. If provision of material inputs is not a better way of helping, these should also be examined. However, scope for differential tax, exercise, import, duties, etc. is limited in the countries under study in view of the concessions already built into the structure for large units, which pre-empts action of this type. Help through remunerative pricing is also to be examined.

Bangladesh - Around 1968-1969, there were 3,30,400 industrial units in Bangladesh outside the organized sector, with assets below Rs. 0.5 million (the currency at that time). About 82 per cent of these were cottage units, available, capital-wise, or employment-wise. With currency overvalued and with easy availability of foreign exchange,

organized/factory units tended to be capital intensive in utter disregard of factor endowments. There has recently been no survey of small/cottage units, which is understandable as even the bigger, public sector units were not properly assessed. In any case, the East Pakistan Small Industries Corporation started in 1957 hardly took off. All the same, small scale units' contribution to GDP was reportedly 4.1 per cent in 1969-70 as against 2.4 per cent in 1949-50. In fact, sample studies subsequent to 1970-71, place the small sector's contribution to GDP at higher levels. They were, in 1976-77 contributing, 5.0 per cent to GDP against 6.2 per cent by organized industry. Keeping raw material resource availability and labour force increase <sup>32/</sup> (2.4 per cent per year between 1960 and 1975) in view, the correct strategy would have been to concentrate resources on small/cottage sectors consistent with a policy of modernizing the economy. Small scale and cottage sectors engaged 85 per cent of the labour force while large scale units held only 1.5 per cent of the labour force in its fold. In cloth, for instance, 80 per cent of production was in small and cottage sectors. But not more than 0.66 per cent of public industrial investment has gone into small/cottage sectors as Qazi Kholiquzzaman noted. This is, when 42 per cent of labour force in agriculture is unemployed or under-employed. There has not been any properly conceived credit or marketing policy for cottage units. The Bangladesh Small Scale Cottage Industries Corporation (BSCIC) could not do justice to small units. Its loans, according to Bangladesh Bank Annual Report for 1978-79, were Taka 3.42 crores in 1978-79 and Taka 3.97 crores in 1979-80, while the policy was that nationalized banks alone should devote 2 per cent of their time and demand liabilities to small/cottage units. Before this, the

---

<sup>32/</sup> ESCAP countries, Labour force estimates from Policies, Programmes and Perspectives for the Development of the ESCAP Region, E/ESCAP/226.

target was 1.5 per cent, which itself was never fulfilled. From Taka 25.000 to Taka 50.000 limit fixed earlier, it was raised from Taka 50.000 to Taka 1,00.000 to accommodate firms whose investment ceiling was being increased. A special credit programme of Taka 6 crores was initiated in 1979. Still the steps taken were grossly inadequate at organized bank/institutional level and small/cottage units must perforce have gone to the unorganized money market for working capital and such like funds.

Indonesia <sup>33/</sup> - had a labour force of 34.15 million in 1960 and 49.70 million in 1975 (growth rate per year was 2.4 per cent in the 1960s and 2.9 per cent between 1970 and 1975). Only 6.7 per cent of the labour force was in manufacturing and inadequately utilized labour constituted 21.1 per cent to 59.7 per cent of the total in a typical year. There is no information about the number of small scale/cottage sector units. A number of schemes have been designed to help small industry and business. <sup>34/</sup> The prominent among them are KIK, KMKP, Mini credit and Inpres Pasar Credit Schemes. Up to the end of 1978/79, the KIK applications, which received approval, were 57,378 with a value of Rp. 113 billion. The amount used reached Rp. 68 billion. KMKP approvals were for 438,027 clients for Rp. 186 billion, of which Rp. 93 billion was used. The INPRES Pasar scheme was for construction/renovation of market places to help businessmen. Mini credit financed by Government budget reached a total of Rp. 18.2 billion. Besides the above, facilities like KUD loans (to village cooperatives) under Kredit Kaudak Kulak programme and KPR loans were taken up to provide loans to

---

<sup>33/</sup> ESCAP countries programmes and perspectives for the countries of the region, E/ESCAP/226.

<sup>34/</sup> Bank Indonesia Report for 1978-79 and earlier issues.

low, medium-level employees. In order to provide finance under KIK lending scheme to economically weak small businessmen/enterprises, World Bank had given the Bank of Indonesia a loan of \$40 million. In all this, the rate of interest has been kept low and terms of repayment were made easy. The pawnshop is still an important source for providing finance. For the last five years their number has been around 440. Total loans extended increased from Rp 23,345 million in 1974 to Rp 58,625 million in 1978 with loan outstanding increasing from Rp 6,543 million in 1974 to Rp 15,648 million in 1978. In order to facilitate provision of KIK, KMKP loans which were more easy to get than bank loans but to reduce at the same time the risk of default, the Government had set up in 1971, PT ASURANSI KREDIT, INDONESIA (PT ASKRINDO) to provide insurance cover for the loans.

Malaysia's - Labour force was 2.71 million in 1960 and 4.14 million in 1975, growth rate in 1960s having been 2.7 per cent per year and in the 1970-75 period, 3.2 per cent.<sup>35/</sup> While total employment was rising at 3.4 per cent per year between 1970 and 1977, employment in manufacturing was also growing at 3.4 per cent. Inadequately utilized labour formed 11.8 per cent of the total in 1974 in Peninsular Malaysia. Industrial Policy enunciated in 1970 emphasized the importance of small industries as a part of the programme to increase employment and to have a dispersal of units. A survey<sup>36/</sup> conducted in 1968 brought to light several significant points. Of 9,013 enterprises, as many as 3,347 enterprises had no full time employees, 2,738 enterprises had 1 to 4 employees and 957 enterprises

---

<sup>35/</sup> Ibid, Policies, Programmes, Perspectives for the Development of the ESCAP region, p. 201 and p. 218.

<sup>36/</sup> Modern Small Industry in Malaysia from United Nations Small Industry Bulletin for Asia and Far East, No. 10.

5 to 9 employees. Enterprises employing more than 100 persons numbered 230 only (only 20 having more than 500). Value added per person increased sharply from M \$ 3,600 in the first category to M\$ 7,277,000 in the last category though capital/value added ratio fell from 5.1 in the first category to 1.6 per cent in the last category. The less than 100 persons' enterprises accounted for 97 per cent of the total number, 40 per cent of value added and 52 per cent of employment and were mostly in the fields of textiles, fish, fruit, rice, rubber, etc. Free imports of capital, technology and packages of incentives offered, encouraged capital intensity. This has not been as strongly felt in Malaysia because of her relatively low population density and the export direction her industry is acquiring. Apart from non-availability of managerial personnel, modern technology, skills, raw materials, etc. lack of access to institutional credit agencies/capital, market created problems. There has been no single agency to remove this. However, bank leading to small-scale enterprises and small business (Bumiputra elements within these) has been increasing through the Credit Guarantee Corporation. There is a differential interest element in this particularly to favour Bumiputras. There is also a ceiling on loans but with provision for a higher ceiling for Bumiputras. Interest rates are low generally and the grace period granted is also favourable. All the banks have been asked to set apart funds for financing to small scale industrial activity pending a minimum of 10 per cent of their loans, according to the Bank Negara Malaysia. The yearly loans are given here below. Loans to small industry proper were not that large. Cumulative total:



	1973	1974	1975	1976	1977	1978	1979
Small business	9.6	130.1	97.3	67.1	64.5	82.4	100.9
Small industry	1.1	17.7	14.8	9.9	9.5	12.8	14.0
Agriculture	1.1	16.6	13.7	12.4	15.1	19.9	27.6
Total	11.8	164.4	125.8	89.4	89.1	115.1	142.5

is put at M\$ 738.1 million at the end of 1979 and outstanding loans at M\$ 303.8 million. Apart from this there are also loans extended to small scale enterprises (defined as loans of M \$ 250 thousand or less extended to enterprises with fixed investment of M \$ 500 thousand or less). A part of these loans were also given for trading activity, contractors, professionals, agriculture, etc.

Year	Total Loans - M \$ million
1972	463.6
1973	634.8
1974	746.6
1975	945.4
1976	1190.0
1977	1436.8
1978	1871.7

Source: Bank Negara Malaysia

There is a suggestion that the CGC loans are also covered by the above. How far the requirements of small enterprises/underprivileged groups were met by these, it is not possible to conjecture, except for that Malaysia's financial infrastructure is better organized than most other countries in the region.

Sri Lanka - with a labour force <sup>37/</sup> of 3.39 million in 1960 and 4.74 million in 1975 experienced growth rates of 2.1 per cent per in the 1960s and 2.5 per cent per year between 1970, 315 thousand were in total labour force of 3.285 thousand in 1970, 315 thousand were in manufacturing. Increase in labour force and in the number of persons engaged in manufacturing was of the same order, 1.7 per cent per year in the 1970-77 period. Inadequately utilized labour force constituted 42 per cent of the total in 1975. A study <sup>38/</sup> made to identify the problems of firms with investment of less than Rs. 500 thousand has shown that none of them had recourse to bank finance initially and that only on becoming successful were they eligible to it. The inference was that this was more due to conservative leading policy than to any risk inherent in the transaction. Bringing such enterprises under the wings of commercial banking institutions could help the enterprises to tone up financial management. This is particularly necessary because the small scale sector was responsible for 65 per cent of the value added and 85 per cent of employment in 1970 as against the private large scale sector's contribution of 18 per cent to value added, with only 9.2 per cent share in employment. <sup>39/</sup> The public sector contributed 17 per cent of value added with 5.8 per cent share in employment. There were about 3,000 small units in 1970. The need for a clear definition of their scope and role, provision of facilities like power, raw materials, marketing were recognized early enough. It is only recently that their credit requirements were attended to. A credit

---

<sup>37/</sup> Ibid, Policies, Programmes and Perspectives for the Development of the ESCAP region, p.201, p. 209 and p. 218.

<sup>38/</sup> Annual Report, Central Bank of Ceylon, 1978.

<sup>39/</sup> Small Industries in Sri Lanka, United Nations Small Industries Bulletin for Asia and Pacific, No. 14.

Guarantee Scheme covering loans to small industrialists given by the People's Bank, Bank of Ceylon and Development Finance Corporation was initiated in 1978, in collaboration with the Industrial Development Board. The burden of the scheme is that the Central Bank Guarantee 75 per cent of the original loan or the amount in default whichever is less. A wide variety of household, cottage and small industries is covered by the scheme. A loan as low as Rs. 1,851 given to a blacksmith was covered. In all 86 and 506 applications, involving Rs.2 million and Rs.16 million guarantee were issued in 1978 and 1979 respectively, covering a wide range of industries (Table XXII). The Government entered into a loan agreement with International Development Association for US\$ 16 million, of which US\$ 12 million was made available to the National Development Bank of Sri Lanka, to refinance small and medium industry projects.

Thailand - The stock of labour force in Thailand <sup>40/</sup> was 13.53 million in 1960 and 19.22 million in 1975. It increased at the rate of 2.1 per cent per year in 1960s and at the rate of 2.9 per cent per year between 1970 and 1975. In 1975, 11 per cent of the total labour force was engaged in manufacturing. Inadequately utilized labour constituted 31.2 per cent of the labour force in rural areas and 23.2 per cent of the labour force in urban areas. A survey <sup>41/</sup> has shown that the relatively smaller units employing between 10 and 49 workers and 50 to 99 workers were most export oriented than bigger units. In spite of that the small firms depended upon their own sources (up to 70 per cent) for initial capital. Inadequacy

---

<sup>40/</sup> Ibid, Policies, Programme and Perspectives for the Developing ESCAP Region, p. 201, p.213 and p. 218.

<sup>41/</sup> Development of Small Scale Industries and their Linkage with large and Basic Industries - Thailand, United Nations Small Industry Bulletin for Asia and Pacific, No. 16.

of capital, apart from non-availability/poor quality of raw materials, was the main problem. In the case of running companies it was noticed that own capital constituted 64 per cent of total sources, organized agencies provided 19 per cent of sources and 17 per cent was provided by unorganized agencies. Technical assistance was provided by Department of Industrial Promotion (DIP). Financial assistance has been provided by the Krugig Thai Bank (KTI) through Small Industry Financial Office (SIFO). In its 13 years of existence, from 1964 to 1976, it provided 941 loans involving Baht 294 million which 'barely touched' the tip of iceberg of small and medium industry problems (Table XXIII). An ADIPA Research Project on Development of Small and Medium Manufacturing Enterprises in Thailand further confirms the earlier stated conclusions. While 61.5 per cent of total capital of firms taken by employment was 'own capital', unorganized sources accounted for 8.1 per cent and organized sources for 30.4 per cent (Table XXIV). The share of own capital is more in smaller companies (employing less than 10, 10 to 19 persons etc.) while the share of commercial banks was proportionately less. In the financing of fixed capital assets, own capital accounted for 81 per cent of assets and commercial banks for only 13 per cent; and in the financing of working capital the former accounted for 52 per cent and the latter for 33 per cent. Region-wise the significance of own capital was less in Greater Bangkok as compared to other places. In 1976, rules and regulations regarding the size group of companies eligible for SIFO support, including information on industries eligible for support, size of loans (maximum of 1 million Baht), interest rate (9.5 per cent), period (3 to 10 years), collateral (land, building, machinery, applicants duly authorized by banks) were set out. The extent of approvals is shown

in Table XXIII. Its distribution is given in Table XXIV. It is relatively larger loan amounts that account for the bulk of loans and it is also relatively bigger units that account for the bulk of the loans according to the ADIPA report. Over the years, machinery and equipment formed a larger proportion of approvals as compared to working capital (Table XXV). The ADIPA report brought out the impact of SIFO loans on employment generation which ranged from a minimum of 44.8 per cent in 1969 to 130.9 per cent in 1974 (but this came down to 54.8 per cent in 1977). All the same, 86.2 per cent firms employing less than 10 persons and 62.2 per cent of firms employing 200 or more have not still heard of SIFO. Suggestions about taxation, location, standardization have been made but the problem of finance remains though differential interest, easy collateral etc. have been introduced.

	Baht Million								
	1971	1972	1973	1974	1975	1976	1977	1978	
Funds	18.4	19.4	14.6	19.0	27.8	34.3	44.4	43.3	
Working capital	21.8%	21.0%	20.3%	19.6%	-	27.0%	24.3%	20.5%	
Land etc.	4.2%	4.3%	4.3%	4.1%	-	9.9%	7.1%	6.8%	
Construction	25.1%	26.5%	27.6%	29.1%	- )	53.8%	61.4%	64.5%	
Machinery	44.7%	43.8%	43.5%	43.2%	- )				
Miscellaneous	-	4.5%	4.3%	-	-	7.9%	5.3%	4.3%	

Source: Annual Reports of Bank of Thailand

The manner of distribution of SIFO fund will be seen from the information given in the table above. It looks balanced but its impact could not have been anything but marginal. Credit Financing Companies (33 in number),

Housing Credit Institution, Group Housing Board, Agricultural Cooperative Societies and Pawn Shops (301 in number) opened by Government were all aimed at increasing resources in the economy.

Official Assistance/Private Foreign Investment and Other Flows into the Countries of the Region

Investment by official (bilateral and multilateral) or private foreign sources has played a big role in triggering growth, not only in the countries of the region under study but elsewhere also by (a) supplementing domestic savings (b) bridging balance of payments deficits such that imports of machinery/goods that cannot be otherwise arranged are brought in and (c) acting as a catalyst of growth by inducting technology. The exploitative phase of foreign financial flows/investment is over, though developing countries still harbour feelings of distrust against the more subtle form of foreign presence, the transnational corporation. Foreign investment or foreign financial assistance need not be viewed in terms of absolute black or white, there being shades of grey in between. In the 1970-76 period official flows wholly dominated in Bangladesh (Table XXVI). Indonesia and Malaysia almost balanced official/non-official flows (including direct investment, commercial borrowings). There was a reverse flow in the case of Sri Lanka. Thailand, on the whole, was experiencing an increasing inflow on bilateral/multilateral account, the private component finally working out to a little less than a quarter of total flows. This series can at best be extended by one year. Foreign investment prospects have turned more bright for Sri Lanka in recent years. There is no noticeable change in Bangladesh. Private flows continue to be important in Indonesia and Malaysia but less important in Thailand. Investment incentives have by no means been dismantled but there is understandably closer examination

of possibilities by both sides for investment/profit. It could also have something to do with the relatively more comfortable foreign exchange position at least in Indonesia and Malaysia to a lesser extent in Thailand.

In the countries where private foreign investment is a strong element, its influence could be seen as in Malaysia, Indonesia and Thailand but it is a sensitive element susceptible to changes.

Direct Foreign Investment as a per cent of Gross Domestic Investment

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Indonesia	3.3	6.9	10.8	11.7	11.5	-
Malaysia	15.7	14.1	5.7	12.9	15.5	21.3
Sri Lanka	-0.6	-0.1	0.1	0.2	0.2	0.4
Thailand	3.2	2.6	2.3	3.9	2.7	4.

When there was a drop in the flows from DACS (of West) or more specifically U.S.A., Japan stepped in and when there was a shift in the priorities of Japan, Hong Kong, R.O.K., Singapore filled the breach. Thus in Indonesia, Japan has a predominant position, followed by U.S.A., Hong Kong, Pakistan, several countries of Europe and Singapore, having same share thereafter (67-75 per cent position). Malaysia has several wholly owned foreign companies operating and if they are ignored, Singapore, Hong Kong, U.K. have a big stake (71-73 per cent position). Thailand has considerable American presence followed by Japan, Hong Kong, Singapore and U.K. in that order (73-74 per cent position). <sup>42/</sup>

Over the 1967-74 period in Indonesia, 48.2 per cent of foreign investment was in manufacturing, distributed over textiles, metals, machinery,

---

<sup>42/</sup> Ibid, Private Foreign Investment, ESCAP Bulletin Dec.1976. Also, David William Carr, Foreign Investment and Development in the South West Pacific, Praeger Pub.

transport equipment, chemicals, etc. There is sizable interest in mining and in estates. In Malaysia, the picture is somewhat blurred with services, banking and others absorbing a part of the investment. Within manufacturing textiles, machinery, electricals hold away but were more recently electrical goods/ electronic items, etc. have come to prominence. Once again in Thailand, the importance of textiles, hotels, other metals is seen in the 1970-75 period. Banking and finance also have a big share.<sup>43/</sup> It is a moot point if regulations on foreign banking in these countries have something to do with large investment in finance.

Incentives pushed up the stock of private investment by 1977 to US \$ 80 million in Bangladesh, US \$ 5,160 million in Indonesia (254 in 1967 and 1,700 in 1973), US\$ 2,700 in Malaysia (679 in 1967 and 1,150 in 1973), US\$ 65 million in Sri Lanka (144 in 1967 and 140 in 1973) and US \$ 400 million in Thailand (214 in 1967 and 530 in 1973).<sup>44/</sup>

The different incentives<sup>45/</sup> given under tax holiday, exemptions from duties/taxes, permission to remit freely, accelerated depreciation, relatively low corporate/individual income taxes and built in benefits like freedom to import have helped to attract investment. Even as foreign capital is being welcomed on a more selective basis with an eye to exports, better utilization of labour, locally available materials, etc., through variations in the scheme of incentives, there has been a corresponding tendency to limit foreign ownership and to channel foreign funds into certain fields. There has also

---

<sup>43/</sup> Ibid, Private Foreign Investment, ESCAP Bulletin, December 1976;

<sup>44/</sup> Development Cooperation, 1979, Organisation for Economic Cooperation and Development (Table E 1) for 1977 figures, 1967 and 1973 data taken from ESCAP Bulletin, December 1976;

<sup>45/</sup> Incentives given were listed in earlier sections as also in ESCAP Bulletin, December 1976, also Dirk Stikker 'The Impact of Foreign Private Investment' in South East Asia's Economy in the 1970's, Asian Development Bank, 1970.



been a demand that local participation be firmly encouraged. Above all in specific fields like petroleum, mining, agriculture, the state wedded to free enterprise otherwise, is taking an activist role by itself or in collaboration with others, investing large sums of money (these being obtained from bilateral/multilateral sources) or on product sharing basis etc.

The relative significance of Direct Investment and long term capital in each of the five countries over the 1970-77 position is outlined in Table XVII. Long term capital inflows outside direct investment are on the increase in Bangladesh. In Indonesia, though the relative position of direct foreign investment is decreasing, it is still significant but other long term capital flows are on the increase. In Malaysia direct foreign investment is more important still but long term capital inflows are also making their presence felt. Sri Lanka witnessed only small inflows of other long term capital funds. Finally, Thailand was experiencing only modest direct foreign investment inflows but other long term capital inflows were actually more significant.

In the present situation of reduced official loans/multilateral assistance, direct foreign investment and recourse to short term/long term capital market centres are necessary to obtain foreign finance and technology. Whether the mix of incentives should be changed is a different matter. But return on capital invested has to be attractive enough, because whose wooing foreign capital are found vying with each other. Maximum increase in post tax profit rate under tax holiday has varied between 18.8 to 38.9 per cent in Thailand, 81.8 per cent in Malaysia and 80.2 per cent in Indonesia, as the ESCAP article brought out. Effective tax holiday years are correspondingly 13, 10 and 6 respectively.

That foreign capital played a significant role in supplementing finance and generating growth in the countries under study is clear. But with all the concessions/incentives, the most preferred fields for investment has been mining and agriculture to improve raw material availability to foreign investors. Such investment as has gone into manufacturing has been mostly of import substituting variety. Once the narrowness of the local markets began to be felt, export oriented foreign investment has become more active. A strategy which takes the size of local market and prospect of exports in view has to be developed.

CHAPTER III

THE BROAD PATTERN OF INDUSTRIALIZATION  
AND ADEQUACY OF FINANCIAL STRUCTURE

What is the broad pattern of industrialization adopted by the countries under study? Is the financial structure adequate to the task? The present Chapter will be in the nature of picking up the threads.

Bangladesh - has set out on a stabilisation/consolidation programme during 1978-80 of a short term nature aimed at increasing production in firms and factories, increasing exports and containing price increase. The recurrent bad harvests and budgetary difficulties added to her problems with the Consumer Price Index going up from an average of 112.9 (1975=100) in 1978 to 134.3 in the third quarter of 1979. A programme of containing deficits and controlling money, supply was undertaken but with only limited success. It has not been possible to step up investment to utilize natural gas supplies and raw materials available. Though disinvestment by government of its holdings in nationalized undertakings in view of continuous losses (8.4 percent loss taking the profits sale ratio in 1972-73, 0.2 per cent profit in 1973-74, 1.6 per cent loss in 1974-75 and 4.1 per cent loss<sup>1/</sup> in 1975-76), had been hinted at, its precise magnitude is not known. Nor is there any hard information on foreign (Bangladesh Central Bank Annual Reports<sup>2/</sup> just refer to foreign investment proposals) and domestic investment (response to relaxation of 'ceiling' limits is not known).

Indonesia - during Repelita III<sup>3/</sup> (1979-1984) total gross investment is to increase from Rp. 4,915 billion (21.2 per cent of GDP) in 1978-79 to

---

<sup>1/</sup> Sectoral Corporations Reports, Nationalized Industries Division quoted by World Bank Report.

<sup>2/</sup> Annual Report, Bangladesh Central Bank, 1978-79 gives, however, investments made/allocation, Taka 5.05 crore for Jute, Taka 33 crore for textiles, Taka 18 crore for chemicals, Taka 5.79 crore for sugar, Taka 61 crore for steel, Taka 5.11 crore for forest, Taka 101 crore for petro-chemicals, Taka 17 crore for petroleum, Taka 8 crore for minerals.

<sup>3/</sup> Repelita I, II, III Handouts of the Indonesia Embassy.

Rp. 7,795 billion (24.6 per cent of GDP) in 1983-84. Industrial sector is to expand at the rate of 11 per cent per annum. The share of mining is to be 17.9 per cent in 1983-84 and of industry, transport, communications, construction 56.9 per cent. A certain slowing of oil earnings is envisaged and government investment for that reason is to be in the most 'appropriate' sectors. Domestic finance is placed at 79 per cent and foreign resources at 21 per cent. Government's development expenditure (to be financed from current revenue surpluses, oil earnings, foreign aid/in flows) is placed at Rp. 21,662 billion. Special efforts are to be made to push up saving rates. Investment in mining is to go up from Rp. 393 billion to Rp. 2,944 billion and in industry from Rp. 402 billion to Rp. 1,174 billion. The State enterprises as are already existing are to enter into Joint Ventures. For the rest, government support is to be given in the form of straight forward licensing procedure, financial assistance and a more clearly defined incentive system. A priority 'scale' list and priority 'industry' list is to be issued. Priority is to be given to labour intensive technology consistent with the need for modern technology. Small scale industries are to be encouraged for creating employment and for dispersal of industry. Industries are to be divided as between those fulfilling 'basic human' needs like textiles, housing, etc., and 'others'.

Malaysia - the Third Malaysian Plan <sup>4/</sup> (1976-78) and the New Economic Policy were designed to eradicate poverty through creation of employment and increasing the income of the lowest earning group irrespective of race and to reduce imbalance between regions. The Third Plan envisaged M \$ 26.8 billion private investment, M \$ 3 billion of which was to through foreign investment. This is to be through the vehicle of joint venture

<sup>4/</sup> Malaysian High Commission Handouts 'Investment in Malaysia, Facilities of a Free Trade Zone', Monetary Policy and Industrial Financing and 'General Economic Situation'.

between government owned institutions and foreign parties (or just through government investment) or private parties and foreign parties. In some cases, 100 per cent foreign equity is allowed. Foreign interests should look for bumiputra parties failing which their share will be allotted to others who will take the same on behalf of bumiputras. Local investment<sup>5/</sup> between 1971-76 in the manufacturing sector was placed at M \$ 4,479 million, M \$ 565 million in 1977 and M \$ 668 million in 1978 and foreign investment was placed at M \$ 318 million in 1977 and M \$ 435 million in 1978. The 'one stop' approach to all foreign enquiries, where questions will be discussed and settled at a single point, and the lifting of recession in the West helped in the revival of foreign investment. Further sweeteners in the form of reduction of corporate taxes, accelerated depreciation allowance, reconsideration of export incentives, etc., which have been referred to earlier, were granted.

Sri Lanka - the years 1978 and 1979 have been treated as years of a break through from the past. As a part of the Plan to revive the economy, work is being accelerated on Mahawali, Urban development, industries, agriculture fisheries projects. In the 1979-84 period mining sector is expected to grow at 9 per cent per annum. Tree crop processing will grow at 1.8 per cent per annum. Factory industries are expected to increase at 10.5 per cent per annum, mainly on account of private manufacturing sector, particularly for the export markets. Public sector corporations are to aim at better utilization of capacities.

Companies <sup>6/</sup> in investment zone enjoy a long tax holiday. exemption

---

5/ 'Malaysia Red Carpet for Industries', Asian Finance, September 1979.

6/ Budget Speech 1980.

from dividend tax, import duties etc. To revive investment outside the zones, public limited companies will be liable to lower rate of taxes, of 40 per cent. Withholding tax will be done away with on broad based companies at source but only the recipients will be taxed. Otherwise the rate is 10 per cent on other companies. Capital gains on shares outside GEEC will also be exempt, the basis of gains being determined from a given date. Tax on individuals has been reduced to a maximum of 55 per cent. Special rates are permissible for broad based companies to encourage company formation. Capital replacement allowance have been liberalized to encourage replacement/modernization and extended for a further period.

Most of the provisions <sup>7/</sup> made by the Government or financial institutions including banks has been going to public corporations. Commercial banks are the main source of long term funds to the private sector and they also provide medium term credit. According to estimates provided for a World Bank survey, institutional long term finance to private companies in 1976-77 could not have been more than Rs. 150 million and to unincorporated business Rs. 40 million. Overall position could not have significantly altered by 1978/1979 in spite of increase in overall loans. If 1977 estimate of long term finance of Rs. 250 million were to be related to 1980 requirement of investment the gap would be clear. Even with the National Development Bank supplementing the Development Corporation and a more active role by banks, private sector companies/establishments may have to rely on self-finance to a greater degree than in the past. The new responsibilities placed on the private sector are truly staggering,

---

<sup>7/</sup> World Bank Report on Ceylon.

which could also mean a closer grip by family business. The recent incursion of foreign and off shore banks has to be viewed in this context. They, as well as development banks have to put greater emphasis on proper project appraisal rather than insistence of collateral alone. A consortium approach may have to be adopted by the lender to get over the present constricting self-finance limitation and smallness of size. The NDB was originally conceived to help public corporations but there will have to be a shift in emphasis in view of the larger role allotted to the private sector. Through the consortium arrangement, funds for big projects can be hopefully generated. The securities market which was only recently opened could not get off the ground. Only 12 new issues were raised but high interest rates have only marginally helped to add to deposits. While the Government gets funds cheaply, credit works out to be costly to private parties.

Thailand - the Fourth National Economic and Social Development Plan (1978-1980) has set the targets of growth for agriculture and industry at 5 and 9.6 per cent respectively. Industrial investment is said to be better distributed, though detailed sectoral figures are not available. Thailand is set on the road to second import substitution as stated earlier. After the 1974/1975 slow down, investment picked up, 264 applications <sup>8/</sup> involving a total capital of 1,40,016 million Baht were made in 1977 against 119 applications involving total capital of 5,128 million Baht in 1976. There was larger capitalization, more firms with over 100 million Baht investment coming forward with offers. Capital formation

---

<sup>8/</sup> 'Return of Confidence Lifts Investment: Profile, Thailand', Asian Finance, September 1978.

in industry accounted for 97 billion Baht, of which 70 per cent was in private sector and was increasingly going into machinery and equipment. Public sector investment is mostly stated to be going into infrastructure (Metropolitan Water Works Phase I and II to be financed) by ADB and World Bank, Srivakarind Hydro-Electric Project, the Pitanuloke Dam and Irrigation Project, Elevated Express Way, Bangkok Rapid Transit, Nong Nao Airport Deep Sea Port, etc.)

Adequacy of Financial Structure: Savings: Equity as Investment Constraint

As mentioned earlier, no firm estimates of industry production targets or requirements/availability of finance have been worked out. These are not available in the current or for future plans either. The nearest that we have is the broad Malaysian target. Such information as is available for Indonesia, Thailand and Sri Lanka is hardly helpful. In the absence of global finance requirement/availability figures, there can be no corresponding division between foreign/internal uses and sources.

- Households' absorption of shares is proportionally small in total savings. It is small in absolute terms even. This is the result of a number of factors like low incomes, low savings, their diversion into channels where quick money is made and above all in acquisition of tangible assets like property, etc.
- While financial intermediaries are growing, their coverage has to increase further so that people could develop proper awareness of savings/credit instruments. Tabana, Taska programmes, Tappelpram, Haj fund, etc. have been designed to suit the native genius of the people. Spreading of a network of cooperative/credit



institutions like KIK etc. could break the strangle hold of money lenders. Even, the pawn shop, when it is properly organized could be of help.

- An integrated interest rate policy is necessary. High rate of interest help to swell the funds of captive institutions as was seen in Sri Lanka, Malaysia, Thailand, etc. While the Government has been getting its finance at relatively low rates, rates of interest charged to the corporate sector, etc., have been almost penal.
- The secondary market for securities has not developed, the stock market itself being a recent development. Experience of Malaysia, Thailand, Indonesia and Sri Lanka shows that people/institution show interest in shares as compared to government securities. Though there have been speculative surges, the market is hopelessly narrow.
- It is probably so because ownership of shares itself has quasi-oligopoly elements in it. A recent analysis <sup>9/</sup> of 30 of the 48 companies listed on the Securities Exchange of Thailand (SET) has shown that in a combined capital of Baht 4,048.87 million, the number of shareholders was only 36,028. Within this, ownership is highly skewed so much so that SET has not attained the status of a broad forum for the mobilization of funds. The same phenomenon was reported in Sri Lanka and could in some measure be true to Indonesia and Malaysia as well. If quasi-oligopoly is to be juxtaposed against the stark conditions of native population, attempts made to gather the savings of local/indigenous population and divert the same into shares (or purchase shares on their behalf, with an idea of developing the same on them later) assumes special meaning.

---

<sup>9/</sup> New Life for Corporations, Asian Finance, 15th September 1978.

Depreciation Rates: Tax Holidays: Internal Resource Generation

Policies designed to provide accelerated depreciation have to be critically examined. There has been among the countries a certain competition in this respect. This combined with permission to revalue assets, creates situation where depreciation works out higher than replacement cost. While the historical cost base may not be appropriate in a regimen of inflationary policies, asset revaluation could introduce anomalies of the type mentioned, even if there are agencies to monitor this. Indexation or linking it to machinery prices may be a better way of doing it.

- In any case, with tax holiday ranging from 3 to 15 years and extensions provided thereafter for foreign as well as domestic investors, the countries studies particularly Malaysia, Thailand and Indonesia and more recently Sri Lanka have proved to be veritable tax havens.
- Corporate taxes have been low mostly, more so when ownership is broad based or shares are listed. Taxes on dividends have been low and with-holding tax not uniformly applied and more often than not refunded under one clause or the other.
- Import duties on machinery/raw materials have been either non-existent or minimal. Capital gains taxes have also been thin. Excess profit where they existed were brought down. Individual tax rates, with the several concessions thrown in, were in effect, not even as large as they looked and where they were relatively high as in Sri Lanka were brought down in recent years.
- While these various beneficial measures have generated good profits, freedom to remit funds would have

funnelled them out of the country. There was no tax on reinvested profits and/or on additional investments.

- In view of the limited or restricted nature of local entrepreneurial base, the form of enterprise selected was the joint venture but it was the foreign party that had the more dominant voice even where the indigenous counterpart is the state. This enabled the countries to benefit from modern management and technology brought in by the foreign collaborators. It is not so much because of change in the balance of political forces but because of capacity to bargain from a position of relative strength that made the Deputy Prime Minister of Malaysia say, "With so many investors, we can pick and choose who we want to invest in our country whereas we did not have this option before." <sup>10/</sup> Once again, attempts to disperse ownership as in Malaysia, Indonesia and the targets for the same have to be appreciated in this context.
  
- The purely indigenous company may not have benefited to the same extent. There was hardly any well thought out priority or scale of preference in approvals granted for joint ventures. So long as a joint venture proposal is fitted into a vague plan or target it passed muster. Though considerations like employment, dispersal, local material used were the criteria, in point of fact even those that did not permit 'pioneer' or similar status, were accorded benefits, perhaps at a lower level of incentives. Now that the first phase of industrialization is over, tax incentives, depreciation incentives could be phased out or given on a more restricted basis in terms of a better defined set of criteria. Besides,

---

<sup>10/</sup> 'Bargaining from Strength: The right to choose investors', Asian Finance, July 1980.

a consolidation of incentives and concessions on one hand and corresponding value added and other benefits should be attempted industry wise to arrive at relative cost/benefit picture. This should fit into the given country's overall priorities.

- While at the stage these countries were, this was the only way to attract investment, greater care could perhaps have been exercised. The projects tended to be capital intensive mostly and one of the original purposes underlying the industrialization process thus remained unfulfilled. It is even doubtful if they helped to generate savings in a big way. Foreign investment, all told, was helpful selectively but was significant in bringing in finance, technology. The importance presently being attached to employment could change the complexion of things.
- There is a significant public sector in Bangladesh, Sri Lanka, Indonesia and Malaysia. Both in Bangladesh and Sri Lanka it acted as a drag by consistently making losses. Its success in Indonesia or Malaysia is because of the field of operations chose. This is not a value judgement on public sector as an economic entity. It could be partly because of objective conditions like poor management, lack of investible resources, inputs, etc.

#### The Market for Short Term Funds

Pressure on commercial banks on short term funds has been endemic. It was not just inflationary pressures but supply/demand imbalance that led to sharp increases in interest rates over the years. There was thus illiquidity all over. It was partly because banks were not allowed to expand or were non-existent. The result was to take the typical instance of Thailand <sup>11/</sup> loan/deposit ratio went up to 99.1 per cent

11/ Thailand's Crisis of Confidence: New Initiatives on the Anvil, Asian Finance, 15th October 1979.

from 75.1 per cent, though deposits increased at a rate faster than savings. There was a similar illiquid situation in Bangladesh and Sri Lanka also. Rates of interest in almost all the countries went up over the years. Oil flows partly eased the situation in Indonesia and Malaysia but they were affected because they restricted foreign banks operations. This made foreign investing companies not only to import initial capital or medium and long term funds but also short term funds. Where foreign inflows were lagging behind domestic requirements, bonds had to be floated abroad, as in the case of Thailand.

- There are several instances of foreign banks lending larger amounts than their domestic deposits would have permitted. There are, equally, many instances of foreign companies being obliged to raise sizable funds abroad to finance short/medium and long term credit requirements. While this has its own attractions, it has several drawbacks too, like funds moving out at the wrong time. There is need for a thorough appraisal of short-term credit requirements of manufacturing establishments, so that they are mapped out in advance and proper collateral requirements are worked out and provision for rediscounting is also arranged. This will help to relieve pressure on commercial banks and also enlarge the volume of funds. A rediscounting market around bills or arranging of generally acceptable collateral helps in augmenting funds and working out the right arrangement for monetisation of credit instruments. In this event, future requirements can be better predicted. Also, project approach method may be adopted for indicating financial requirements.

instead of insisting on right collaterals as has already been done in some countries. Provision of right amounts of short term credit will go a long way in reducing the hold of original initiators/entrepreneurs, besides reducing the interest burden. The consortium approach may be developed among the banks to reduce the risk of default, failure etc. and above all to meet the needs of large finance.

- The impact of shortage of funds was felt by small and cottage units which were denied finance apart from difficulties they were experiencing because of lack of demarcation of their role, non-availability of inputs, etc. For the overall targets of industrial growth to materialize, small and cottage units have to be strengthened in specific industry areas or even generally. The initial capital/working capital required for their growth and functioning is large and has to be provided by commercial banks or by specially designed institutions. Rediscounting facility together with specific allocation of funds by commercial banks or whatever institutions are thought of will have to be arranged to relieve pressure on funds. Overdue are a symptom of sickness but deliberate non-payment of instalments falling due should be penalized. Provision of funds to small units generally and cottage units particularly is linked with steps taken to increase employment and raise the living standards of the poorer sections or ethnic groups. Resort to unorganized money markets with attendant high rates of interest will be avoided or at least its incidence will be reduced. Whatever it be, there should be one integrated package of incentives instead of their being split on several fronts and being misused.

Long Term Finance

While the volume of funds and hence the loans of existing term lending institutions have been increasing, new institutions are simultaneously being fashioned to undertake bigger size projects as in Malaysia and Sri Lanka. Medium and long term loans up to 20 years are being given as Bangladesh Shilpa Bank and up to 15 years as by Bangladesh Shilpa Rin Sangastan (Working Capital loans are not normally give by them). The Bapindo of Indonesia gives medium term loans of 1 to 3 years and long term loans of over three years. The IDFC gives loans of 3 to 15 years' duration and PDFCI offers loans of up to 15 years. The MIDF of Malaysia gives normally loans of 3 to 51 years, of 2 to 5 years for machinery and of 5 to 8 years in the case of other long term loans. The proposed Industrial Development Bank of Malaysia has plans to provide long term loans of 5 to 15 years. The DFCC of Sri Lanka grants medium/long term loans up to 10 years normally. The National Development Bank may extend loans up to 12 years. The Industrial Finance Corporation of Thailand offers loans of up to 10 years. There are varying grace/extension periods. Loans could be either in local currency or in foreign currency funded by IDA, ADB, KFW, World Bank, Japan Export Import Bank, Special Yen, Danish Government, etc. (the IDFC and PDFCI have 40 per cent foreign equity and channel foreign loans). To supplement resources, capital funds have been increased on occasions, besides loans/detatures, etc. have been raised. The term lending institutions have also been authorized to invest in the equity of companies seeking assistance up to a certain percentage of the given company's equity or up to a maximum percentage share of the capital of the institution.

Interest rate could be varying with the size or purpose of loan but it is usually in relation to the Bank rate or in relation to the interest charged by the foreign agency giving the loan. Small scale units were given preferential contract rates and other benefits. Term lending institutions were also supporting institutions catering to special interest by investing in their equity capital or by extending loans to them. Acceptable collateral is machinery and other fixed assets.

- To step up the rate of investment in the economy, further augmentation of funds both domestic and foreign is required.
- Loans/investment should have greater correspondence to priorities laid down in the national plan.
- Regional or special groups should have greater access to financial institutions by way of differential interest, larger loans, etc. and their institutions should have additional rediscounting facility, etc.
- Proper appraisal of projects with the right type of follow-up should be done to avoid cost overruns, delays, overdues and such like developments. It is also linked with quick clearance of projects.
- Proper delimitation of spheres for domestic, foreign and joint ventures should be done to determine which category of companies are eligible to how much of support. Priorities in turn will have to be properly spelt out. Such demarcation will finally be in relation to the nature and quantum of support to be extended to individual industries. The right kind of mix of equity and debt will have to be worked out.
- Consortium approach may be adopted where there is more than one institution or where other financial institutions are being brought into financing.



- Maximum loan/investment limits will have to be enlarged or liberalized keeping changing cost requirements in view.
- Interest rates will have to be realistically fixed.
- While some of the development finance institutions had no problem of finance owing to repayment of loans on time, others have run into this difficulty.

The survey of investment and savings trends, followed by the review made of the financial structure, brings to light the opportunities for growth and the constraints operating.

CHAPTER IV

AN OVERVIEW

Investment is crucial to growth and investment in manufacturing even more so to developing countries. This is with a view to gainfully using domestically available materials, achieving a measure of self-sufficiency and relieving pressure on agriculture through creation of employment opportunities in industry. There is also the factor of fluctuating export prices and hence of incomes. What the pattern of investment should be is a different matter but it looms large in all calculations of growth, because to this is linked the question of unemployment/under-employment, proper utilization of resources and so on.

Investment has been increasing apace in the countries under consideration. It reached a fairly high level by late sixties itself in some of these countries. The rate of increase could not be large in countries like Thailand but in Malaysia and Indonesia increases in investment have been large. Even Bangladesh reported big upward movement but how firm the trend is, it is difficult to say. Sri Lanka too seems to be poised to record increases in investment. A part of the unsteady movement is owing to fluctuations in export prices and income therefrom. There have also been factors like uneven foreign inflows, unsteady domestic savings mobilization, non-economic factors like political and other uncertainty, etc.

Savings have been lower than investment generally except for Malaysia. For certain years in between, the situation was different. Savings will have to be mobilized in a bigger way to sustain the larger volumes of investment contemplated. This is not of course to say that foreign investment/technology are not needed. The rate of savings determines/sets the pace for investment, unless savings are supplemented by foreign flows/

forced savings, which cannot be resorted to beyond a measure. Domestic savings have to supplement foreign inflows in any case, because there is necessarily a domestic component of all investments. That savings slip into low priority or speculative investment in developing countries is well known. Mere proliferation of financial intermediaries does not help, though a wide choice of options could help to channel funds into intermediaries. Direct investments by households in equity shares have been low but funds could be routed through investments by intermediaries as well. Steps are being taken to increase the volume of savings in a variety of ways, better coverage, interest incentive, fiscal concessions, contractual element, emotional appeal, etc. However, it is the level of income and its distribution that determines the volume of savings. There is, of course, direct savings/investment linkage in the less developed countries, whether it is in industry or elsewhere. Self-financing, not being sufficient and internal generation not being adequate, there is recourse to financial institutions. Their significance is increasing but small scale units are, more often than not, outside the pale of their influence. Interest rates are unconscionably high, which adds to costs. The wide differences noticeable between the organized and unorganized sectors have to be bridged, through better linkages, pumping of credit, rediscounting facility, better geographical coverage and so on. Except for Bangladesh, saving rates have been fairly high but levels are not stable and are also not growing. If incomes are stable, saving rates would be stable too. Incremental savings-income ratios have to exhibit greater dynamism. If the state is an important economic entity either as producer of goods (Bangladesh, Sri Lanka) or of oil (Indonesia, Malaysia, Thailand), the state should equally garner more of savings.

Savings habit generally or the habit of saving through financial intermediaries can only be inculcated over a period.

Within investment, the share of organized corporate and unorganized sectors, for the few years such information is available, has been between 10 and 20 per cent. By the end of the 1970s this could have moved up. Public investment is overwhelming in Bangladesh, more than significant in Sri Lanka, where there has been a shift, however, in recent years, and in Indonesia in specific fields like oil etc. Malaysia has also gone in for public investment outside infrastructure but on a more selective basis. The influence in industry proper is the least in Thailand. Foreign investment has been sizable in Malaysia, Indonesia and Thailand. Small industry's share is perhaps not large, though numberwise it constitutes a significant element.

It would appear that equity formed a large part of resources and other sources like bank loans and term loans contributing the rest, within external resources. In the case of foreign companies the position seemed to be that they had to depend on outside sources not only for initial capital but for medium and long term finance as well apart from what they would have generated internally, which must have been large in the context of incentives, benefits, etc. The limitation on foreign bank deposit mobilization in these countries would have acted as a resource constraint. Foreign companies that were significant in the life of Thailand, Indonesia and Malaysia had to depend on foreign sources for short/medium term funds too. It is doubtful how far this helped the financing of domestic companies. In any event, small enterprises which have crucial role to play in generating employment were not the

beneficiaries. The high rates of interest charged by commercial banks is symptomatic of the general shortage of funds.

Generous depreciation rates, tax holiday benefits, low corporate and other tax rates together with freedom to reinvest, remit funds must have built up internal resources. The tardy growth of financial institutions must have had something to do with internal generation of funds, that was allowed freely. Whether this is in accord with priorities is a different matter. Some attempt was made to link this to specific policy goals like employment, size of investment location, etc. But its impact cannot be judged. In any case, this contrast with lack of short term finance and requisite institutional support.

In the background of the targets set for industry, term lending institutions will have to play an even bigger role. Hence, the attempt at increasing the resources of existing institutions. More institutions designed to help specific groups are also on the anvil. Equally projects that require larger sums of money are sought to be propped up through creation of newer institutions. Development banking is not a matter of provision of finance alone. Better project review and monitoring are required to avoid over-runs, sickness, overdues and the like. Quick turnover of funds is a must: otherwise they will be only looking to government or foreign institutions for foreign lines of credit. In terms of maturity, collateral, etc., there is nothing new or more to be done.

A better allocation of short term finance through newer credit instruments, better mobilization, better rediscounting facility, development of consortium approach if necessary is needed. The solution does

not lie in encouraging foreign bank branches or in off shore type of banking or in raising short/medium term finance abroad, though they may provide short-term solution.

Public sector concerns in these countries have to be toned up so that they do not depend on budgetary support alone. Equally small scale units and ethnic groups denied credit or opportunities to growth have to be specially helped, as is being done in Malaysia and Indonesia.

A proper review of investment priorities and linking of incentives to priority is necessary to ensure that there is no divergence between commercial profits and social profits.

Growth cannot be fostered through provision of incentives or tax holidays alone. What is required in terms of infrastructural support has been kept out. The governments concerned here are aware of this and some of them, particularly Indonesia and Malaysia and to an extent Thailand are in a position to adopt appropriate measures, like provision of infrastructural facilities or creation of industrial estates to help small/medium sized units. Provision of scarce raw materials, credit, etc. could be linked to location of factories in industrial estates. Steps have been taken in all these countries covered here towards development of industrial estates to achieve dispersal of industries, welfare of special groups and above all export promotion. Greater use can be made of this. Foreign investment has helped to trigger growth but a stage comes when nascent domestic entrepreneurial talent begins to assert itself as against foreign investors unless foreign investors gradually move on to lines of industrial activity which are not immediately within the reach of the domestic entrepreneurs. There are already symptoms of this.

APPENDIX TO CHAPTER I

Table A.1

Bangladesh : Savings in Identifiable Financial Instruments

(Million Taka)

Year	Currency	Col. 1 as per cent of Col. 11	Demand Deposits	Col. 3 as per cent of Col. 11	Time Deposits	Col. 5 as per cent of Col. 11	Insuran- ce	Other Assets Depo- sits	Provi- dent Fund	Corpo- rate Securi- ties	Total Savings
	1	2	3	4	5	6	7	8	9	10	11
1975	3934		4920		4576		NA	NA	NA	NA	303
1976	3502		5500		5032		"	"	"	"	-5104
1977	4233	122.8	5848	169.65	7076	205.28	"	"	"	"	3447
1978	5354		6726		8641		"	"	"	"	
1979	6472		8450		11081		"	"	"	"	

Source: International Financial Statistics, April 1980

Table A.2

Indonesia : Savings in Identifiable Financial Instruments

(Billions of Indonesia Rupiahs)

Year	Currency	Col. 1 as per cent of Col. 15	Demand Deposited	Col.3 as per cent of Col. 15	Time and savings Deposits	Col. 5 as per cent of Col. 15	Tabanas and Taska	Col.7 as per cent of Col. 15	Certi- ficate of Deposit	Col. 9 as per cent of Col. 15	Insu- rance Pre- mium	Fro- vide- Fund	Cor- pora- te & Other secur- ities	Other Asse- ts	Total Savings
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1971	41,000	13.49	18,000	5.92	-	-	-	-	-	-	-	-	-	-	3040000
1972	53,000	12.27	33,000	7.64	-	-	-	-	-	-	-	-	-	-	4320000
1973	81,000	13.75	101,000	17.15	-	-	19365	3.29	5600	0.95	NA	NA	NA	NA	5890000
1974	13,000	12.99	100,000	9.99	105000	10.49	6426	0.64	49647	4.90	"	"	"	"	1001000
1975	118,000	5.62	135,000	6.43	198000	9.42	17404	0.83	22778	1.08	"	"	"	"	2101000
1976	120,000	5.74	265,000	12.69	300000	14.36	27711	1.33	14862	0.71	"	"	"	"	2089000
1977	19,000	9.10	132,000	6.11	196000	6.57	41305	1.39	-47661	-1.60	"	"	"	"	2981000
1978	192,000	6.44	112,000	3.19	153000	4.36	46092	1.31	10926	0.31	"	"	"	"	3606000
1978- 1979	328,000	9.36	350,000	9.98	154000	4.39	-	-	-	-	-	-	-	-	-

Note: Currency, Demand Deposits and Time & Security Deposits figures are taken from International Financial Statistics.

Source: Bank Indonesia, Annual Report for 1977/1978 and earlier issues.

International Financial Statistics, April 1980.

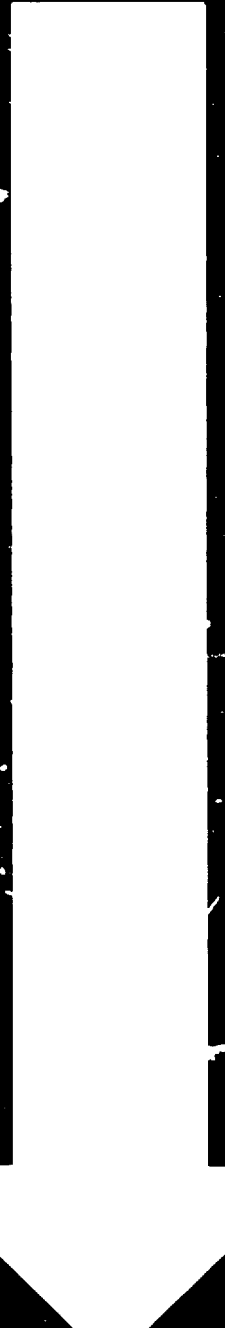


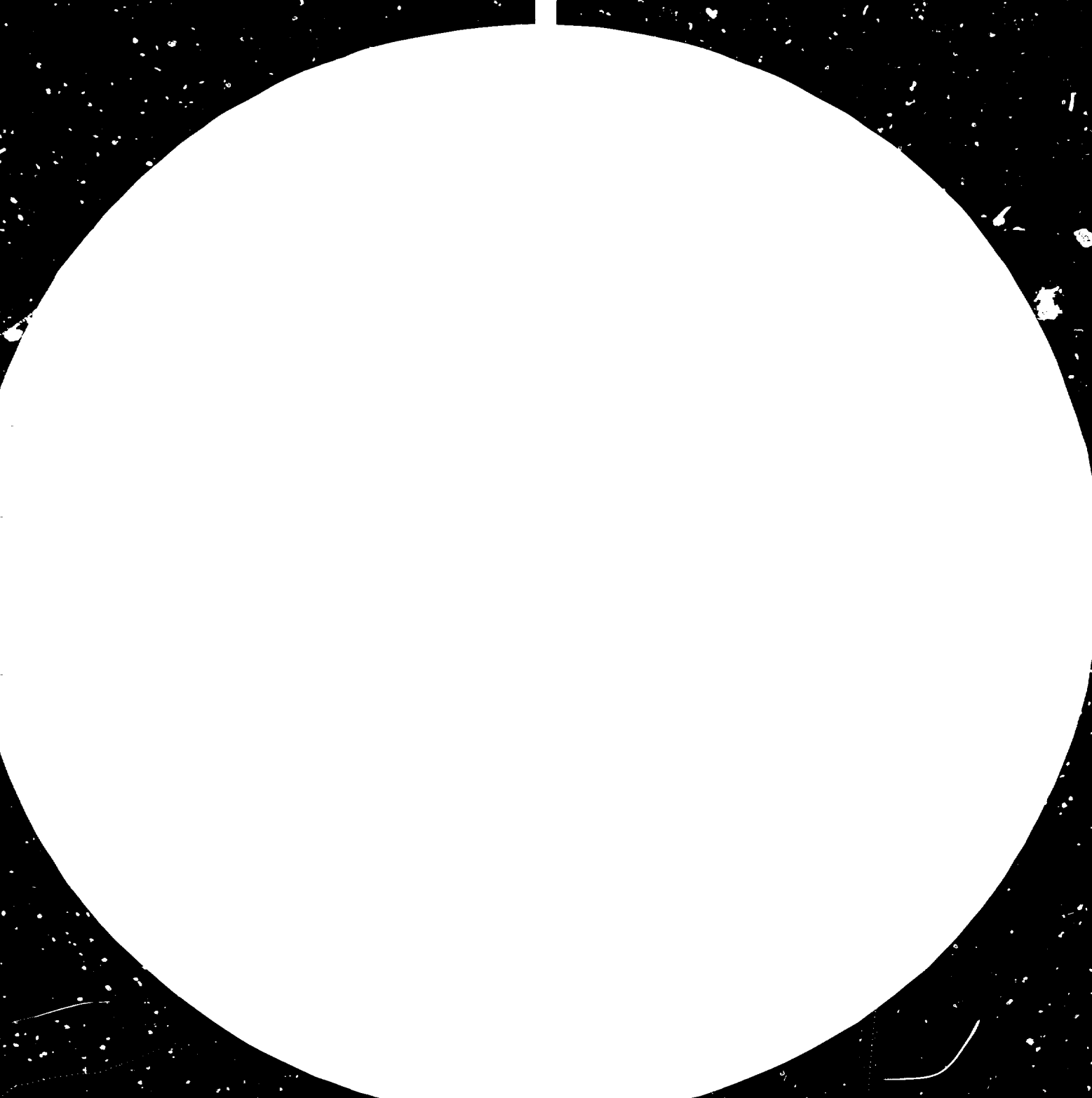
Table A.3

Malaysia : Savings in Identifiable Financial Instruments

(Millions of Ringit)

Year	Currency	Demand Deposits	1 + 2	Col. 4 as per cent of Col. 21	Col. 2 as per cent of Col. 21	Fixed Savings and other deposits All Banks	Col. 7 as per cent of Col. 21	Deposits with Finance Companies	Deposits with Merchant Banks	8 + 9	For Cols. 11 to 21, PTO
		2	3	4	5	6	7	8	9	10	
1970	69.7	80.5	150.2	5.68	2.64	287.8	10.89	121.0	NA	-	
1971	50.5	27.4	87.9	3.50	2.41	433.8	17.28	113.3	"	-	
1972	108.7	386.4	495.1	19.58	4.36	369.9	14.85	105.7	"	-	
1973	448.1	571.0	1019.1	22.20	9.77	932.4	20.30	280.3	"	-	
1974	311.6	8.5	320.1	7.75	5.60	895.4	16.08	219.5	220.3	439.8	
1975	208.3	84.2	292.5	6.36	4.53	958.4	20.85	243.8	80.8	324.6	
1976	388.7	519.5	908.2	11.16	4.78	1880.7	23.11	358.0	164.5	522.5	
1977	484.6	385.8	870.4	9.64	5.37	1268.4	14.05	424.8	124.1	548.9	
1978	466.1	649.3	1115.4			1882.1		582.2	121.8	704.0	
1979	515.8	727.4	1243.2			3715.0		755.2	219.2	974.4	







1.0

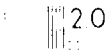
2.5



2.2



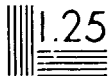
1.1



2.0



1.8



1.25



1.4



1.6

(Table A.) continued)

Malaysia Contd.

Year	(c)			(d)		(e)				Total savings
	Col. 10 as per cent of Col. 21	Variation in Amount outstanding with National Saving Bank	Col. 13 as per cent of Col. 21	Provident Fund Amount Contributed	Col. 15 as per cent of Col. 21	Variation in Assets of Insurance companies	Col. 17 as per cent of Col. 21	New Issues	Col. 20 as per cent of Col. 21	
11	12	13	14	15	16	17	18	19	20	21
1970	4.58	14.1	0.53	206.7	7.83	35.2	1.33	76.3	2.89	2643
1971	4.51	22.6	0.90	245.9	9.49	43.5	1.75	45.0	1.79	2511
1972	4.24	45.0	1.81	284.2	11.41	84.4	3.39	64.9	2.61	2491
1973	6.10	73.2	1.59	292.0	6.36	61.5	1.39	77.7	1.69	4394
1974	7.98	104.9	1.58	303.0	5.44	83.8	1.51	85.6	1.97	5569
1975	7.05	65.0	1.41	378.1	8.23	105.7	2.30	76.0	1.65	4596
1976	6.42	97.9	1.20	509.4	6.26	115.6	1.42	51.5	0.6	8138
1977	6.08	148.1	1.64	567.0	6.28	143.9	1.59	119.8	1.33	9031
1978		163.5		704.7		180.9		99.2		
1979		50.0		829.4		184.2		210.9		

(a) Domestic and Foreign

(b) Excluding Federal and State Government and Local Governments, Public Authorities' Deposits.

(c) Prior to December 1972 Post Office Savings Bank since called National Savings Bank. Also includes Premium Savings Certificates since 1978.

(d) Includes Employees Provident Fund of Sabah and Sarawak which became operational from October 1969. The amount contributed during the year is taken.

(e) Includes Life Insurance business undertaken by composite life and general insurance companies. In the absence of data on premium amounts paid, variation in total assets is taken as the nearest indicator (assets is not representative as this is not of amounts paid out on maturity/death etc.).

(f) Public issues, Private placement rights issues, special issues Preference Shares and Debentures loans stocks included. This, however, is not absorption in the public only. It includes absorption by Insurance Companies, Finance Companies, merchant banks, commercial banks, inter-corporate investment and foreign ownership etc.

Sources: Bank Negara, Malaysia, Quarterly Economic Bulletin, March / June 1980.

Table A.4

## Sri Lanka : Savings in Identifiable Finance Instruments

(Millions of Rupees)

Year	Currency held by Public	Col.2 as per cent of Col. 18	COMMERCIAL BANKS				NATIONAL SAVINGS BANKS					Col.12 as per cent of Col. 18	Col.14 as per cent of Col. 18	Insurance Premium	Col.16 as per cent of Col. 18.	Total Savings	
			Demand Deposits held by PUBLIC	Col.4 as per cent of Col. 18	Time and Savings Deposit	Col.6 as per cent of Col. 18	Savings Deposits	Fixed Deposits	Savings Certificates	Premium Savings Bonds and Regular Monthly Savings	8 to 11						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1970															NA	-	2135
1971	180	9.24	2	0.10	148	7.60							148	7.60	"	-	1948
1972	87	4.46	245	12.55	208	10.66							162	8.30	"	-	1952
1973	235	9.95	62	2.60	-113	4.74	130	47	31	-	208	8.72	173	7.25	"	-	1385
1974	102	5.11	65	3.25	249	1.25	201	67	9	-	277	1.39	190	9.51	"	-	1998
1975	71	2.76	72	2.80	67	2.60	170	76	6	-	252	9.78	216	8.39	"	-	2576
1976	471	13.09	607	16.88	463	12.87	265	65	2	-	332	9.23	237	6.59	"	-	3597
1977	711	12.04	489	8.28	1251	21.19	43	464	-18	-	494	8.37	305	5.17	"	-	5904
1978	224		347		1584		98	393	-21	-	670		524				
1979	658		974		2483		66	929	-16	6	976		597				

Source: Bank of Ceylon, Report for 1979 and earlier issues for savings data.

Table A.5

## Thailand : Savings in identifiable Finance Instruments

(Billions of Baht)

Year	Currency	Col. 2 as per cent of Col.22	Demand Deposits	Col. 4 as per cent of Col.22	COMMERCIAL BANKS			Col.8 as per cent of Col. 22	GOVERNMENT SAVINGS BANKS				Col. 13 as per cent of Col. 22
					Saving Deposits	Time Deposits	Saving Deposits + Time Deposits		Saving Depart- ment Fixed Deposi- ts	Banking Depart- ment Time Depo- sits	Other Depo- sits	10 to 12	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1970													
1971	1189	3.91	809	2.66	267	4839	5106	16.80	394	93	3	490	
1972	2226	7.32	1159	3.81	853	7523	3376	27.55	1163	235	-	1398	4.60
1973	3366	7.06	1739	3.65	1002	7448	8450	17.72	1423	105	-1	1527	3.20
1974	1605	3.01	1467	2.45	1552	11322	12874	21.46	957	86	- 2	1041	1.74
1975	1821	2.83	-44	0.07	1069	11830	12899	20.03	552	454	-1	1005	1.06
1976	3505	4.87	2141	2.97	1841	15051	16592	23.46	1077	128	-2	1203	1.67
1977	2791	3.61	877	1.14	1603	20328	21931	28.37	829	1016	+3	1848	2.39
1978	4475		4135		3841	18498	22339		2790	-2226	+12	576	

(Table A.5 continued)

## Thailand Contd.

Year	Premium Savings Certificates	(a)			(b)			Total Savings
		Col. 15 as per cent of Col. 22	Agriculture Cooperative Deposits	Col. 17 as per cent of Col. 22	Insurance Premium	Col. 19 as per cent of Col. 22	Provident Fund	
	15	16	17	18	19	20	21	22
1970								29300
1971	78	0.25	34	0.11	NA	-	NA	30400
1972	100	0.33	64	0.21	"	-	"	31500
1973	147	0.31	43	0.09	"	-	"	47700
1974	-19	-0.03	234	0.39	"	-	"	60000
1975	-15	-0.02	633	0.98	727	1.13	"	64400
1976	34	0.05	63	0.09	635	0.88	"	72000
1977	35	0.05	511	0.66	1323	1.71	"	77300
1978	99		378		1434			

(a) Excluding deposits from Commercial Banks. Government etc.

(b) Insurance Premia are not available before 1975 from Bank of Thailand (Annual Economic Report)

Source: Figure for 1975 relates to premium for 11 months, figure for 1976 relates to premium for 9 months, figures for 1977 and 1978 are for the full year.

Source: Bank of Thailand, Annual Economic Report for 1978 and earlier issues, for saving data.



- 16 -

STATISTICAL ANNEX  
Total Gross fixed Capital formation Divided  
as between Public and Private Sectors

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
1	2	3	4	5	6	7	8	9	10	11
<b>Bangladesh (million Taka)</b>										
1. Gross fixed capital formation	-	-	-	-	-	-	-	-	-	-
2. Public	-	-	-	-	-	-	-	-	-	-
3. Private	-	-	-	-	-	-	-	-	-	-
4. 2 as per cent of 1	-	-	-	-	-	-	-	-	-	-
<b>Indonesia (billion Rupiahs)</b>										
1. Gross fixed capital formation	-	-	-	-	-	-	-	-	-	-
2. Public	-	-	-	-	-	-	-	-	-	-
3. Private	-	-	-	-	-	-	-	-	-	-
4. 2 as per cent of 1	-	-	-	-	-	-	-	-	-	-
<b>Malaysia (million Ringitt)</b>										
1. Gross fixed capital formation	-	2701	-	-	-	5602	6202	7343	6627	10812
2. Public	-	811	-	-	-	2110	2505	3078	3419	4327
3. Private	-	1890	-	-	-	3492	3701	4265	5208	6485
4. 2 as per cent of 1	-	30.1	-	-	-	37.7	40.4	41.9	39.6	40.0
<b>Sri Lanka<sup>b</sup> (million Rupees)</b>										
1. Gross fixed capital formation	2355	2140	2206	2496	2972	2699	4595	5035	8521	-
2. Public	1021	860	836	894	1153	1521	2219	2403	5133	-
	(451)	(367)	(319)	(304)	(342)	(426)	(588)	(861)	(2056)	-
3. Private	1338	1280	1370	1599	1819	2178	2376	2632	3388	-
4. 2 as per cent of 1	43.3	40.2	37.9	35.9	38.8	41.1	48.3	47.7	60.2	-
<b>Thailand<sup>c</sup> (million Baht)</b>										
1. Gross fixed capital formation	32.7	32.7	34.6	44.2	59.4 <sup>P</sup>	67.9 <sup>P</sup>	73.3	28.7	46.5	146.0
						(56.1)				
2. Public	10.5	10.4	11.4	10.7	10.2	44.3 <sup>P</sup>	23.2	29.7	+36.8	43.0
						(15.4)				
3. Private	22.2	22.3	23.2	33.5	49.2	53.6 <sup>P</sup>	50.1	69.0	+79.7	103.0
						(50.7)				
4. 2 as per cent of 1	32.1	31.8	32.9	24.2	17.2	21.1 <sup>P</sup>	31.7	30.1	31.6	29.5

P - Provisional

Note: Gross fixed capital formation figures given here are not the same as those given in Table but they are nevertheless taken to indicate the broad division of fixed capital formation between public and private sectors.

Sources: a) World Bank mission document quoting Malaysian authorities.

b) World Bank mission document quoting Bank of Ceylon; figures in brackets given fixed capital formation for public corporation separately.

c) World Bank mission document till 1975 including figures given under P and office of National Economic and Social Development Board, Government of Thailand from 1975.

Table II

Gross Fixed Capital Formation by Manufacturing Establishments

(Thousand Mn. Rupiahs)

ISIC	Industries	1970 <sup>a</sup>	1971 <sup>b</sup>	1972 <sup>b</sup>	1973 <sup>b</sup>	1974	1975 <sup>c</sup>	1976 <sup>c</sup>
3.	Total of Manufacturing	37.4	53.5	105.7	85.3	--	178.3	201.1

(b) Manufacturing Establishments with 10 or more workers not using power

(c) Manufacturing Establishments with 20 or more persons engaged including Synthetic Resins

(b) Statistical Year Book for Asia and Pacific U.N. 1978 and earlier issues.

(c) U.N. Year Book of Industrial Statistics, 1977, Vol.I.

Table III

## Approved Foreign Investment Projects by Sector in Indonesia Millions of US \$.

Srl. No.	Sector	1967-69 <sup>g</sup>	1970 <sup>g</sup>	1971 <sup>g</sup>	1972 <sup>g</sup>	1973 <sup>g</sup>	1974	1975	1976	1977	1-78	1967-78	
												Plan	Project
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Mining	623.7	75.0	80.0	175.0	-	69.0	507.2	3.6	200.0	16.1	1448.4	13
	- Metals	-	-	-	-	-	69.0	507.2	3.6	200.0	-	1281.3	8
	- Others	-	-	-	-	-	-	-	-	-	16.1	167.1	5
2.	Manufacturing Industry	161.3	143.0	249.1	215.5	471.7	928.2	1159.4	348.2	380.2	202.0	4185.2	481
	- Food	31.7	15.4	19.9	24.1	24.9	33.9	23.5	67.6	7.7	13.3	244.1	57
	- Textiles and Leather	35.9	24.6	126.3	120.3	243.6	358.3	31.2	24.2	91.9	51.0	1105.4	72
	- Wood and Wood Products	-	0.5 <sup>a</sup>	1.2 <sup>a</sup>	0.3 <sup>a</sup>	6.3 <sup>a</sup>	10.0	21.8	5.5	-	1.0	46.5	13.5
	- Paper and Paper Products	3.0 <sup>b</sup>	2.1 <sup>b</sup>	3.3 <sup>b</sup>	4.9 <sup>b</sup>	2.5 <sup>b</sup>	1.0	18.5	66.2	9.7	0.5	110.5	14
	- Chemicals and Rubber	42.4 <sup>c</sup>	33.1 <sup>c</sup>	27.0 <sup>c</sup>	22.4 <sup>c</sup>	73.6 <sup>c</sup>	76.1	60.4	35.7	78.2	17.5	447.9	128
	- Non-metallic Minerals	-1	-	-	-	-	134.5	99.6	72.0	99.0	16.8	539.9	31
	- Basic metals	3.4 <sup>d</sup>	5.3 <sup>d</sup>	12.0 <sup>d</sup>	11.7 <sup>d</sup>	73.6	246.0	875.6	12.0	18.4	0.7	1208.2	26
	- Metal Products	-	-	-	-	-	65.0	28.8	65.0	75.3	88.3	466.6	131
	- Others	44.9	62.0	59.4	31.8	75.5	3.4	-	-	-	6.9	14.1	9
	- Construction	4.7	9.4	6.0	14.5	14.6	26.8	10.4	1.2	3.4	4.2	80.1	63
	- Trade and Hotels	10.8 <sup>e</sup>	3.6 <sup>e</sup>	51.8 <sup>e</sup>	33.5 <sup>e</sup>	28.4 <sup>e</sup>	43.0	21.3	14.2	0.6	9.7	180.2	15
	- Whole sale	-	-	-	-	-	-	-	0.7	-	-	12.2	4
	- Hotels	-	-	-	-	-	43.0	21.3	13.5	0.6	9.7	168.0	11
	- Transportation and communication	10.6	0.5	4.2	3.0	15.2	3.0	20.3	4.0	5.0	36.5	98.3	20
	- Services	38.3	12.2	9.9	23.5	56.5	22.2	9.5	27.3	6.0	24.1	277.2	55
	Total	1236.5	344.9	426.1	522.2	655.4	1276.4	1758.6	449.3	670.0	362.1	7124.5	808

a. Timber    b. Paper    c. Chemical    d. Metals    e. Hotels and Trade    f. Other services

g. Figures include Oil & Banking

Source: Bank Indonesia Reports, different issues.

Table IV

Implementation of Foreign Investment Projects in  
Indonesia by Sector Million of US \$.

Sl. No.	Sector	1967-69	1970	1971	1972	1973	1974	1975	1976	1977	1978	1967-78	
												Plan	Pro-jects
1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Mining	11.7	42.1	61.0	50.7	6.6	44.3	40.4	42.4	20.1	57.3	376.6	11
	Manufacturing Industry	34.6	48.0	103.7	171.1	306.7	368.5	392.4	301.2	186.2	267.0	2179.6	387
	- Food	9.1	13.8	16.4	15.9	34.8	21.7	18.9	10.8	11.9	14.9	160.2	49
	- Textiles & Leather	2.6	11.3	44.3	77.9	149.5	151.7	181.8	91.8	27.9	31.4	176.2	54
	- Wood and Wood Products	-	-	3.1	0.5	0.3	1.8	10.6	4.6	1.4	0.4	22.5	8
	- Paper and Paper Products	0.3	0.2	3.1	0.5	0.3	1.5	0.7	3.3	9.6	11.8	39.3	11
	- Chemicals and Rubber	8.0	11.4	17.9	21.2	37.1	50.8	45.9	45.7	28.0	11.7	337.6	115
	- Non-metallic minerals	-	-	-	-	-	44.2	54.2	71.3	42.9	9.0	262.7	20
	- Basic Metals	1.0	0.7	2.5	4.9	11.0	17.7	43.3	30.9	27.8	37.8	177.4	22
	- Metal Products	-	-	-	-	-	72.2	41.1	42.4	35.4	89.9	388.7	101
	- Others	-	-	-	-	-	0.9	0.9	0.6	1.3	0.1	12.2	7
	- Construction	13.6	11.0	19.2	44.5	68.9	16.1	7.9	4.5	3.0	1.4	38.9	49
	- Trade and Hotels	1.3	4.0	6.7	4.5	17.9	19.6	8.2	17.6	6.2	17.2	103.2	12
	- Whole sale	-	-	-	-	-	-	0.1	0.2	-	0.7	10.8	3
	- Hotels	-	-	-	-	-	19.6	8.1	17.4	6.2	16.5	92.4	9
	- Transport and Commu- -nication	4.3	7.6	0.3	0.9	0.9	1.1	2.2	4.4	2.0	4.7	23.0	19
	- Transportation	-	-	-	-	-	0.7	1.2	4.2	1.8	1.3	12.8	16
	- Communications	-	-	-	-	-	0.4	1.0	0.2	0.2	3.4	10.2	1
	- Services and Others	2.4	2.4	2.3	3.6	4.9	107.1	47.1	16.2	3.9	19.0	208.9	38
	Total	83.0	138.2	218.3	270.9	393.8	633.9	547.1	425.5	258.8	405.2	3374.7	661

Source: Bank Indonesia Reports different issues.

Table V

Approved Domestic Investment Projects in Indonesia by Sector.

Sl. No.	Sector	1968-71		1972		1973		1974		1975		1976, 1977, 1978 Please see next page
		No. of Projects	Investment Plan	No. of Projects	Investment Plan	No. of Projects	Investment Plan	No. of Projects	Investment Plan	No. of Projects	Investment Plan	
	1	2	3	4	5	6	7	8	9	10	11	
1.	Mining	4	18.6	1	0.3	1	0.3	3	2.4	-	-	
2.	Industries/Manufacturing	525	190.0	322	192.0	391	340.5	192	170.4	130	199.4	
3.	Transportation	52	29.2	7	28.7	21	27.8	7	12.0	-	-	
4.	Tourism/Hotels	55	31.9	16	17.2	22	33.9	8	3.7	4	1.4	
5.	Housing/Office	2	2.5	4	3.5	3	71.1	1	1.1	4	15.2	
6.	Others	7	2.4	1	0.6	1	1.0	-	-	7	8.3	
7.	Total	645	369.0	421	297.6	550	569.4	259	230.3	172	250.8	

Table V (Continued)

Sl. No.	Sector	1976		1977		1978	
		No. of Projects	Investment Plan	No. of Projects	Investment Plan	No. of projects	Investment Plan
		12	13	14	15	16	17
1.	Mining	-	-	-	-	3	18.4
2.	Industries/Manufacturing	112	179.3	129	400.3	218	531.2
3.	Transportation	-	-	-	-	-	-
4.	Tourism/Hotels	-	-	10	14.6	3	11.5
5.	Housing/Office	5	17.5	13	36.1	3	15.1
6.	Others	9	35.5	-2	14.1	14	26.7
7.	Total	146	279.1	208	580.8	299	761.8

Source: Bank Indonesia Reports different issues.

Table VI

## Approved Domestic Investment in Manufacturing in Indonesia

(Billions of Rupiah)

Sl. No.	Sector	1968-74		1975		1976		1977		1978	
		No. of Projects	Investment Plan	No. of Projects	Investment Plan	No. of Projects	Investment Plan	No. of Projects	Investment Plan	No. of Projects	Investment Plan
	1	2	3	4	5	6	7	8	9	10	11
1.	Textiles	374	366.7	21	38.8	43	42.5	35	75.1	49	167.6
2.	Chemicals	340	127.4	25	51.4	4	-2.2	28	98.6	30	103.0
3.	Electrical Appliance	61	22.1	3	2.2	-	-	-	-	-	-
4.	Others	868	409.7	81	107.0	47	134.3	103	227.7	139	260.6
	Total	1643	925.9	130	199.4	94	174.6	166	401.4	218	531.2

Different Data given under Manufacturing are taken from the 1978-79 report ; figures given here are not the same as the figures given in Table which are taken from the report for each year.

Source: Bank Indonesia Report 1978/1979.

Table VII

**Gross Fixed Capital Formation by Manufacturing Establishments  
in Peninsular Malaysia**  
-----

ISIC	Industries	1970	1971	1972	1973	1974
3	Total of Manufacturing	281.24	225.35	289.95	580.09	933.32

Source: Statistical Year Book for Asia and the Pacific, U.N., 1978, and earlier issues.



Table VIII

Gross Fixed Capital Formation by Manufacturing  
Establishments in Sabah (Establishments with  
5 or More Persons)  
-----

ISIC	Industry	1971	1972	1973	1974
3	Total of Manufacturing	8.6	4.8	6.7	18.4

Sources: Statistical Year Book for Asia and the Pacific, U.N. 1978 and earlier  
issues.

**Table IX**  
**Capital Formation by Use**

Sl. No.	1971		1972		1973		1974		1975		1976		1977	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
<b>1. Malaysia (Million Ringgit)</b>														
1) Gross fixed Capital Formation	2701		NA		NA		NA		NA		NA		NA	
2) Residential buildings	428	15.8	-	-	-	-	-	-	-	-	-	-	-	-
3) Non-residential Bldg	808	29.9	-	-	-	-	-	-	-	-	-	-	-	-
4) Other construction except land improvement	320	11.8	-	-	-	-	-	-	-	-	-	-	-	-
5) Land improvement, Plantation and Orchard Development	177	6.5	-	-	-	-	-	-	-	-	-	-	-	-
6) Transport Equipment	311	11.5	-	-	-	-	-	-	-	-	-	-	-	-
7) Machinery and other equipment	960	35.5	-	-	-	-	-	-	-	-	-	-	-	-
8) Breeding stock drought animals etc.	8	0.2	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Sri Lanka (Million Rupees)</b>														
1) Gross fixed capital formation	2290		2479		2748		2979		3840		4378		4147	
2) Residential buildings	931	41.4	1048	42.1	1214	44.2	1288	43.1	1270	33.9	1646	36.9	1686	36.3
3) Non-residential Bldg.														
4) Other construction except land improvement	398	17.6	444	17.9	486	16.6	801	16.8	877	16.4	613	13.7	673	14.5
5) Land improvement and plantation & orchard development.	170	7.6	224	9.0	220	8.0	307	10.3	391	11.2	524	11.7	464	10.0
6) Transport equipment	197	8.8	257	10.4	236	8.6	358	11.9	407	11.5	523	11.7	663	14.7
7) Machinery and other equipment	862	29.8	809	20.5	619	22.6	830	17.8	895	28.3	1269	26.1	1162	28.0
8) Breeding stock, drought animals etc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>3. Thailand (Million Bhat)</b>														
1) Gross fixed Capital formation.	32772		34607		44244		59109		68830		77418		94198	
2) Residential building	4035	12.3	4608	13.3	6262	14.1	8612	14.6	7718	11.2	9279	12.0	12031	12.8
3) Non-residential Bldg	8620	17.1	9146	14.9	9383	12.2	8842	15.0	13176	19.1	16040	20.7	19190	20.4
4) Other construction except land improvement	5771	17.6	6073	17.5	6018	13.6	3243	5.5	9071	7.4	7931	10.2	8620	9.2
5) Land improvement & plantation & orchard dev.	941	2.9	811	2.3	1337	3.0	2456	4.2	4593	6.7	5809	7.5	7276	7.7
6) Transport equipment	4858	14.8	5332	15.4	8689	19.6	10399	17.6	12984	18.9	13322	17.2	15372	16.3
7) Machine & other equip.	11547	35.2	12637	36.5	16555	37.4	25557	43.2	25788	37.8	28881	32.5	31709	33.7
8) Breeding Stock drought animals etc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Sources: U.N. National Income Accounts, 1978, Vol. I

Table X

## Gross Fixed Capital Formation in Ceylon and Capital Formation by Use

(Rupees Million)

Sl. No.	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
1. <u>Gross Domestic Fixed Capital Formation</u>	1043	2359	2140	2206	2493	2972	3699	4595	5035	8521	13246
a) Govt. & Public Enterprises	379	570	493	517	590	811	1095	1631	1542	3077	3809
b) Public Corporation	150	451	367	319	384	342	426	588	861	2056	9437
c) Private Sector	514	1388	1280	1370	1599	1819	2178	2376	2632	3388	
2. <u>Changes in Stock</u>	-30	230	258	432	35	763	441	382	224	33	281
a) Govt. & Public Enterprises	24	38	243	313	64	663	408	339	313	-354	-65
b) Public Corporation	-54	192	15	119	-29	100	33	-38	-89	386	346
c) Private Sector											
3. <u>Gross Domestic Fixed Capital Formation Private Sector</u> <u>Public Corporation</u>	-	1789	1647	1689	1903	2161	2604	2964	3493	5444	9487
Planting, Replanting and Land Development	-	96	111	112	111	98	106	93	95	157	201
Building & other construction	-	933	993	927	1029	1334	1304	1547	1637	2213	3833
Plant and Machinery	-	322	287	237	379	200	518	654	844	1551	2287
Transport Equipment	-	245	171	278	245	279	353	283	461	926	1970
Other Capital goods	-	133	85	135	139	250	323	353	456	597	1146

Source: Bank of Ceylon Report for 1979 and earlier issues.

Table XI

Bangladesh Shilpa Bank, Local and Foreign Loans,  
Sanctioned and Disbursed, Loans Outstanding Overdue

(Taka Crores)

1	Loans sanctioned				Loans disbursed					Loans Outstanding			Overdue			No. of appl			
	Public		Private		Public		Private			Pub-	Pri-	Total	Pub-	Pri-	Total	Pub-	Pri-		
	Loans	Foreign	Loans	Foreign	Local	Foreign	Local	Foreign	Currency	lic	vate		lic	vate		lic	vate		
2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19		
17-12-71 to 30-6-72	-	-	0.10	-	-	-	-	-	-	-	-	-	-	57.10	-	-	16.17	5	25
1972-73	0.99	-	0.69 (0.79)	-	0.49	-	0.30	-	-	-	-	-	-	49.91	-	-	27.37	10	16
1973-74	1.29 (2.28)	5.40	0.50 (1.39)	0.29	0.29 (0.78)	-	0.35 (0.65)	0.10	-	-	-	-	-	43.95	-	-	37.21	14	116
1974-75	5.22 (7.50)	17.16 (22.56)	1.45 (2.84)	2.96 (3.25)	0.68 (1.66)	0.28	0.26 (0.01)	2.12 (2.30)	-	-	-	-	-	59.36	-	-	48.82	11	88
1975-76	-	0.62 (23.18)	1.79 (4.63)	4.09 (7.34)	0.66 (2.32)	2.51 (2.79)	0.59 (1.50)	5.02 (7.32)	46.89	13.11	60.0	52.90	10.32	68.22	3	75			
1976-77	-	2.48 (25.66)	6.76 (11.39)	11.19 (18.53)	1.49 (3.81)	1.89 (4.68)	0.03 (1.53)	1.05 (8.37)	81.68	18.13	99.81	13.87	10.68	24.55	2	125			
1977-78	-	5.31 (30.87)	12.99 (24.38)	21.53 (40.06)	6.09 (9.90)	3.77 (9.45)	0.91 (2.44)	0.81 (5.18)	87.83	26.80	114.63	6.26	15.74	23.99	2	199			
1978-79	-	0.82 (31.79)	26.38 (50.76)	22.99 (63.05)	12.60 (22.50)	15.39 (23.84)	- (24.40)	0.15 (9.31)	81.88	54.54	136.31	16.80	17.47	34.26	1	311			
1979-80*	-	6.62 (38.41)	23.00 (73.76)	36.35 (59.40)	17.46 (39.96)	6.79 (30.63)	0.38 (2.18)	- (9.31)	82.69	74.07	156.76	24.97	25.36	50.33	-	244			

\* March ending.

Source: Resume of the Activities of the Financial Institutions in Bangladesh, 1979-80  
Ministry of Finance, Government of the People's Republic of Bangladesh.

Table XII

## Bangladesh Shilpa Rin Sangstha. Local &amp; Foreign Loans sanctioned &amp; disbursed, Loans Outstanding &amp; Overdue

(Taka Crores)

	Loans sanctioned				Loans Disbursed				Loans outstanding			Overdue		No. of application		
	Public		Private		Public		Private		Public	Private	Total	Public	Private	Public	Private	
	Local	Foreign	Local	Foreign	Local	Foreign	Local	Foreign								
1972-73	4.11	0.55	0.02	0.1	1.34	-	0.02	-	61.26	6.56	67.82	22.07	3.43	25.50	9	2
1973-74	0.56 (4.75)	0.13 (0.60)	0.58 (0.60)	0.14 (0.95)	1.81 (3.15)	0.37 (0.37)	0.05 (0.07)	0.04 (0.04)	61.94	8.92	67.86	29.11	3.98	33.09	11	21
1974-75	-	0.93 (1.61)	0.66 (1.26)	2.15 (3.10)	1.61 (4.76)	-	0.28 (0.37)	0.01 (0.05)	99.50	9.37	108.87	72.66	6.50	79.16	10	23
1975-76	10.37 (11.98)	0.22 (1.48)	8.26 (11.36)	0.15 (4.91)	8.03 (0.40)	0.15 (0.50)	0.12 (0.97)	112.13	10.47	122.60	31.64	8.40	40.04	5	32	
1976-77	1.35 (13.33)	1.07 (2.85)	22.44 (38.80)	- (4.91)	1.02 (1.42)	0.60 (1.10)	3.33 (4.30)	121.26	19.51	140.71	23.42	12.10	35.32	42	42	
1977-78	6.84 (20.77)	2.71 (5.26)	34.82 (73.62)	3.28 (8.19)	4.17 (5.59)	0.97 (2.07)	2.54 (6.84)	128.85	23.14	151.99	27.46	16.98	44.44	2	46	
1978-79	0.83 (21.0)	14.57 (19.83)	32.07 (105.69)	- (-)	9.28 (14.67)	2.51 (4.88)	10.07 (16.85)	135.93	36.33	172.26	7.94	1.26	9.20	1	147	
1979-80*	-	53.96 (73.79)	44.43 (158.12)	-	0.90 (15.77)	16.11 (20.69)	10.17 (27.02)	85.22	21.55	76.77	66.32	24.53	90.85	2	236	

\*March Ending.

Source: Resume of the Activities of the Financial Institutions in Bangladesh, 1979-80, Ministry of Finance, Govt. of the People's Republic of Bangladesh.

**Table XIII**  
**Indonesia : Long-term Loans by Industries**  
(As on 30th June)

(Million Rupiah)

	1974		1975		1976		1977		1978		1979	
	Commit- ted	Outsta- nding	Commit- ted	Outsta- nding	Commit- ted	Outsta- nding	Commit- ted	Outsta- nding	Commit- ted	Outsta- nding	Commit- ted	Outsta- nding
	2	3	4	5	6	7	8	9	10	11	12	13
<b>1. Manufacturing:</b>												
1) Food	2055	1278	2717	1858	2568	1937	5068	2415	5381	3891	8330	8654
2) Tobacco	97	70	83	47	83	18	-	-	-	-	-	-
3) Textiles	8000	4359	13798	5718	14638	7206	9523	7802	7137	6292	7699	6456
4) Wood and Wood products	97	94	284	189	607	254	647	525	1070	666	2017	1552
5) Paper and paper products Printing and Publishing	369	192	3685	1042	11127	4038	11127	8770	11932	10640	11968	10927
6) Chemical and Chemical product	364	308	358	262	4414	316	6316	1548	6519	4188	6511	5138
7) Rubber Product	4590	3965	4362	4174	2888	2508	2726	2346	2726	1784	6867	2841
8) Non-metallic mineral products	2044	784	4301	2217	12118	4688	31408	10595	33477	19643	34022	28376
9) Metal products	8401	1473	9456	5052	9512	5785	10386	9101	7550	6658	7832	7332
10) Machinery	-	-	-	-	-	-	-	-	-	-	-	-
11) Electrical Machinery and Apparel	133	107	130	98	215	124	187	134	125	48	-	-
12) Others	193	89	287	245	276	224	276	185	227	163	2023	876
<b>Total</b>	<b>26540</b>	<b>12635</b>	<b>39452</b>	<b>20988</b>	<b>58438</b>	<b>27096</b>	<b>77663</b>	<b>42222</b>	<b>75742</b>	<b>53272</b>	<b>86868</b>	<b>62128</b>
<b>2. Transport &amp; Storage:</b>												
1) Land transportation	627	463	844	680	976	758	1102	799	800	689	1568	1629
2) Maritime	3664	2417	9822	5766	17395	12253	22893	-	-	-	-	-
3) Storage	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4291</b>	<b>2880</b>	<b>10666</b>	<b>6446</b>	<b>18371</b>	<b>13010</b>	<b>23995</b>	<b>19432</b>	<b>23753</b>	<b>20458</b>	<b>33904</b>	<b>27663</b>
<b>3. Hotels</b>	<b>2679</b>	<b>2185</b>	<b>2889</b>	<b>2468</b>	<b>2895</b>	<b>2524</b>	<b>3718</b>	<b>2896</b>	<b>4122</b>	<b>3628</b>	<b>8169</b>	<b>4554</b>
<b>4. Others</b>	<b>12</b>	<b>8</b>	<b>12</b>	<b>8</b>	<b>235</b>	<b>199</b>	<b>6151</b>	<b>4512</b>	<b>6151</b>	<b>4544</b>	<b>6150</b>	<b>2494</b>
<b>Total</b>	<b>33522</b>	<b>17702</b>	<b>53019</b>	<b>30022</b>	<b>19937</b>	<b>42829</b>	<b>111526</b>	<b>69261</b>	<b>109768</b>	<b>82600</b>	<b>135090</b>	<b>103798</b>

Source: Operations of Bapindo : Annual Reports.

Table XIV

Loans by Malaysian Industrial Development Finance Board (MIDF), as at the end of March (Million M \$)

Industry	1973		1974		1975		1976		1977		1978		1979	
	No.	\$	No.	\$	No.	\$	No.	\$	No.	\$	No.	\$	No.	\$
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Food, Beverages, Tobacco	88	7.8	109	17.5	118	22.3	102	27.2	105	27.6	106	27.2	115	33.6
2. Textiles & Wearing Apparel	66	34.1	75	39.7	76	49.2	70	50.9	60	46.4	61	38.1	61	36.3
3. Wood products	77	30.0	114	28.9	123	31.4	101	28.6	91	25.0	73	21.2	69	20.1
4. Printing & Publishing	76	6.0	83	6.9	84	7.1	62	7.5	30	6.1	58	5.6	74	6.1
5. Chemical & Chemical Products	83	22.5	92	30.6	90	29.6	71	26.3	62	27.8	73	29.5	88	24.1
6. Rubber Products	37	7.4	39	10.7	33	10.9	30	10.6	27	12.2	26	12.1	30	14.8
7. Non-metallic Mineral Products	31	6.3	41	7.9	42	11.0	40	13.5	24	12.1	32	11.2	31	15.9
8. Basic Metal and Metal -"-	77	23.6	84	25.6	70	23.6	96	25.2	92	29.3	59	14.8	71	13.4
9. Machinery & Transport equipment	85	10.0	63	10.3	75	13.5	43	10.9	46	9.2	70	22.5	72	20.0
10. Others	29	2.9	14	2.2	27	6.9	22	1.3	46	5.2	20	3.5	26	6.2
11. Total	621	150.6	716	180.3	738	205.5	637	202.0	603	200.9	578	186.2	637	190.5
12. Non-manufacturing	35	8.9	45	12.1	35	10.2	66	20.4	30	18.3	31	18.5	40	17.7
13. Grand Total	656	159.5	761	192.4	773	215.7	703	222.4	633	219.2	609	204.7	677	208.2
14. Approved during the year	-	-	-	-	166	81.2	127	40.0	-	-	171	50.4	252	122.2

Source: Bank Negara Malaysia, different issues.

Table XV

## New Issues of Domestic Securities in Malaysia

(\$ Million)

	Federal Government Securities			Corporate Securities							Debtenture/ Loan Stock
	Gross Issue	Redemption	Net Issue	Gross Issue	Net Issue	Public issue	Private placement	Light issue	Special issue	Preference shares	
1	2	3	4	5	6	7	8	9	10	11	12
1967	480.0	50.5	423.5	22.6	22.6	22.2	0.4	-			
1969	430.0	52.7	377.3	75.0	75.0	30.6	4.2	41.2			
1970	395.0	6.9	388.1	76.3	76.3	14.5	17.1	42.6	-	1.8	
1971	635.0	87.7	547.3	45.0	45.0	6.5	8.5	30.0	-	-	
1972	1045.0	260.6	784.4	55.9	55.9	21.0	6.7	28.2	-	-	9.0
1973	1153.0	242.9	910.1	77.7	23.4	8.3	46.0	-	-	-	-
1974	950.0	229.5	720.3	85.6	32.0	4.1	49.5	-	-	-	-
1975	1092.0	175.7	916.3	76.0	76.0	18.2	-	9.5	-	-	48.3
1976	1617.0	511.0	1306.0	51.5	51.5	-	18.8	22.0	10.7	-	-
1977	2050.0	254.1	1795.9	119.8	21.8	21.8	-	94.2	3.8	-	-
1978	1933.0	504.0	1429.0	99.2	99.2	51.8	2.4	24.5	20.5	-	-
1979	3150.0	643.0	2507.9	210.9	210.9	1.7	-	143.4	65.8	-	-

Bank Negara Malaysia, March/June Quarterly Economic Bulletin.



Table XVI

## Stock Exchange of Malaysia and Singapore and Kuala Lumpur Stock Exchange

	Total		Hotels		Property		Tins		Dollars Rubber		Sterling Rub		Oil		Industrials	
	Volume mni	Value \$ mni	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1968	259.6	419.7	NA	NA	36.5	22.1	4.7	22.8	2.5	3.4	1.7	2.4	-	NA	214.2	369.0
1969	586.8	1138.6	31.4	35.7	45.3	33.5	2.8	6.1	4.6	6.1	0.7	0.8	9.4	11.6	493.4	1044.8
1970	545.8	746.7	19.0	17.6	18.4	11.6	2.2	6.2	4.6	6.5	0.6	1.1	4.6	4.6	405.4	699.2
1974	391.0	722.2	31.9	48.6	72.9	70.9	30.4	10.6	32.1	58.8	6.5	16.5	7.3	13.2	236.9	512.4
1975	617.4	1305.7	53.8	55.0	69.8	73.3	21.0	34.2	24.9	32.5	10.2	19.4	8.5	13.6	429.2	1077.7
1976	432.4	1010.8	15.6	15.1	21.7	23.4	5.8	11.6	36.8	49.1	3.5	10.6	11.8	15.3	337.8	885.7
1977	598.0	1047.5	0.6	0.5	30.1	40.3	15.5	57.7	47.7	71.6	3.7	14.28	30.1	43.8	470.3	819.4
1978	1107.2	2539.0	45.8	51.7	73.8	130.1	71.7	178.2	105.2	135.3	65.1	156.5	19.7	39.8	725.3	1747.4
1979	637.8	1641.2	24.5	25.7	27.2	50.5	32.3	135.4	81.2	252.3	50.1	113.3	16.1	45.0	406.4	1017.8

Bank Negara Malaysia, March / June 1980.

Table XVII

Investment Approvals in Industry within Greater Colombo Economic Commission 1978-79

Sl. No.	Category	Number of Units				Foreign Investment @				Total Investments Rs. Mn				Employment potential (Nos.)			
		Approvals		Contracted		Approvals		Contracted		Approvals		Contracted		Approvals		Contracted	
		1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979		
1.	Food, Beverages and Tobacco	1	1	1	-	2	20	2	-	8	20	8	-	56	351	56	-
2.	Textiles, Wearing Apparel & Leather Products	31	18	20	9	621	544	73	126	914	689	182	180	14,301	7,837	23,662	2,789
3.	Wood and Wood Products (including Furniture)	-	1	-	-	-	1	-	-	-	1	-	-	-	44	-	-
4.	Paper & Paper Products	1	1	-	-	6	3	-	-	7	5	-	-	222	183	-	-
5.	Chemical, Petroleum, Glass, Rubber and Plastic Products	7	2	3	-	47	24	22	-	75	43	37	-	9,681	1,061	740	-
6.	Non-metallic minerals Products (except Petroleum and Coal)	2	2	-	2	497	61	-	388	583	68	-	426	832	157	-	655
7.	Basic Metal Products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	Fabricated Metal Products and Transport equipment	3	7	1	1	10	91	9	8	16	189	9	13	555	1,585	395	275
9.	Products, n.o.s.	7	5	4	-	19	27	16	-	25	50	30	-	848	1,971	689	-
Total		52	37	29	12	1,202	771	122	522	1,625	1,041	263	619	26,495	13,169	25,542	3,719

Source: Greater Colombo Economic Commission @ - (Rs. Mn)

Table XVIII

Investment Approvals in Industry Outside Greater Economic Commission 1970-1979

	Number of Units				Foreign Investment (R.M.)				Total Investment (R.M.)				Employee Potential (No.)			
	FIAC		LIAC		FIAC		LIAC		FIAC		LIAC		FIAC	LIAC		
	1970	1979	1970	1979	1970	1979	1970	1979	1970	1979	1970	1979	1970	1979	1970	1979
1. Food, Beverage and Tobacco	-	6	109	103	-	37	60	67	-	77	99	103	-	292	3182	1203
2. Textiles, Wearing Apparel and Leather Products.	7	29	1315	990	20	261	346	145	31	608	454	504	1437	6749	20172	17546
3. Wood and Wood Products (including Furniture)	-	-	184	60	-	-	195	15	-	-	200	21	-	-	1535	-
4. Paper and Paper Products	-	3	-	-	-	3	-	-	-	12	-	-	-	462	-	2168
5. Chemicals, Petroleum, Coal, Rubber and Plastic Products	11	7	347	232	24	36	133	53	36	75	179	74	528	428	7092	2636
6. Non-metallic Mineral Products (except Petroleum & Coal)	1	1	125	120	9	4	16	19	21	12	21	45	76	116	2262	4201
7. Basic Metal Products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Fabricated Metal Products Machinery and Transport equipment	2	9	304	256	21	41	91	54	33	97	108	123	342	678	9120	4317
9. Manufactured products n.c.s.	-	6	-	10	-	5	-	2	-	10	-	5	-	491	-	206
<b>Total</b>	<b>21</b>	<b>61</b>	<b>2385</b>	<b>1803</b>	<b>74</b>	<b>387</b>	<b>849</b>	<b>355</b>	<b>121</b>	<b>971</b>	<b>1061</b>	<b>875</b>	<b>2385</b>	<b>9216</b>	<b>43313</b>	<b>32617</b>

Source: Foreign Investment Advisory Committee (FIAC)  
Local Investment Advisory Committee (LIAC)

Table XIX

Development Finance Corporation of Ceylon Financial  
Operations (Started Operations on 9th May, 1956)

<u>Year</u>	<u>Loans granted</u>	<u>Equity Investment in development Project</u>	<u>Capital Repayment received during the period</u>	<u>Total Loans and equities</u>
1964-65	4775	1300	2894	27497
1965-66	3725	200	3898	27824
1966-67	3625	1000	2837	29612
1967-68	3042	-	3284	29370
1968-69	11847	1100	4678	37339
1969-70	23926	1250	3426	58089
1970-71	16889	500	4941	71237
1971-72	6572	-	7140	70669
1972-73	3478	-	7779	66368
1973-74	11135	2500	11238	68675
1974-75	NA	-	-	-
1975-76	-	-	-	-
1976-77	-	-	-	-

Source: Annual Report of Central Bank of Ceylon (upto 1975)

Table XX

## Assets and Liabilities of Industrial Finance Corporation of Thailand

(Million Baht)

End of	Assets				Long-term Borrowing							Foreign Currency						
	Loans to private sector	Equity	Total Assets	Col. 2 as % of Col. 4	Commercial Bank	Bank of Thailand	Thai Government	AID	Debentures	Col. 7 to Col. 11	Col. 11 as % of Col. 4	KFW	IBRD	ADB	Govt. of Denmark	Exim Bank of Japan	Col. 14 to Col. 18	Col. 18 as % of Col. 4
1966	131	2	183	85.62	-	-	59	15	-	74	48.37	16	20	-	-	-	36	23.53
1967	210	-	228	92.11	-	-	84	15	-	79	43.42	36	21	-	-	-	57	25.00
1968	257	-	322	79.81	-	-	84	15	70	169	52.48	50	15	15	-	-	80	24.84
1969	320	Neg	400	80.00	-	-	83	15	80	178	44.50	60	10	69	-	-	139	34.75
1970	371	"	439	84.51	-	-	82	15	80	177	40.32	63	4	104	-	-	171	38.95
1971	464	"	582	79.73	-	22	81	15	80	198	84.02	66	1	160	-	-	227	39.00
1972	585	"	698	83.81	-	119	80	15	80	294	42.12	54	-	178	2	-	234	38.52
1973	601	"	769	78.15	-	154	78	15	80	327	42.52	48	-	153	5	-	206	26.79
1974	913	"	1062	85.97	-	234	192	15	80	521	49.06	46	-	143	10	79	280	26.57
1975	1333	8	1478	90.19	-	297	187	15	80	579	39.17	63	150	104	19	225	571	38.63
1976	1633	27	1993	81.94	20	269	186	14	230	719	36.08	74	177	279	23	293	346	42.45
1977	1646	50	2047	80.41	17	188	182	13	230	630	30.28	87	167	277	22	323	870	42.50
1978	1904	66	2477	76.87	14	102	178	12	150	456	18.41	88	234	359	25	406	1112	44.89

Source: Annual Report of Bank of Thailand, 1978 and earlier issues.

Table XXI

## Thailand - Commercial Bank Loans by Purpose

	1970	As % of Total	1971	As % of Total	1972	As % of Total	1973	As % of Total	1974	As % of Total	1975	As % of Total	1976	As % of Total	1977	As % of Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Agriculture	637	2.25	743	2.34	771	2.15	991	1.23	1305	1.90	2024	3.41	4212	4.20	6341	5.16
2. Mining	400	1.45	427	1.35	419	1.17	468	0.91	542	0.79	600	0.73	1116	1.16	668	0.94
3. Manufacture	4352	15.41	5161	16.20	5687	15.87	8350	16.30	12703	18.55	16479	19.80	17586	18.25	23846	19.92
4. Construction	1596	5.65	1771	5.58	2151	6.00	2600	5.08	3251	4.72	3823	4.61	4373	4.50	6004	4.89
5. Real Estate	1717	6.08	1620	5.11	1848	5.16	2412	4.70	3278	4.76	3364	4.00	3653	3.79	3842	3.13
6. Import	6058	21.46	6007	18.94	6250	17.46	9130	17.82	12304	17.80	12117	15.05	13360	13.87	15505	12.69
7. Export	2794	9.90	3152	9.94	3323	9.27	4087	9.53	8012	11.64	10102	12.20	12529	10.00	63119	10.68
8. Wholesale/ Retail Trade	6038	21.39	7229	22.80	8226	22.95	12215	23.82	13559	19.72	16175	19.51	20813	21.60	28130	22.91
9. Public Utility	324	1.15	474	1.49	588	1.68	605	1.18	794	1.15	920	1.11	1306	1.36	2631	2.14
10. Banking and other Financial institutions.	619	2.19	813	2.56	1606	4.48	2802	5.46	4744	6.89	5386	6.50	5847	6.07	7017	5.71
11. Service	1527	5.41	1969	6.21	2074	5.79	2310	4.52	3079	4.47	3542	4.27	4067	4.22	5426	4.42
12. Personnel Con- sultations	2155	7.63	2323	7.33	3086	8.61	4458	8.69	5153	7.49	7047	8.50	7580	7.86	10756	8.27
13. Others	9	0.03	23	0.07	10	0.03	31	0.06	21	0.03	52	0.06	19	0.02	45	0.04
14. Total	28234		31710		38546		51291		60816		82899		96377		122810	

Source: Annual Report by Bank of Thailand, 1978, and earlier issues.

Table XXII

## Small Industry Guarantees Issued: Sri Lanka

Sl. No.	Industry	No. of Loans		Amount	
		1978	1979	1978	1979
1.	Rice Milling	2	51	202,000	6,327,045
2.	Light Engineering Industries	15	101	379,065	3,705,997
3.	Bricks and Other building materials	13	131	68,700	1,304,250
4.	Readymade garments, Batik, Handloom, carpets etc.	10	40	201,250	952,799
5.	Rubber Based Products	3	9	163,920	145,567
6.	Footwear and other leather products	2	7	16,500	216,150
7.	Jaggery and Sugarcane based products	14	6	447,775	109,047
8.	Furniture and other wood products	6	11	70,606	229,940
9.	Fibre and Fibre based products	3	14	102,245	352,465
10.	Stationery and other paper products	3	12	52,689	413,358
11.	Food and Beverages	1	8	7,000	282,850
12.	Vegetable Oils	1	5	40,000	88,910
13.	Paints, Polish, Varnish etc	-	3	-	209,600
14.	Spare parts for radios, bicycle	5	13	133,180	816,792
15.	Soap and other toilet requisite	2	22	21,800	295,775
16.	Handicrafts and toys	-	16	-	184,830
17.	Cigars and Beedi	1	5	8,000	32,500
18.	Fishing boats and inland fisheries	1	2	16,200	11,000
19.	Jewellery and gems	2	4	12,110	56,850
20.	Others	2	6	67,240	385,917
Total		86	506	2,010,410 <sup>a</sup>	16,122,642 <sup>b</sup>

(a) Inclusive of 7 marketing loans amounting to Rs. 104,256

(b) Inclusive of 14 marketing loans amounting to Rs.167,862

Table XXIII

SIFD : Loan Applications, Approvals, Denials and Withdrawals  
(1964-76)

Fiscal Year	Applications		Approvals		Denials				Withdrawals		In process	
					Inadequate Collateral		Other reason					
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1964	121	26,039	12	2,439	32	8,600	28	8,008	8	2,170	41	4,946
1965	123	38,672	49	11,049	24	6,806	7	2,173	4	693	39	18,951
1966	131	44,926	70	15,667	6	1,950	8	2,620	9	3,100	38	18,151
1967	191	55,498	86	22,023	54	11,883	8	2,300	8	2,339	35	11,328
1968	219	67,513	112	26,257	16	4,290	10	85	4	415	78	24,088
1969	219	71,411	119	31,656	28	7,858	13	3,988	7	3,164	52	16,095
1970	199	67,616	114	26,358	28	10,837	5	1,785	6	1,764	46	16,661
1971	149	53,289	67	16,554	20	6,776	7	3,014	10	3,220	45	14,568
1972	167	57,638	79	21,678	11	4,385	6	2,130	8	2,940	83	21,701
1973	165	65,149	58	16,229	13	4,830	15	5,800	31	10,833	48	21,723
1974	117	58,130	43	14,917	48	19,442	2	1,500	2	200	30	15,280
1975	115	82,655	72	28,675	21	11,530	-	-	6	4,400	46	26,265
1976	107	69,890	60	60,290	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,023</b>	<b>758,726</b>	<b>941</b>	<b>293,792</b>	<b>301</b>	<b>101,185</b>	<b>109</b>	<b>36,403</b>	<b>103</b>	<b>35,238</b>	<b>581</b>	<b>209,757</b>

Source: SIFC



Table XXIV

Financing of Present Total Capital by Size of Employment  
and Source of Finance

(Thousand Per Cent)

Source of Finance	Present size of Employment						Total
	Less than 10	10-19	20-49	50-99	100-199	200 & over	
Own Capital	54,223 (75.5)	119,174 (73.8)	200,846 (69.8)	152,867 (55.8)	55,886 (46.1)	55,375 (46.3)	638,371 (61.5)
Friends, relatives share societies	3,245 (4.5)	10,168 (6.3)	29,976 (10.4)	10,792 (3.9)	1,000 (0.8)	10,100 (8.3)	65,248 (8.3)
Money Lenders	6,020 (8.4)	4,683 (2.9)	745 (0.3)	7,100 (2.6)	200 (0.3)	-	10,748 (1.8)
Unorganized Sources	9,265 (12.9)	14,848 (9.2)	30,721 (10.7)	17,802 (6.5)	1,200 (1.0)	10,160 (8.5)	83,996 (8.1)
Commercial Banks	8,292 (11.6)	28,095 (17.3)	56,374 (19.6)	104,863 (38.1)	64,113 (52.9)	54,018 (45.2)	315,755 (30.4)
Organized Sources	8,292 (11.6)	28,095 (17.3)	56,374 (19.6)	104,863 (38.1)	64,113 (52.9)	54,018 (45.2)	315,755 (30.4)
Totals	72,780 (100.0)	162,117 (100.0)	287,941 (100.0)	275,532 (100.0)	121,199 (100.0)	119,553 (100.0)	1,038,122 (100.0)

Source: ABIPA Research Project Volume 1 : Main Report.

Table XXV

SIFO : Loan Approvals Classified by Purpose 1964-1977

FY	Approval		Working Capital		Land		Building Construction		Machinery & Equipment		Others	
	No.	Amount	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1964	12	2,439	1,208	49.5	145	7.6	358	14.7	638	26.2	50	2.1
1965	49	11,049	4,289	38.8	370	3.4	1,914	17.3	4,261	38.6	315	1.9
1966	70	15,665	5,393	34.4	346	2.2	2,965	18.9	6,331	40.4	632	4.0
1967	86	22,021	5,136	23.3	1,444	6.6	5,175	23.4	9,271	42.1	995	4.5
1968	112	26,256	6,127	23.3	626	2.4	4,380	16.7	13,909	53.0	1,214	4.6
1969	119	31,656	3,666	11.6	1,999	6.3	9,548	30.1	13,093	41.4	1,345	4.3
1970	114	26,357	3,742	14.2	807	3.1	9,175	34.8	11,117	42.4	1,561	5.7
1971	67	18,559	2,363	12.7	693	3.7	5,115	27.6	9,945	53.6	436	2.4
1972	79	21,678	3,223	14.9	1,079	5.0	7,381	34.1	8,912	41.1	1,083	5.0
1973	58	16,227	2,042	12.6	674	4.2	6,307	38.9	6,386	39.4	818	5.0
1974	43	14,917	1,603	10.8	325	2.2	6,385	42.8	6,404	42.9	200	1.3
1975	72	28,674	3,925	13.7	2,316	8.1	12,980	45.3	8,658	30.2	795	2.8
1976	60	26,290	2,649	10.1	2,332	8.9	8,605	32.7	12,284	46.7	420	1.6
1977	83	46,202	3,255	7.0	2,830	6.1	10,700	23.2	29,077	62.9	340	0.7

Source: SIFO

Table XVI  
Current Accounts Balance Investment Flows

(US \$ Million)

	1970	1971	1972	1973	1974	1975	1976	1977
<b>Malaysia</b>								
1. Current Accounts Balance	-	-	-	-236.3	-474.9	-570.8	259.1	-284.8
2. Direct Investment (Net)	-	-	-	-	-	-	-	-
3. Long term capita.	-	-	-	114.6	379.2	576.2	322.0	30.0
4. Other Capital net	-	-	-	-31.1	4.0	-10.7	9.8	-41.7
5. Changes in Reserves	-	-	-	-10.4	-15.0	8.6	-1.4	-15.8
6. Debt Outstanding								
Disbursed	-	-	-	32.0	81.8	182.0	255.4	290.4
Undisbursed	-	-	-	5.4	35.5	101.7	162.4	194.6
<b>Indonesia</b>								
1. Current Accounts Balance	-310.0	-372.1	-334.4	-475.7	597.7	-1108.5	-909.8	-46.7
2. Direct Investment (Net)	83.0	139.4	207.4	15.8	-49.3	476.9	344.0	234.7
3. Long term capital	207.0	237.7	293.1	305.8	541.2	1767.8	1920.0	1256.3
4. Other capital net	32.0	-6.0	241.0	294.8	-401.7	-1992.4	-451.4	443.7
5. Changes in Reserve	-12.7	1.0	-407.1	-339.8	-637.9	857.2	-902.8	-1000.8
6. Debt Outstanding								
Disbursed	2913.9	4314.9	8128.8	6666.8	9169.9	11818.0	14454.8	18903.9
Undisbursed	2404.9	3373.1	4093.0	4980.7	6277.4	8112.8	9917.9	11408.7
<b>Malaysia</b>								
1. Current Accounts Balance	8.0	-108.3	-247.8	904.9	-483.8	-444.4	467.7	816.0
2. Direct Investment (Net)	94.0	100.3	114.0	121.7	571.3	349.7	279.9	477.5
3. Long term capital	12.0	140.4	206.3	77.8	83.0	368.8	234.4	253.4
4. Other capital net	-80.0	-49.1	-23.9	-128.8	25.3	-207.6	-371.8	-935.2
5. Changes in Reserves	-34.0	-83.2	-48.9	-229.3	-196.0	-63.1	-808.2	-311.7
6. Debt Outstanding								
Disbursed	59.1	84.2	102.0	121.0	228.1	300.3	317.0	355.9
Undisbursed	39.0	53.3	68.2	72.0	86.1	133.8	163.2	205.3
<b>Sri Lanka</b>								
1. Current Accounts Balance	-57.0	-32.8	-28.0	-21.0	-132.4	-106.5	-3.3	134.8
2. Direct Investment (Net)	-0.3	-0.3	9.4	0.5	143	0.2	-	-1.2
3. Long Term Capital	30.8	67.6	48.2	51.3	70.8	89.4	72.3	68.8
4. Other Capital Net	48.8	-21.1	14.8	1.9	45.9	-6.4	-	13.2
5. Changes in Reserve	-17.2	-10.4	-30.8	-28.8	18.2	26.6	-60.0	-209.7
6. Debt Outstanding								
Disbursed	524.0	581.0	614.8	680.1	882.3	1003.2	1110.3	1229.8
Undisbursed	316.7	394.4	422.1	484.8	587.3	598.0	302.3	787.0
<b>Thailand</b>								
1. Current Accounts Balance	-28.0	-174.5	-87.0	-46.8	-86.6	-608.9	-441.0	-1098.1
2. Direct Investment (Net)	43.0	39.1	68.4	77.5	188.8	86.2	79.7	106.2
3. Long Term Capital	67.0	41.1	87.9	2.4	199.6	168.8	234.4	336.2
4. Other Capital Net	58.0	91.3	106.4	186.0	173.2	298.7	205.5	663.2
5. Changes in Reserve	82.0	3.0	-211.7	-219.4	-475.0	52.2	-75.5	-10.5
6. Debt Outstanding								
Disbursed	483	535	653	721	1122	1273	1018	2243
Undisbursed	322	360	389	443	513	616	822	1057

**Table XVII**  
**Composition of Financial Inflows (Bilateral, Multilateral**  
**Official and Private**

Country / Year	Official Flows			Direct Invest- ment	Commercial BANKING		Total	Total
	Bilateral	Multi- lateral	Total		Loans	Credits		
<b>Bangladesh</b>								
1970	-	-	-	-	-	-	-	-
1971	9.4	6.0	15.4	-	-	-	-	-
1972	199.7	24.1	223.8	0.1	-	-1.9	-1.8	-
1973	307.8	119.9	427.7	2.4	8.3	11.1	14.6	-
1974	380.0	193.0	573.0	2.2	-4.6	10.0	7.6	-
1975	765.8	308.4	1074.2	-	-	-9.9	-9.9	-
1976	335.4	199.0	534.4	-	0.1	-	0.1	-
(1970-76) Percentage of Total	(71.1)	(28.8)	(99.6)	(0.2)	(-0.2)	(0.4)	(0.4)	(100.0)
<b>Indonesia</b>								
1970	493.1	16.2	509.3	49.4	9.6	-38.8	20.2	-
1971	829.6	48.0	877.6	117.1	19.6	-10.0	126.7	-
1972	921.7	59.7	981.4	89.8	63.7	174.9	248.4	-
1973	958.9	112.9	1071.8	348.0	41.6	167.2	556.8	-
1974	896.8	147.6	1044.4	182.1	30.4	93.4	305.9	-
1975	600.2	224.0	824.2	1288.9	75.7	438.2	1802.8	-
1976	799.2	312.6	1111.8	748.8	301.7	565.9	1616.4	-
(1970-76) Percentage of Total	(43.1)	(9.6)	(52.7)	(29.6)	(0.87)	(12.0)	(47.3)	(100.0)
<b>Malaysia</b>								
1970	24.1	20.3	44.4	37.8	6.2	2.1	46.1	-
1971	42.7	19.3	62.0	32.1	-12.6	-12.8	7.7	-
1972	71.0	32.2	103.2	64.6	0.8	43.7	109.1	-
1973	90.1	27.7	117.8	139.2	-1.6	7.2	144.8	-
1974	62.3	85.2	147.5	112.6	3.3	28.3	144.2	-
1975	97.1	68.8	165.9	72.9	-3.2	82.1	151.8	-
1976	76.9	81.6	158.5	51.4	17.8	-7.9	61.3	-
(1970-76) Percentage of Total	(30.6)	(21.9)	(52.5)	(36.7)	(0.3)	(10.5)	(47.5)	(100.0)
<b>Sri Lanka</b>								
1970	52.2	6.7	58.9	-0.5	0.1	2.7	2.3	-
1971	42.3	73.5	115.8	0.2	0.9	2.7	3.8	-
1972	53.1	11.0	64.1	0.1	5.4	-7.1	-1.6	-
1973	52.3	31.0	83.3	-0.2	-5.3	-12.4	-7.3	-
1974	93.8	24.7	118.5	6.8	5.8	7.3	19.9	-
1975	197.2	54.2	251.4	-33.3	0.2	-30.8	-63.9	-
1976	111.2	40.0	151.2	0.2	-0.9	12.4	11.7	-
(1970-76) Percentage of Total	(81.6)	(24.6)	(106.2)	(-3.5)	(0.8)	(3.4)	(-6.1)	(100.0)

Contd...

Table XXVII (Cont.)

	1	2	3	4	5	6	7	8	9
<u>Thailand</u>									
1970		94.3	32.1	126.4	13.7	10.2	49.4	83.3	
1971		60.4	17.6	78.0	7.9	-5.6	-19.6	-17.3	
1972		27.8	24.5	52.3	20.7	-3.1	-24.2	- 6.6	
1973		26.2	32.5	58.7	19.8	6.9	121.5	148.2	
1974		63.6	43.4	163.7	44.1	-3.9	-6.2	34.0	
1975		73.8	85.7	159.5	18.6	0.1	11.7	30.4	
1976		140.1	90.8	230.9	16.4	-8.4	-35.8	27.8	
(1970-76) Percentage of total		(46.5)	(31.1)	(77.6)	(13.6)	(-0.4)	(9.2)	(22.4)	(100.0)

Source: Asian Development Bank, Key Indicators of developing Member Countries of ADB,  
Vol. IX, No.1, April, 1978.



