

## CHAPTER-VII.

### INDIA'S FOREIGN AID TO SOUTH ASIAN COUNTRIES.

#### VII.1. Objectives of Providing Foreign Aid:

India has been providing foreign aid to amplify and strengthen economic, technological and scientific cooperation with its neighbouring South Asian Countries on a long-term, constant and mutually advantageous basis. The purpose of providing financial assistance to these countries is to furthering the cause of these nations' Economic development, economic dependence and the growth of their technological and scientific capabilities.

India is the leading country in South Asia region to have a number of major industries viz. Steel, heavy engineering, petro-chemicals etc. It holds one of the first place among the developing countries as regards to industrial output. The advantages of India are mainly derived from the mass diversity of national resources, of industrial structure, of wider division of manpower and management and bigger home market with greater size of population.

Some people criticise India and try to discover some selfish motive behind India's financial assistance to its neighbouring countries. They have argued that in providing aid to South Asian countries India is directed either by

self-interest of the Western developed countries which work only for their own business gain or by a desire to influence their political decision or to try their hands through major projects with a motive to developing a model for development in their country. These allegations are baseless. India has gone to the extent of developing industry in these countries without making these countries dependent on India. The main objective of India's aid to South Asian countries is to make these countries self-reliant and economically stronger. India does not have any military base in any of these countries which have been receiving considerable amount of financial assistance from India. India's economic assistance is formulated with a view to break the stronghold of developed countries in the developing countries.

Another important motive of India's financial assistance to South Asian countries is to provide credit to these countries on easy terms to enable them for purchasing goods from India. The loans and grants are repayable over a long period of time and at a nominal rate of interest. The repayment commences after the commission of the plant on the basis of the invoice for machinery and engineering equipment for the projects. Of course, 'exports promotion' is one of the major objectives for providing India's aid in South Asia region. Like the developed countries, India has also the intention to provide foreign aid in order to promote its exports to South Asian Countries.

Provision of India's foreign aid to its neighbouring countries can also lead to the creation of goodwill and

trustness of India to these countries. India desires to maintain good relation with the countries in the region. It has recognised that friendly relation with the South Asian countries should express attention on global interdependence. In the following sections, however, the quantum of India's foreign aid to other countries and benefits from the donor side as well as from the donee side are discussed to see how India's foreign aid influence the economic developments of the donee countries.

#### VII.2. Aggregate Foreign Aid Extended by India and the Share of South Asian Countries in it :

Authorisation of external assistance by India during the period 1980-89 and the share of South Asian countries in it are presented in Table VII.1. It reveals from the table that over the period of 1980s, India has extended a total financial assistance of Rs.1,218.1 crore to the other countries of which Rs.457.8 crore (37.58 per cent) was given as loan and Rs. 760.3 crore (62.42 per cent) was provided as grants.

The highest amount of foreign aid provided by India was Rs.160 crore in 1987-88 of which Rs.70.4 crore (44.0 per cent) was as loans and Rs.89.6 crore (56.0 percent ) was as grants. In 1980-81 India provided the lowest amount of financial aid to other countries i.e. Rs.77.6 crore comprising Rs.29.2 crore as loans and Rs.48.4 crore as grants. An increasing trend in the provision of India's foreign aid to

other countries can be observed till 1987-88 with a little exception in 1983-84. But the total provision of aid declined to Rs.153 crore in 1988-89 from Rs.160 crore in 1987-88 and finally in 1989-90 it went down further to Rs.142.5 crore.

During 1980-89, India has extended a total aid of Rs.915.0 crore to the South Asian countries out of which Rs.294.4 crore (32.17 per cent) was given as loans and Rs.620.6 crore (67.83 per cent) has been provided as grants. It is evident from the table that nearly 70 per cent of the total India's aid to South Asian countries is provided in the form of grants and only about 30 per cent is extended as loans. The grants are provided to South Asian countries with a view to enable these countries to purchase goods from India and the loans are extended mainly for the purpose of repayment of credits extended to them. However, the highest amount of loans provided by India to South Asian countries is Rs.63.7 crore in 1987-88 which formed 45.40 per cent (highest percentage) of the total aid in that year and in 1981-82 the lowest value of foreign aid (13.6 crore only) extended by India which was only 26.20 per cent of the total aid in that year. The picture in the provision of grants is little different. Rs.81.4 crore of financial grants (highest value) is given in 1988-89 which formed 73.47 per cent of the total financial assistance in that year. The lowest amount of grants (Rs.38.3 crore) was provided in 1981-82.

Regarding the share of South Asian countries in India's total provision of external aid, it is noticed that the countries in the region jointly shared 64.45 per cent of India's aggregate loans and 81.62 per cent of total grants during the

Table - VII.1.

AUTHORISATION OF EXTERNAL ASSISTANCE BY INDIA  
(Value in Rs. Crore)

1.	Aid to South Asian Countries (1980-89)			Aggregate of Aid from India (1980-89)			Column 2 as % to the Column 5	Column 3 as % to the Column 6	Column 4 as % to the Column 7
	2. Loans	3. Grants	4. Total	5. Loans	6. Grants	7. Total	8.	9.	10.
1980-81	16.8 (27.10)	45.4 (72.99)	62.2 (100)	29.2	48.4	77.6	57.53	93.80	80.15
1981-82	13.6 (26.20)	38.3 (73.79)	51.9 (100)	34.6	56.2	90.8	39.31	68.15	57.16
1982-83	18.0 (29.32)	43.4 (70.68)	61.4 (100)	52.0	65.8	117.8	34.61	65.96	52.12
1983-84	23.3 (27.73)	70.9 (75.27)	94.2 (100)	28.5	74.5	103.0	81.75	95.17	91.46
1984-85	30.3 (34.55)	57.4 (65.45)	87.7 (100)	40.3	63.5	103.8	75.19	90.39	84.49
1985-86	41.4 (38.51)	66.1 (61.49)	107.5 (100)	49.5	74.4	123.9	83.64	88.84	86.76
1986-87	32.0 (31.71)	68.9 (68.29)	100.9 (100)	67.6	77.7	145.3	47.34	88.67	69.44
1987-88	63.7 (45.40)	76.6 (54.60)	140.3 (100)	70.4	89.6	160.0	90.48	85.49	87.69
1988-89	29.4 (26.53)	81.4 (73.47)	110.8 (100)	44.4	109.0	153.4	66.22	74.68	72.23
1989-90	25.9 (26.40)	72.2 (73.60)	98.1 (100)	41.3	101.2	142.5	62.71	71.34	68.84
TOTAL	294.4 (32.17)	620.6 (67.83)	915.0 (100)	457.8 (37.58)	760.3 (62.42)	1218.1 (100)	64.45	81.62	75.12

Source : Collected and computed from Report on Currency and Finance Reserve Bank of India, 1984-85 to 1991-92, Vol. II.

period of 1980s. The joint average share of loans and grants is 75.12 per cent of the aggregate aid of India over the period of 1980-89. It means the major share of India's total foreign aid is provided to the South Asian countries during 1980s.

As the lion share of India's foreign aid consumed by the South Asian countries, it is now necessary to find out the position of individual country of the region in the sharing of India's foreign aid. In the following section we look into the detail position of India's financial assistance to each of the South Asian countries to whom India has been providing aid since 1980-81.

### VII.3. India's Financial Aid to Bangladesh:

Authorisation of India's financial assistance to Bangladesh during 1980-89 is furnished in the Table VII.2. During the period of 1980s, India provided financial aid ranging Rs.30.0 crore to Bangladesh. Out of this total assistance, Rs.10.9 crore (36.33 per cent) is provided as grants and Rs.19.1 crore i.e. 63.67 per cent was given as loans. Although the loans shared the major portion of India's aid in 1980-89, the loans are provided only in three years (1985-86 to 1987-88). The grants are provided to this countries throughout the period of 1980s.

The highest amount of loan was extended (Rs.10.2 crore) in 1986-87 and the lowest of Rs.4.1 crore in 1985-86 while the maximum amount of grants are provided to the range of Rs.2.8 crore in 1988-89 and the lowest of Rs.0.1 crore in 1980-81.

As the column 8 of the table shows that only 6.49 per cent of the provision of India's loan to South Asian countries is provided to Bangladesh during 1980s. The highest percentage was 31.87 in 1986-87 and the lowest was 7.53 per cent in 1987-88.

As regard to the India's provision of grants to South Asia region, Bangladesh shared only 1.76 per cent of the total of 1980-89. The highest percentage of 4.08 was shared by Bangladesh in 1985-86 and the lowest 0.22 per cent in 1980-81. There were ups and downs in the percentages over the eighties and there was no consistency in the provision of India's grants to Bangladesh.

As a whole, India's provision in loans and grants to Bangladesh formed only 3.28 per cent of the total financial assistance (Rs.915 crore) of India to South Asia region. Loans were not provided regularly but the grants were sanctioned throughout the 1980s to Bangladesh.

The relationship between India's exports to Bangladesh and India's financial aid to that country is very significant. While India exported goods of \$ 753 million during 1980s, aid is provided for only Rs.30.0 crore over the same period of time. In 1985-86 to 1989-90 India has provided aid to Bangladesh in higher amounts (see table VII.2) and there are little improvements in India's exports to Bangladesh (see Table III.4) over the same period. This improvement in India's exports to Bangladesh may be the result of the provision of India's financial aid in higher amount to that country.

Table - VII.2

## AUTHORISATION OF INDIA'S FINANCIAL ASSISTANCE TO BANGLADESH

(Value in Rs. Crore)

1	Aid to Bangladesh			Aid to South Asia			Column 2	Column 3	Column 4
	Loans	Grants	Total	Loans	Grants		as % to the Column 5	as % to the Column 6	as % to the Column 7
2	3	4	5	6	7	8	9	10	
1980-81	-	0.1	0.1	16.8	45.4	62.2	-	0.22	0.16
1981-82	-	0.4	0.4	13.6	38.3	51.9	-	1.04	0.77
1982-83	-	0.3	0.3	18.0	43.4	61.4	-	0.69	0.49
1983-84	-	0.2	0.2	23.3	70.9	94.2	-	0.28	0.21
1984-85	-	0.4	0.4	30.3	57.4	87.7	-	0.70	0.46
1985-86	4.1	2.7	6.8	41.4	66.1	107.5	9.90	4.08	6.32
1986-87	10.2	1.4	11.6	32.0	68.9	100.9	31.87	2.03	11.50
1987-88	4.8	1.1	5.9	63.7	76.6	140.3	7.53	1.43	4.20
1988-89	-	2.8	2.8	29.4	81.4	110.8	-	3.44	2.53
1989-90	-	1.5	1.5	25.9	72.2	98.1	-	2.07	1.53
TOTAL	19.1	10.9	30.0	294.4	620.6	915.0	6.49	1.76	3.28

Source : Collected and computed from Report on Currency and Finance  
Reserve Bank of India, 1984-85 to 1991-92, Vol. II.

#### VII.4. India's Financial Aid to Bhutan:

In South Asia region, Bhutan is the most important country in sharing of the provision of India's financial aid. This country shared the highest percentage of both India's loans and grants during the eighties. 46.16 per cent of the total loans provided by India to South Asian countries received by Bhutan and it consumed 78.99 per cent of the total grants in 1980s as evident in the Table VII.3. The table shows that India extended total financial assistance of Rs.626.1 crore to Bhutan in 1980-89 which constituted 68.43 per cent of the total assistance received by the South Asian countries over the same period. This is why, Bhutan is considered to be an important recipient of India's foreign aid in South Asian region.

In between 1982-83 and 1986-87, Bhutan received larger amount of India's loan. The highest amount of loan was Rs.30.3 crore in 1984-85. On the other hand, the highest amount of India's grants to Bhutan was Rs.62.4 crore in 1987-88. It is also observed that in 1989-90, Bhutan got the lowest amount of loans (Rs.0.9 crore only) and the lowest amount of grants was provided by India Rs.31.1 crore in 1980-81.

Bhutan shared 100.00 per cent of the total loans provided by India to South Asian countries in 1984-85 as it is clearly evident from the table. Another observation is that 99.31 per cent of India's total grants to South Asian countries was provided to Bhutan in 1982-83. The lowest financial grants to Bhutan was 63.69 per cent of India's aggregate grants to South Asian countries in 1985-86. Loans and grants jointly formed the highest percentage (91.37) in 1982-83 and the lowest 51.17 per cent in 1988-89.

It is noticed from the table that Bhutan has been sharing the maximum portion of India's financial assistance to South Asian countries. It may be due to the special relationship of India with Bhutan. Because of China's presence in the North-Eastern side of India and Bhutan's situation in between India and China, Bhutan has been enjoying the Most Favoured Nation (MFN) treatment from India. As a result, Bhutan is getting huge amount of financial assistance from India by way of loans and grants.

Bhutan has established a number of projects with the help of Indian assistance. The Penden Cement Plant at Gomtu, Bhutan, the first large scale Industry of this country, had gone into production in 1981. India provided Rs.20 crore for this Plant. With the commencement of production of cement, a new era has dawned in Bhutan. Hereafter there is no shortage of cement in Bhutan.

As per the agreement between the Government of India and Bhutan, the Chukha Hydel Project, which is the biggest in Bhutan, was taken up for construction in 1973. The project was estimated to cost Rs.83.09 crore according to 1974 price; but owing to rise in prices of raw materials and labour it costed ultimately Rs.150 crore before it started operation in 1985. India provided 60 per cent of the total cost of the project as grant and 40 per cent as loan to be repaid in 60 instalments at 5 per cent interest per annum. The benefits of the project are being shared by India and Bhutan. After the repayment of loan, Bhutan is expected to get a net revenue of Rs.7 crore per annum from this project. At present this project is supplying power to the Phuntsholing and other

industrial estate in Bhutan and to the Northern part of West Bengal in India.

India's loans are also provided to the small units such as Dolomite Powdering Unit at Pagli, Coal briquetting Unit at Samdrupjougkhar, Roofing Tile Unit at Dagapala, Lime Kiln Unit at Samchi and a mustard oil expeller at Tashiganj in Bhutan.

At present India is supplying machineries and equipments for the construction of infrastructures, cement factory and hydro-electric project in Bhutan. These are supplied under the scheme for the provision of special aid to Bhutan and the value of which are included in the total exports of India to Bhutan although the actual figures are not published for some unknown reasons.

However, the question now is, whether India's exports to Bhutan have been increasing after providing huge amount of financial aid. Data on India's exports to Bhutan are not available. Even IMF and World Bank do not publish any data on India's trade with Bhutan. As Bhutan has been receiving nearly 70 per cent of India's total aid to South Asia region, it can be assumed that this aid are provided with a view to promote India's exports and to maintain special relationship with the country.

Both India and Bhutan are benefitted from the provision of India's financial assistance to Bhutan. Bhutan has been receiving long-term financial aid from India with a nominal interest to purchase its necessary products from India and India has also been able to protect its interest in Bhutan.

Table -VII.3

## AUTHORISATION OF INDIA'S FINANCIAL ASSISTANCE TO BHUTAN

(Value in Rupees Crore)

1	Aid to Bhutan			Aid to South Asia			Column 2	Column 3	Column 4
	Loans	Grants	Total	Loans	Grants	Total	as % to the Column 5	as % to the Column 6	as % to the Column 7
2	3	4	5	6	7	8	9	10	
1980-81	6.8	31.1	36.9	16.8	45.4	62.2	40.48	68.50	59.32
1981-82	9.6	37.9	45.5	13.6	38.3	51.9	70.59	98.95	87.67
1982-83	13.0	43.1	56.1	18.0	43.4	61.4	72.22	99.31	91.37
1983-84	18.2	56.3	74.5	23.3	70.9	94.2	78.11	79.41	79.09
1984-85	30.3	43.2	76.5	30.3	57.4	87.2	100.00	75.26	87.73
1985-86	22.3	42.1	64.4	41.4	66.1	107.5	53.86	63.69	59.91
1986-87	21.5	58.1	79.6	32.0	68.9	100.9	65.94	84.32	78.89
1987-88	8.9	62.4	73.3	63.7	76.6	140.3	13.97	81.46	52.24
1988-89	4.4	61.3	65.7	29.4	81.4	110.8	14.96	75.31	51.17
1989-90	0.9	54.7	55.6	25.9	72.2	98.1	3.47	75.76	56.68
TOTAL	135.9	490.2	626.1	294.4	620.6	915.0	46.16	78.99	68.43

Source : Collected and computed from the data available at Report on Currency and Finance, Reserve Bank of India, 1984-85 to 1991-92, Vol. II.

### VII.5. India's Financial Aid to Nepal:

Nepal is another important shareholder of India's foreign aid to South Asian countries. During the eighties Nepal received a total loan of Rs.104.4 crore and a total grants of Rs.119.5 crore as evident from the table VII.4. While Bhutan got maximum amount as grants, Nepal received more amount as loan from India over the period 1987-88 to 1989-90.

India did not provide any loan to Nepal in 1980-81 and in 1984-85 and any grant in 1981-82 and 1982-83. In 1980-89, Nepal received loan of Rs.104.4 crore and grants of Rs.119.5 crore in total. The highest amount of loan (Rs.25.0 crore) provided by India to Nepal in each year from 1987-88 to 1989-90 and the lowest of only Rs.0.3 crore in 1986-87.

In grants, India extended the highest amount of Rs. 21.3 crore in 1985-86 and the lowest value of Rs.9.4 crore in the next year. During 1987-89, Nepal got a considerable amount of loans and grants from India.

In total (loans and grants), Nepal received Rs.223.9 crore from India during 1980-89. The maximum India's foreign aid of Rs.42.3 crore was provided in 1988-89 and a minimum amount of Rs.4.0 crore was sanctioned in 1981-82. In 1989-90, Nepal alone got 96.52 per cent of India's total provision of loan to South Asian countries. But in grants, the highest Nepal's share was only 32.22 per cent in 1985-86 and the lowest of 13.64 per cent in 1986-87. In the same year India provided the lowest amount (Rs.0.94 crore) of loans also.

Although Nepal is the second highest donee of 1980s, it received only 24.47 per cent of the total financial aid provided by India to South Asian Countries. Like with Bhutan, India has always been trying to maintain a good relation with Nepal providing substantial amount of loans and grants to this country. As a land-locked country, Nepal is bound by nature to be dependent on India for its trade and transit. Taking this opportunity India has been providing financial credits for the promotion of India's exports to Nepal.

The relationship between India's foreign aid to Nepal and India's exports to that country is more significant than that of with the others. The average India's exports to Nepal was \$ 115.6 million in 1980-89 ( as observed from Table III.4) and India's average financial aid to this country was Rs.22.4 crore over the same period. At the second half of 1980s an increasing trend in India's exports to Nepal was observed while India's aid to Nepal had been increasing considerably. Aid and exports to Nepal increased simultaneously. It is a clear indication of close relationship of India's financial aid and India's exports to Nepal. India's provision of financial aid to Nepal helped to promote India's exports to this country.

Nepal has also been benefited from India's financial aid. A number of joint ventures have been established in Nepal with the financial assistance from India. India has extended long-term loans and grants to Nepal to sell Indian products and to help this country in its economic development.

Table - VII.4

## AUTHORISATION OF INDIA'S FINANCIAL ASSISTANCE TO NEPAL

(Value in Rupees Crore)

1	Aid to Nepal			Aid to South Asia			Column 2	Column 3	Column 4
	Loans	Grants	Total	Loans	Grants	Total	as % to the Column 5	as % to the Column 6	as % to the Column 7
2	3	4	5	6	7	8	9	10	
1980-81	-	14.2	14.2	16.8	45.4	62.2	-	31.28	22.83
1981-82	4.0	-	4.0	13.6	38.3	51.9	29.41	-	7.71
1982-83	5.0	-	5.0	18.0	43.4	61.4	27.78	-	8.14
1983-84	5.1	14.4	19.5	23.3	70.9	94.2	21.89	20.31	20.70
1984-85	-	13.8	13.8	30.3	57.4	87.7	-	24.47	15.73
1985-86	15.0	21.3	36.3	41.4	66.1	107.5	36.23	32.22	33.77
1986-87	0.3	9.4	9.7	32.0	68.9	100.9	0.94	13.64	9.61
1987-88	25.0	13.1	38.1	63.7	76.6	140.3	39.25	17.10	27.16
1988-89	25.0	17.3	42.3	29.4	81.4	110.8	85.03	21.25	38.18
1989-90	25.0	16.0	41.0	25.9	72.2	98.1	96.52	22.16	41.79
Total	104.4	119.5	223.9	294.4	620.6	915.0	35.46	19.25	24.47

Source : Same as in Table -VII.3

### VII.6. India's Financial Assistance to Sri Lanka:

Sri Lanka's economic condition is better than the other countries in South Asia region. This country does not require any financial grants from India for the repayment of its financial liabilities to India. India has provided loans to Sri Lanka only in 1980-81 and in 1987-88 as evident from the Table VII.5. At the beginning of 1980s, India extended 10.0 crore of loans to Sri Lanka when this amount formed 59.52 per cent of India's total loan to South Asia region. Again, after a long gap of six years, Sri Lanka received loan of Rs.25 crore from India in 1987-88 which was 39.25 per cent of aggregate loan provided by India to South Asian countries.

India provided total assistance of Rs.35 crore to Sri Lanka during the period of 1980s which was only 3.82 per cent of the grand total of India's foreign aid to South Asian countries. Naturally, Sri Lanka was not an important recipient of India's foreign aid during 1980s.

From the foregoing analysis it reveals that Bhutan and Nepal are notably dependent on India's financial aid among the countries in South Asia. Despite having necessity, Bangladesh did not receive significant amount of financial assistance from India during 1980-89. India has provided more than 75 per cent of its aggregate provision of foreign aid to the countries of South Asia region. During the eighties, 62.42 per cent of the total India's foreign aid was provided as grants and 37.58 per cent as loans. On the other hand, 32.17 per cent of the total India's assistance to South Asian countries has been extended as loans and 67.83 per cent

Table -VII.5

## AUTHORISATION OF INDIA'S FINANCIAL ASSISTANCE TO SRI LANKA

(Value in Rs. Crore)

1	Aid to Sri Lanka			Aid to South Asia			Column 2	Column 3	Column 4
	Loans	Grants	Total	Loans	Grants	Total	as % to the Column 5	as % to the Column 6	as % to the Column 7
2	3	4	5	6	7	8	9	10	
1980-81	10.0	-	10.0	16.8	45.4	62.2	59.52	-	16.08
1981-82	-	-	-	13.6	38.3	51.9	-	-	-
1982-83	-	-	-	18.0	43.4	61.4	-	-	-
1983-84	-	-	-	23.3	70.9	94.2	-	-	-
1984-85	-	-	-	30.3	57.4	87.7	-	-	-
1985-86	-	-	-	41.4	66.1	107.5	-	-	-
1986-87	-	-	-	32.0	68.9	100.9	-	-	-
1987-88	25.0	-	25.0	63.7	76.6	140.3	39.25	-	17.82
1988-89	-	-	-	29.4	81.4	110.8	-	-	-
1989-90	-	-	-	25.9	72.2	98.1	-	-	-
<b>TOTAL</b>	<b>35.0</b>	<b>-</b>	<b>35.0</b>	<b>294.4</b>	<b>620.6</b>	<b>915.0</b>	<b>11.89</b>	<b>-</b>	<b>3.82</b>

Source : Same as in Table - VII.3.

as grants. In the following section the benefits received by the donor and donee country from the provision of India's aid to South Asian countries are discussed with a view to assess the utility of providing financial aid.

VII.7. India's Benefits from Providing Foreign Aid to South Asian Countries:

Economic cooperation between India and South Asian countries definitely has the implications for the economic development of both donor and the donee countries in the region. Here, in this section, we look into the facts that are responsible for deriving some benefits for India as a donor.

Provision of India's financial aid to South Asian countries has influenced the rate of income, productivity and investment of India. It has also changed the rate of growth and the distribution of resources among the people. In order to promote its trade with South Asian countries, India has been providing financial aid to its neighbours. The countries of the region, as mentioned earlier, are basically agrarian and industrially dependent to the other developed countries. India, having capability to fulfil their requirements, has been exporting necessary goods and services to the South Asian countries through extending financial credits to them. In this way, India has been promoting its exports to the countries of the region.

Promotion of friendly relationship with neighbouring South Asian countries has been the main motive of India's provision of foreign aid to this region. India has no intention of exploiting the friendly countries in this region since it has practically an unlimited market in the other regions also. It has no vital need to sell its products to the South Asian countries. India's foremost interest is to strengthen political and economical independence of these countries which can ultimately lead to promote political and economic relations between India and other countries in the region.<sup>1</sup>

The countries of South Asia had peculiar fear about Indian domination in their local markets. But now the situation has changed considerably as India has been extending long-term loans and grants to these countries through which they can purchase goods from India and can repay their liabilities by reasonable instalments with a nominal interest. Except with Pakistan, India's political and economic relations with the South Asian countries has improved significantly. Providing financial aid to these countries India has been able to bring them back from the stronghold of the developed countries which is a great benefit to India.

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1. Brojendra Nath Banerjee, India's Aid to Its Neighbouring countries, Select Books Publisher, New Delhi, 1982, p/116.

VII.8. South Asian Countries' benefits from India's Foreign Aid:

India has extended liberal credits for the economic growth of South Asian countries during 1980s. These countries have highly benefited from India's financial assistance. The main objective of providing India's aid is to uplift the purchasing capacity of the donee countries and to allot them a reasonable time so that they can repay their loans and credits easily. All the South Asian countries where India is providing financial aid are getting these benefits.

Repayment of India's credit does not involve any foreign exchange unlike the repayment of loans to the developed countries. India's credits are repaid through exports. The countries in South Asia region do not enjoy such facilities from the developed countries. They are required to repay loans from developed countries in hard currency. As the loans through exports to India, the loans are "self-liquidating". There is no discrimination in price in the trade between India and South Asian countries. Moreover, India's financial aid is not a compound by any political or economic strings. The latter is not at all applicable for American aid which under the Food for Peace Act of 1966 imposes restrictions on the countries who receive American aid. There is no such restriction is set in the provision of India's foreign aid.<sup>2</sup>

The countries in South Asia have also been benefited in transport costs. All the countries in the region have the common boundaries with India. Naturally, these

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2. Brojendra Nath Banerjee, op.cit.p/117.

countries can get their necessary products from India within a very short time and spending less amount for transit. Specially, Bangladesh, Bhutan and Nepal are linked by roads with India. India's financial aid have helped these countries to get Indian products in a cheaper price.

India's technologies are more suitable to the industries of South Asian countries than that of from Western countries as the plants and machineries are producing considering suitability and industrial environment of the region. As a result, the technologies of India which have been purchased by the South Asian countries through India's financial aid, have benefited their industries to a large extent.

It reveals from the foregoing analyses that more than 75 per cent of India's aggregate financial aid went to the South Asian countries over the period 1980-89. Out of the total provision of India's aid to South Asian countries, more than 68 per cent was provided for Bhutan. Pakistan did not receive any financial assistance from India during the eighties.