Study Material on Contemporary Issues for UPSC Exams

"Economic & Social Development"

SECOND ROUND OF FDI REFORMS

The changes in the FDI policy are aimed at liberalising and simplifying the norms with a view to promoting ease of doing business, encouraging greater capital flows and making India and attractive destination for foreign investment.

— By Rajesh Pal

The government wants to turn over every 'stone in-order to attract foreign investors.

Series of Reforms

The sectors which have been tweaked' his time' includes defence, civil aviation, private security agencies, single brand retail, pharmaceuticals, broadcasting carriage services and animal husbandry.

Launched the second wave of. FDI reforms, the government has allowed 100 per cent inflows in civil aviation and food processing sectors while easing norms in defence and pharmaceuticals. While in the single brand retail, it has somewhat ti6htened the norms by putting a, fix 'period for giving exemptions from the mandatory local sourcing conditions.

The major reform measures were decided at a high-level meeting chaired by Prime Minister Narendra Modi. The' Prime Minister's Office (PMO) has said that the decisions will make "India the .most open economy in the world for FDI", but critics said it was a "panic" reaction to Rajan's decision 01) Saturday to exit RBI and return to-academia after September, 4. Commerce Minister Nirmala Sitharaman has said the decisions would help in attracting more investments creating jobs and making India the global manufacturing hub.

"Now most of the sectors would be under automatic approval route, except 'a small negative list. With these changes India is now the most open economy in the world for FDI," the PMO statement, -has said. The first batch of FDI reforms were announced by the government in November 2015, after the announcement of Bihar assembly elections.

Important Developments

The most important announcement made was related to civil aviation in which 100 percent FDI has now been allowed in airlines, except by foreign carriers. Norms for overseas Investment have also been relaxed in brownfield airports. Under the present policy, foreign investment up to 49 percent is allowed under atutomatic route in domestic airlines. It has now been decided to raise tis limit to 100 percent, with FDI up to 49 percent under automatic route and beyond that through Government approval.

In the defence sector, the policy has been tweaked to allow 100 per cent FDI by doing away with the condition of access to "state of the art" technology. It has now been modified to "modern or for other reasons", a move that will widen the scope of investment by foreign players.

The news norms have alos been made applicable to manufacturing of small arms and ammunitions covered under Arms Act 1959. Under the current policy, FDI up to 49 per cent was allowed under automatic route and beyond that under the approval route. For the pharmaceuticals sector, the government' relaxed the norms and permitted FDI up to 74 per cent throuqh automatic route in brownfield projects and approval route beyond that limit to promote the development of this sector.

The move assumes significance as FDI in the existing pharma companies has been a contenious issue as concerns have been raised over some M&As of Indian pharma companies by foreign gaints. In case of private security agencies, FDI up to 49 percent is now permitted under automatic route and up to 74 percent through approval route. The current policy permits 49 percent FDI under government approval route in privaate security agencies.

The government has decided to do away with the requirement of separate security clearance or RBI approval for setting up of branch or liaison offices by foreign companies dealing in defence, telecom, private security or information and broadcasting i'f the requisite approval of FIPB or the ministry or regulator concerned is in place.

The government has also decided' to do away with the 'controlled conditions' for FDI in these activities relating to animal husbandry. As per the existing policy, FDI in animal husbandry (including breeding of dogs), pisciculture, aquaculture and apiculture is allowed 100 per cent under automatic route under route and beyond that through controlled conditions.

Measures undertaken by the government have resulted in increased FDI inflows from USD 36.04 billion in 2013-12 to US 55.46 billion in 2015-16, the highest ever FDI inflow for a particular financial year, the statement said. The changes in the FDI policy are aimed at liberalising and simplifying the norms with a view to promoting ease of doing business, encouraging greater capital flows and making India an attractive destination for foreign investment.

(PTI Economic Service)

MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA

The start-up and Stand up India, Skill India and Digital India will all help in the growth of MSMEs in the country.

— By KR Sudhaman

Father the Nation Mahatma Gandhi was right in saying India lived in its six lakh villages and cottage industries alone could create much needed jobs and livelihood to the majority of the 1.25 billion people. In India 60 percent of the population in still dependent on agriculture but they accounted for just 15 percent of Gross Domestic Product. So vast number of peoples are disguisedly unemployed in the farm sector and the number is increasing with land holdings getting fragmented generation after generation.

Easy Way for Rural Development

So what is the way out to ensure rural prosperity and the answer is simple to develop clusters of small industries dotting all over the country. Very little is known about tile great contribution the small and· medium: enterprises have made to the. development of an economy. In India to it has contributed greatly particularly considering the fact that there is a large Population.

It is established all over the World that Micro, Small and Medium enterprises are one of the-major drivers of job creation and achieve dispersed development preventing large scale migration to urban areas. Also the advantage is that every Rs 1.5 lakh capital spent on MSMEs results in one job whereas it required Rs 6 lakh capital for a job in large industries.

This universal statistics indicate large industries are capital guzzler and small industries set up' in rural areas around, the farm land can provide seasonal jobs as well tackling the, problem of underemployment in farming, which by nature is seasonal.

MSMEs however' cannot grow in vacuum and. in a restrictive environment. There were, fears that liberalization of economy in 1991 that freed thecountry from shackles of controls that come to be known as licence-permit raj, has in fact helped the growth of small enterprises side by side large companies.

They complimented each other. Today MSMEs accounted for 40 percnt of manufacturing in the country and 45 per cent of exports, Doing so well in exports is not a small achievement as it has progressed' in an environment of stiff global competition.

Today there are five crore micro, small and medium enterprises providing employment to 11 crore people. Textiles which is second largest employer in the country is mostly in small sector Eighty five per cent of the textiles industry are in the small arid medium sector.

The 15 percent large textiles industry acts as pivot for the small textiles industries to develop. The de-reservation policy adopted for small scale industries and ultimate phase-out of reservation policy has only help small enterprises.

This has been corroborated by the statistics and this has proved doom sayers wrong and small industries have not only survived' but has' grown manifold. Also every car produced in a large company results three, jobs' in MSMEs and services sector likewise one truck, produced results in seven jobs. These indicate the power of MSMEs in job creation and economic development.

National Statistics Commission Chairman Pronab Sen, who, has done pioneering work in the growth of small industries in the country said that during the corporate led growth process of 2003-09, when India clocked over 9 percent growth annually, the increased revenues of the government permitted expansion of' both public infrastructure 'investments as well as SME investments. However when the global' crisis occurred in September 2008, the corporate sector cut-back sharply on its investment activities. However the small and medium scale enterprises sector actually expanded its investment as a share of GDP quite significantly.

Crucial role by Small and Medium Entrepreneurs

Thus the resilience of the Indian economy in the first· two years after the crisis owned almost as much to the small and medium entrepreneurs in the country as it did to ;the government's fiscal expansion. In fact India achieved over six per cent GDP growth despite marked slowdown in corporate investments indicated that SME came' to the rescue of the economy to keep the growth momentum. Of course if India had to get back to high 9 per cent growth corporate, flush with money, will have to investing and. that is not happening because of excess capacity. But it is the small and medium enterprises that is ensuring that India grew at a healthy 7-7.5 per cent in a gloomy world economy in which advanced economies and China that adopted corporate led growth have slowed down drastically.

India is still one island of prosperity' even in this difficult situation is partlys because of SMEs doing well. In fact one of the problems of US economy at the present juncture is because SMEs gave way to large companies, which are in doldrums. The resilience that SMEs particularly during economic slowdown or crisis is unavailable in US due to discouragement of growth of SMEs there.

Underlying Obstacles

It is not that SMEs have no problem in the country. There are many. Access to formal finance is a major problem. Banking sector though considers SMEs as priority lending, bank loans are not all that easily available to SME sector.

The largely depend on family resources, informal channels like chit funds and money lenders, where cost of funds are much higher. Despite that they are able to complete partly because of the fact the capital requirement is much less compared to large companies, according to Sen. There is yet another source of funding available now that is to tap the capital market through SME exchanges of BSE and NSE. Here cost of funds would be cheaper but his is not getting popular rapidly as still most of the MSMEs are family owned and they fear going public. This is one area that needed to be encouraged, according to KK Jalan, Secretary, MSME ministry.

There is yet another major problem that is lack of skilled and trained manpower. According to Sen, MSME owners spend most of the time skilling raw hands and once they acquire the skills, they move on to greener pasture in large companies and multinational and as result most of the MSMEs are good training ground.

But this handicaps MSMEs as their entrepreneurs get very little time to attend to other issues like marketing, technology and so on. To handle this issue, the MSME ministry is working skill mapping of the country. Former MSME Secretary, Anup Pujari, who began this work said this will go a long way in ensuring appropriate skills are available by providing skill training in area specific manner. At the moment there are it is all over the country but they provide training skills which are required local small scale industries resulting in SMEs constantly providing on the job training.

If an ITI in Odisha provides training to plumbers and if there are no demand for plumbers in Odisha, they will have to shift out in search of jobs, they will have to shift out in search of jobs. To prevent this kind of training, the skill mapping will ensure appropriate skilling is provided to the respective towns so that SMEs do not face this problem.

Rating of SMES with investment over Rs one crore will be an useful exercise to ensure that lending from formal banking sector happens. Rating agency Onicra head Varun Mirchandani told Corporate Tycoon that 75000 SMEs, which have been rated found that it was now easier for them get loans from banks.

There is no longer trust deficit and this has worked wonders among SMEs in the North East. But the number rated SMEs formed a small percentage of the overall SMEs in the country. Asked why the rating has not picked up in India and what the government proposed to do, Secretary Jalan said he did not subscribe to the view that rating of SMEs are not picking up. He said not all MSMEs require ratings. More than 3.5 crore MSMEs in the country are micro industries, which do not require ratings.

Also the SMEs in the services sector do not requires do not require ratings. It is only manufacturing MSMEs above Rs one crore investment and that too those seeking loans from banks need rating and they formed only 5-6 percent of total MSMEs in the country and they are increasingly getting rated in the country.

The successive governments have done a lot of for the development of MSMEs in the country but a lot more needed to be done and one great service that government, particularly state government could do is to dismantle inspect jar, which still remains though licence-permit raj has virtually vanished. Also there is need for a comprehensive MSME policy.

Now various ministers have sector specific policy, for example textiles ministry has policy for MSMEs in that sector. The recent decision to allow 100 percent FDI in food retail and food processing industries will help MSMEs growth and development of food processing parks in the country particularly in rural and semi urban areas. MSME minister Kalraj Mishra said that he had representations from 130 SME associations for a comprehensive policy and he had constituted one man committee headed by former cabinet secretary Prabhat Kumar to come out with one.

This is expected shortly. The government's MUDRA bank to provide loans to micro industries run by scheduled casts and tribes too seemed to be working. As Prime Minister Narendra Modi said the government has already lend over Rs 1.5 lakh crore under the MUDRA to SC/ST entrepreneurs. The start-up and Stand up India, Make in India, Skill India and Digital India will all help in the growth of MSMEs in the country. It has already done will despite several hiccups and it can only grow further, which is evident from the fact over 3000 industrial clusters have mushroomed by themselves like Tirrupur for hosiery, Ludhiana for woolens and cycle parts, Moradabad for Brassware, leather clusters, in Chennai, Agra and Kanpur, gems and Jewellery in Surat, precious stones in Jaipur, Fireworks industries in Sivakasi and many more. These have come up on their own without government help and many more are expected. Now IT enabled services are doing well in the SME sector.

The explains the bright future for SMEs but there are problems which needed to be handled particularly the attempts of large industries trying gobble up smaller ones. This will not be good for the economy as he has been witnessed in the United States.

(PIT Feature)

LESS-CASH DRIVE: RBI RELEASE FRAMEWORK ON PAYMENTS SYSTEMS

Reserve Bank has brought in a framework for moving towards a society less dependent on cash-transactions and also making mobile banking 'services a preferred choice of a wider mass with its Vision Statement termed as 'Payment and-Settlement Systems in India'.

New Vision

The Vision-2018 reiterates commitment of RBI to encourage greater use of electronic payments by all sections of society so as to 'achieve a "less-cash" society RBI has said, "The policy efforts will also focus on ensuring that access to mobile banking services is seamlessly provided-to the large number of users of non-Smartphone handsets in multiple languages," it said. The broad contours of Vision-2018 revolve around the 5 Cs: Coverage, Convenience, Confidence, Convergence and Cost. Coverage is enabling wider access to a variety of electronic payments services, convenience is to offer ease of use of products and processes while confidence hinges on promoting integrity of systems, security of operations and customer protection'. Convergence envisages ensuring interoperability across service providers while cost is to make making services price effective for users as well as service providers.

"Building a robust payments infrastructure in the country to increase the accessibility. availability, interoperability and security of the payment systems will continue to remain a key objective", states the document. RBI said the proposed new policies to be framed under the Vision with focus on electronic payments will influence trends in payment systems in the country.

"The high mobile density in the country is being increasingly leveraged to offer payment services by a wide range of payment service providers so, as to enable an on the-go, faster payment experience to the customers", it said. In its framework, service providers will be, encouraged to use technology to provide innovative easy to use mobile based payment solutions in an interoperable environment without Compromising on security.

Addressing the Core Issues

The banking sector regulator will also review the existing prepaid payment instruments (PPls), mobile :banking guidelines and White Label ATM (WLA) guidelines. "To promote mobile phones as access channel to payment and banking services the guidelines (mobile banking) will be reviewed to address issues related to customer registration for mobile banking safety and security of transactions, risk: mitigation and customer grievance redressal measures", it said.

RBI also aims to facilitate faster payment services in view of increasing adoption of electronic payments particularly those driving e-commerce and m-commerce there is a growing demand for faster payment services which, in turn, facilitate ease in doing financial transactions." Towards this end the measures that 'will be initiated including National Electronic 'Funds Transfer (NEFT) with the growing adoption of NEFT by individuals businesses and government agencies/ departments.

If has necessitate a review of the system to enable faster payment processing through introduction of more frequent settlement cycles, RBI said. Also RBI will explore the feasibility of adopting ISO messaging format for NEFT.

The move towards a less-cash society also means promoting interoperability as customers should be able to use and re-use a, set of payment: instruments seamless across different segment to meet· a variety of payment requirements, it adds.

The requirement of users for seamless payment experience are met only when the payment systems are inter-operable and, are able to communicate within their own segments on the basis of common standards adopted, by all providers of these services, as per the document paper.

Vision-2018 envisages promoting interoperability in areas which have a' high potential for driving electronic payments; including -for small value transactions, such as Unified Payment Interface (UP!), toll collection and payments for mass transit systems. RBI said collection of.toll, largely 'done in the form of cash payments, is another segment where efforts to migrate to 'electronic payments have been sporadic' and isolated.

"Such disparate developments have led to the propagation of different systems across different parts of the country, not only causing confusion and inconvenience to' the customers; but also pushing them further into cash payments. "Hence, electronification of the toll collection systems on a pan-India basis in an interoperable environment will be encouraged", reads the Vision-2018.

RBI expects the Vision to result in a continueddecrease in the share of paper-based clearing instruments; growth in individual segments of retail electronic payment system—NEFT, IMPS, card transactions, mobile banking as well as increase in registered customer base for mobile banking; significant growth in acceptance infrastructure; and accelerated use of Aadhaar in payment systems.

(PTI Economic Service)

GOVERNMENT SETS UP MULTI-AGENCY PROBE TEAM ON MONEY STASHED ABROAD

RBI Governor Raghuram Rajan said that the multi-agency probe will look into the legitimacy of such holdings of Indians named in the leaked Panama List.

— By Joyeeta Dey

With 500 Indians being named in leaked 'Panama' Papers' for alleged offshore holdings, the

Modi government has formed a multi-agency group to monitor exposes in this regard and vowed to take action against all "unlawful" accounts held abroad. Finance Minister. Aru'n Jaitley said that Prime Minister Narendra Modi discussed the issue with him and or' his advise the group has been set up comprising agencies like CBDT, RBI and FLU (Financial Intelligence Unit).

Thorough Monitoring

The Special Investigation Team (SID on black money also said it will investigate thoroughly the "reported secret list exposed by the International Consortium of investigative Journalists (lCIJ). "The multi-agency group will comprise various government agencies - the CBDT, FLU, FT& TR (Foreign Tax and Tax Research) and RBI. - They will continuously monitor these (accounts) and whichever accounts are found-to be unlawful, strict action as per existing laws' will be taken," Jaitley said.

His comments came after reports based on leaked documents of a Panama-based law firm Mossack Fonseca said over 500 Indians held accounts in offshore tax havens. The report claimed that the list included foundations and trusts 'and passport details of 234 Indians.

This included a well-known actor and his daughter-in-law, a leading real estate tycoon and a number of other industrialists and their family members, most of whom have .denied any wrongdoing. The report said Onkar Kanwar, Chairman of Apollo Group, and his family members floated an offshore entity in British Virgin Islands in 2010 and two trusts in 2014.

Reaching to it, an authorised spokesperson said, "India lawfully permits foreign investments in accordance with certain regulations. Any investment abroad, that the Kanwar family may have, is in due compliance with the Indian laws, where applicable, including making disclosures wherever required.

"Much of the family members mentioned are NRIs. They are covered by other nation's permissible laws for their foreign investments arid are not covered by Indian laws and restrictions' on residents in matters such as Income Tax and RBI." Jaitley said the multi-agency group, set up to probe offshore accounts disclosed in Panama Papers, is analysing each and every account and those having illegal holdings will not "get sleep at Right".

"Now these Panama names have come into the limelight. In last three days we have formed a group. We are analysing each and every account to find which is legal and which is illegal," he said. -In a stern warning, Jaitley said, "Those who are having legal accounts, they need not worry and those having illegal accounts won't get sleep at night." "Those people who have kept it illegally, we will try to detect it fully. And I think that soon everything will be made clear," Jaitley said.

Opting for a Serious-probe

RBI Governor Raghuram Rjan said that the multi-agency probe will look into the legitimacy of such holdings of Indians named in the leaked Panama list. It is important to note that there are legitimate reasons to have accounts outside and the LRS scheme allows you to take money outside, Rajan had said.

Under the Liberalised Remittance Scheme (LRS), all resident individuals, including minors, are allowed to freely' remit up to USD 2,50,000 per financial year for any permissible current or capital account transaction or a combination of both. .Jaitley said after the revelations, more names may come out in the next 'few days. "I welcome this investigation. I think it is a healthy step that these kind of exposes are being made. I have been repeatedly saying that the world is now going to increasingly become more transparent, countries are cooperating with each other and 'slowly all this information is going -to come out as a result of various global initiatives which have been launched," he said.

He said that Prime Minister has spoken to him in, this regard and after his advice, the government has constituted a multi-agency group to monitor the information and' to collect further information in this regard. The list has been released by International Consortium of Investigative Journalists (ICIJ), which added a disclaimer that there are also "Legitimate uses 'for offshore companies". Jaitley said the report published by The Indian Express gave details of accounts and assets held by some Indian entities in Panama. This is' the fourth collective bunch of such information and investigation that have been made, he said.

He added: "The first related to Liechtenstein accounts against all persons involved in that prosecutions have already been launched. Assessment orders have been passed. Then details came in 2011 with regard .to HSBC account holders. 569 out of those account holders have been traced. 390 were illegal and already 154' set of prosecutions have been filed."

The minister further said that detailed assessment orders have led to the discovery of illegal assets worth around Rs 6,500 crore. "The prosecutions are taking their normal course and assessment proceedings and their consequential actions are on," he said. In 2013 the International Consortium of investigative Journalists had published a list of 700 per-sons which was analysed, he said, adding, "434 Indian entities have been traced. 184 out of them admitted their relationship with the accounts and the process of passing assessment and prosecuting them is now on. Already 52 prosecutions have been filed' by Income Tax authorities".

Jaitley said that in view of the commitment of the Central Government to bring out undisclosed money both from abroad and from within the country, "the information brought out by any investigative journalism is welcome".

Although in the previous report of ICIJ, information relating to the financial transactions and bank accounts was not available, Jaitley said, the government detected credit in the undisclosed foreign accounts of such Indian persons in excess of Hs 2,000 crores, The multi-agency group, Jaitley said, "will monitor the flow of information in each one of these cases. The government will take all necessary actions as required to get maximum Information from all sources including from foreign governments to help in the investigation process".

India, he added, is also concerned that there are nation in the world which are being used as tax havens because of which all other countries of the world suffer loss of tax. The recent initiative of Base Erosion and Profit Shifting (BEPS), Jaitley said, will help India and other countries in checking this practice of tax-avoidance 'through such tax havens. "India is also fully committed-to the BEPS initiative."

With regard to information received from the French government in 2011, a Finance-Ministry statement said it revealed details of bank accounts of 628 Indian persons in HSBC, Switzerland and. a lot of progress has been made with regard to investigation by the Department and 569 persons have been traced.

Out of 628, 214 we're found not actionable on account of no balance or being non-residents or being non-traceable. Of the remaining cases assessments have been completed in 390 cases in which undisclosed income of Rs 5,01'8 crore and tax demand of Rs 4,584crore has been raised,' the statement said. Also, a concealment penalty of Rs 1,213 crore has been levied in'157 cases.

It further said that 154 prosecution complaints have been filed in HSBC cases, Based on the prosecution complaints of predicate offences, ED has also initiated investigation in 23 cases of HSBC and 20 cases of ICIJ expose of 2013.

(PTI Economic Service)

LOAN DEFAULTS: ADOPT ETHICAL APPROACH, JAITLEY ASKS INDUSTRY

The global initiativs to deal with the menace of unaccounted wealth abroad will be in place by 2017, and then it would become extremely diffifult for individuals to hide assets.

— By Dipankar Kumar

In the light of rising cases of wilful default, on loans, including the one by liquor baron Vijay Mallya; 'finance Minister Arun Jaitley emphasised that industry is fighting a battle of credibility and it should adopt positive and' ethical approach towards N.PAs or bad debts.

Chronic Problem of Bad Loans

"Indian industry is also fighting a major battle for its own credibility. Some recent events haven't added to their credibility," he said, without naming Mallya who has defaulted on Rs 9,000 crore loan and has gone to the UK to avoid action by investigative agencies and lenders. "In this entire debate which. is going on non-performing assets, ram quite conscious of the fact that an adverse business environment can-lead to non-performing assets.

"When the cycle reverses, the NPAs can also be reversed but the approach of the leaders of the industry will certainly have to be always positive and ethical because it is that approach which is going to add to their credibility," he said. There are about 7,686 wilful defaulters who owe Rs 66,190 crore to public sector banks. Of these, suits have been filed in 6,816 cases and FIR has been lodged 1.669 cases.

Banks have initiated action under the Securitization and Reconstruction' of Financial Assets and Enforcement of Security Interest Act (Sarfaesi) Act in 584 such cases, .Jaitley also said the government has been trying to address the problem of NPAs in sectors like steel,' textile, highways and infrastructure, which are ***on*** account of economic lowdown. "In the last one year pro-active steps have been taken as "far as steel industry is concerned, the revival of highway industry is concerned, the sugar industry is concerned, the step which has been taken in power sector, each of-these are going to lead to better consequence as far as these sectors are concernred in coming one year," he said.

The Finance Minister also said there are still some sectors which have been adversely impaced by business environment around the world, more particularly in this country. "The government and industry will have to put their heads together, work in tandem to address each of the sectoral concerns. Obviously, those sectoral concern have fallout on the overall economy," Jaitley said.

The gross Non Performing Assets (NPAs) of public sector banks (PSBs) increased from 5.43 per cent as on March 2015. Groas NPAs of PSBs increased from Rs 2,61,731 lakh crore in December. Talking about the stalled project, he said, the Prime Minister's Office is directly looking at them. A large number of them have got started in several sector, he said. On black money, the Finance Minister said those who did not take advantage of the compliance window last year to declare illegal assets abroad will find "such adventurism extremely costly".

Need for Fruitful Global Initiatives

The minister said global initiatives to deal with the menace of unaccounted wealth abroad will be in place by 2017, and then it would become extremely difficult for individuals to hide' assets.' "With G20 initiatives FATCA and bilateral transactions in place with effect from 2017, the world is going to be a far more' transparent institution 'and therefore, this kind of an adventurism will prove to be extremely costly for those who have indulged in it," he said.

Jaitley said those who did not take advantage of the black- money compliance window last year to declare undisclosed overseas assets will realise their mistake. “I had come in for adverse comment including some of my friends here when in 2015 Budget we had announced a strong penal law against illegal assets abroad. At that stage I had said that those who committed mistakes in the past are getting last opportunity with a compliance window in place.

“The compliance window operated (and), many availed but probably some didn’t. Today when I see contrarian reports appearing (in media), which are not only impacting India …… which are impacting the rest of the world, I think it is a stern reminder to all of us,” he said, Last year, duril1g the 90-day compliance window ended September 30, the government had received disclosures of undeclared overseas wealth totalling Rs 4,147 crore. Those wanting to come clean were required to pay 30 per cent tax and 30 percent penalty.

Beside, the government in this Budget came out with a compliance window to encourage domestic black money holders to, declare assets in the four-month compliance window, which will open in June. They will have to pay a total of 45 per cent tax and penalty. Jaitley further said the essence of the industry will have to be entrepreneurship and also credibility. “If India aspires to be the fastest growing global leader, as far as the economy is concerned, we in government have a primary responsibility in terms of policy and guiding public opinion,” he said adding the industry also has to work towards achieving the global.

(PTI Economic Service)

VALUE CHAIN EMPOWERING FARMERS

We need to empower our farmers to organise themselves without waiting for others to help them

— By Dr Som Dutt

There has been significant progress in agricultural production in India during the last six decades. The food grain production has increased from 50 million tonnes in 1950 to 262 million tonnes in 2011-12.

The Green Revolutlon was initiated in the sixties, accelerated the growth of crop production, ensuring food security. - Thus, .phenomenal success has transformed the country from a food-deficit to a food surplus nation. In the absence of a fair and efficient marketing system, neither the farmers get a fair deal nor the country can boost ‘agricultural production to feed the burgeoning population. Since it is necessary to’ Keep all food fresh for a long time or up to the end users, there is a need to ***have value*** chain among farmers. Therefore, efforts’ ***have*** been made to develop an efficient ***value*** chain.

Realising the potential of value chain in marketing, the Government of India assured minimum support price for major foodgrains and established procurement centres for a few important crops, where farmers Gould not sell their surplus produce in the local markets. This practice is being continued even today for paddy and wheat in Punjab and Haryana.

Market is a place where the individuals ***have*** freedom and right to sell and buy. A fair-market ensures efficient and reasonable price where a large number of buyers and sellers are ***active*** and the process is fair and transparent. Market should be friendly-to both buyers’ and sellers.

Need to Market Agriculture

The National Commission on Agriculture, defined agricultural marketing as a process starting from the decision to produce saleable farm commodity until reaching the consumers. This can be termed as backward-and forward integration or a Complete value chain, which bongs all stakeholders on a common platform to add value to their produce, reducing the cost transaction. Marketing plays a critical role in determining the

profitability of any production unit and more significant role in agriculture because of widely decentralized production by millions of farmers, and fragile and bulk nature of the produce, which are seasonal in production while the demand is spread all round the year.

Most of the farmers grow such crops which can be conveniently grown, depending on the-season and available inputs without understanding the demand for the produce. As the marketing efficiency has been poor due to inadequate infrastructure, weak information system, outdated policies, unscrupulous traders and unfair practices, helpless farmers are exploited to such an extent, that cultivation of many crops is becoming an uneconomic activlty according to a report in the ICAR publications.

Since small farmers ***have very*** little surplus to sell, their produce does not fetch better price in the local market. Such farmers are neither benefitted by improved production technologies nor by increasing price of their produce. The small farmers in the arid regions of Western Rajasthan grow pearlmillet or other hardy pulse crop due' to non-'availability of marketing facility instead of cultivating high- ***value*** crops like cumin, fennel, coriander, Psyllium (isabqol), clusterbean, senna etc. which fetch ***very*** high price, leading to very high income.

If there is a reliable service to provide finance, improved seeds, storage facilities for holding the stock whenever necessary and a fair market, they would ***have*** opted for high-value crops and 'become prosperous, owing to non-availability of backward and, forward linkages, these distressed farmers are left with 'no enthusiasm, missing the golden opportunity to cultivate many, elite crops. With these small farmers, medium and large farmers also compelled to send their surplus produce to the market yard (rnandi), where they, face many problems, resulting' in poor price realization.

Since our crop production is dependent on nature, there are severe variations in yield, quality and time of supply of produce, while' consumers expect quality produce all round the year. In case of fruits and vegetables, consumers prefer to have different varieties and hence do not wish to buy the same vegetables and fruits every day. Thus, there is a heavy fall in the price and inferior quality 'produce find no buyers. Many customers who eat ber and oranges, discontinue buying them when grapes arrive. The cut flower like marigold, has demand during certain festivals. If there is a delay in harvesting even by a day, there will not be any takers in the market.

Many farmers do not have the capacity to hold their produce and wait for better price, unless they get some advance cash against their stock, to settle pending debts and even to arrange grading and transportation. Facilities for availing loan for crop production can empower them to enhance crop yield and quality.

The traders play a dubious role in exploiting farmers in many ways. They serve as money lenders with a claim on the produce at a lower price. There are many traders who go to farmers to pressurize them to sell immediately after harvesting, cheating them in price as well as weight.

Sometimes, large farmers are cheated in the market yards by recording lower weight, levying various service charges and offering lower charges by forming a cartel among traders. In fact, it is extremely difficult for farmers to bring back the produce once it is taken to the marketed for selling, contrary to the philosophy of fair marketing.

Presently, small farmers have very, few options to sell their produce at a competitive price. Apart from selling to local traders, other options are to sell in local weekly markets (haats), to cooperative marketing societies or 'through e-chaupals. Of late, there are new options opening up, to supply to retailers or to other private entrepreneurs under the contract farming agreement. However; there is a long way to go before-small farmers-across the country become part of the value chain to get a fair deal.

Realising the problems faced by farmers in market yards, the Government of India has now introduced model laws on agricultural marketing. Now, provision has been made to operate private market yards and direct purchase centres, such as e-chaupals, ryat bazaars and public private partnership in market yard management. Market Standard-Bureau has also been established to set standards forvarious produce and Issue quality certificate for 'graded produce. Several Marketing Boards and Federations have been established to provide marketing support to growers.

Most of them are managed by the Government, with varying degree of success but their sustainability without the involvement of the Government, is doubtful. Provision for establishment of Terminal Markets has also been made under the National Horticulture Mission, to promote marketing of fruits and vegetables by cooperatives and private agencies.

Under this programme, hub and spokes type network has been proposed, with collection and grading facilities created at village or block level. These graded produce can be sent to different markets and processing units depending on the demand and utility. Provision has also been made to establish cold storages and godowns for storing the products till processing and 'marketing. Establishment of producers companies has been recently Introduced to-organize the producers and to ensure value-addition to the produce through' processing and, marketing. These companies are established by producers', groups cooperatives, -processors and other stakeholders as members, for facilitating various services to farmers with a major focus on value addition and marketing.

This company is expected to professionally manage the business of procurement, processing and marketing of produce. These organizations have the strength to negotiate with processors and retailers for better price, while assuring superior quality produce and time bound delivery. Regular market survey 'on, daily and weekly basis on demand and survey of various agricultural commodities with their price ranges and transmission rough radio, TV, internet and newspapers, can give a clear idea about the demanded supply situations during different occasions.

This data will be helpful to farmers and agricultural extension agencies to organize staggered sowing of crops which can be harvested when the demand is high. Relay of market-prices on daily basis, can empower farmers to bargain for higher price. Grading of, the produce, based on standard colour, size, shape and quality will help in sending specific consignments to particular markets, to fetch better price.

Proper method of harvesting of fruits and vegetables without any scratches and damages, proper cleaning before grading, packing in different quantities and in good packages, can fetch better price. Farmers should be oriented about consumers; preferences and good management practices. Suitable measures should be adopted to bring transparency and fair trading in mandis/market yards, to ensure provision for direct sale of produce by producers to retailers and processing agencies.

Offering suitable bet-price to farmers by traders based on sample of the' produce, with a condition to deliver the agreed quantity within a stipulated period, the system adopted by private e-chaupals, should be encouraged.

Better Training for Farmers

This would empower farmer to sell their produce whenever they are offered better price. Value chain is a platform where all the stakeholders associated with a particular crop or commodity share a common platform and interact among each other with a goal of optimizing the production and value-addition.

These are the intermediaries between farmers and consumers. They include scientists, extension experts, development agencies and farmers' organizations, input producers and distributors; financial institutions and insurance agencies, traders, warehouse owners, transporters processing establishments and marketing organizations. Local farmers cooperatives. dedicated civil society organizations or producer companies can take the lead in coordinating the value chain platform. For effective functioning and inclusion of small farmers, producers groups of 20 - 50 farmers, preferably belonging to a homogeneous land holding and socio-economic category, may be formed for sharing inputs technology, infrastructural, services and experiences.

A field technician or a trained field, guide can be-appointed for providing hands-on technical guidance to individual farmers, under the supervision of an expert, while organisation input distribution, credit facilitation, development of water resources, promotion of agro-engineering services post-harvest management of the produce such as collection cleaning, grading packing and transportation of the produce to various destinations.

With such an organizational set up either in the form of informal or registered groups or cooperatives even small farmers can sell all the surplus produce without any exploitation by moneylenders and middlemen.

With timely availability of inputs and technical guidance, these farmers can take up production of even high-value crops-and increase their income, The facilitating agency can also encourage new entrepreneurs to take up contract farming for growing high-value crops, wherein small farmers can even think of pooling-their fragmented lands without losing their land rights and increase the scale of production.

The facilitators can promote different market outlets, apart from sending their produce to export and elite markets and processing agencies. Direct supply to retailers and consumer groups can further reduce the involvement of middlemen. This would also provide an opportunity for farmers to know their consumers' better and improve their production to suit the market needs. With such efficient value chain development, farmers will be able to get remunerative price for" their produce, which in turn, can' boost agricultural production in the country.

The time is now ripe and fortunately, the Government policies are supporting such initiatives. Hence, we need to empower our farmers to organize, themselves without waiting for others to help them.

(PTI Feature)

CENTRAL WATER AND POWER RESEARCH STATION, PUNE

Today the institute is totally devoted to service of the nation through research which also happens to be the mutto of the institution

— By G V Joshi

The Pune based Central Water and Power Research Station (CWPRS), as it is known today, has completed its one hundred years of fruitful existence on June 14, 2016. It was established in 1916 on this day by the then Government by Bombay Presidency as a "Speical Irrigation Cell" with a directive to develop irrigation practice to met Indian farmers' requirements. Recognizing its role in the systematic study of various phases of water flow in canals, including floods, the institution was taken over by the Government of India (GoI) in 1936 and became a part of iminstries connected with water resources and irrigation from time to time.

With the dawn of independence in 1947, and launching of planned development of the nations water resources, CWPRS became the principal central agency to cater to the Research and Development needs of projects in the fields of water resources, energy development, and coastal engineering. Based on its experties, CWPRS advises on various problems pertaining to projects not only in India, but also in neighbouring countries.

Recently engineers and scientists working at the CWPRS have provided,' structural and design' related recommendations to ensure safety and security of the Salma Dam in Herat province of Afghanistan, also known as the Afghan-India Friendship Dam, which was inaugurated on June 4, 20.16 by India's Prime Minister Narendra Mbdi and Afghanistan's' President Ashraf Ghani.

Elaborate Government Arrangement

Today, CWPRS under the Union Ministry of Water Resources is one of the foremost organisation in the field of water as well as irigation in India. It provides specialized services through physical and mathematical model studies and fields investigations in the following major areas: River Engineering, River and Reservoir system modeling, Reservior and Appurtenant Structures. Coastal and Offshore Engineering Foundation and Structures Engineering and the like, It was in the year 1945 that the GoI set up a Commission under the name of Central Waterway, Irrigation and Navigation Commission, generally known as CWINC, which was to act as a Central planning and coordinating organisation with the authority to undertake construction work in India, In November 1944, a sister Organisation namely Central Technical Power Board (CTPB) , had also been set up by the GoI, with the' general responsibility 'of initiating coordination and processing the schemes of power generation and its utilisation throughout the country.

However, the work between these two organizations was found to be overlapping. The GoI therefore, reviewed the position in 1948, regarding these two organisations along with two such other bodies dealing with electricity and waterways development viz.

The Electrical Commissioner with the GoI and the Consulting Engineer for Waterways and Irrigation, GoI then decided to amalgamate these four organisations into two, namely, the Central Water-Power, Irrigation and Navigation Commission of which CWPRS was a part. At its inception, the institution was located at Hadapsar, on the banks of Mutha Right Bank Canal that originated from the then Lake Fife, named after Captain Fife, the engineer who recommended duilding the Khadakwasla dam, which formed the reservoir on the river Mutha.

The institute took up the first problem about flow of water in canals in 1919, when it was recognised that the canals in Bombay Presidency that carried varying amounts of water over the year needed special-purpose outlet devices, different from those used In north India where the canals remained at full supply levels throughout the year.

Studies conducted at the institute after the end of World War I in 1919, for silt removal from the canals in Sindh province, (now in Pakistan), and protection of bridges in India proved the importance of a hydrodynamic research station in understanding the shifting nature of-alluvial rivers in Indo-Gangetic plains of India and developing the protection and training measures for them.

By 1935, the research activities far outgrew the facilities available at the Hadapsar site. Substantial research works / modeling studies were relocated at Khadakwasla, about 15 km to the southwest of the Poona city where water was available, in adequate quantity, throughout the year for the hydraulic model studies. In the process the Special Irrigation Division was named as the Hydrodynamic Research Station in 1928.

The Government of India established the Central Board of Irrigation in 1928 as a coordinating body on technical and research matters. A few water research, laboratories were set up in some provinces, but it was felt necessary to have a central institution for the whole of India to provide-advice not only to the irrigation departments but also to the Railway, Board, Port Authorities and other public agencies that may need it. Hence the institute was renamed as the Central Irrigation and Hydrodynamic Research Station in 1937.

River valley development became the catchword for all-round development of India after 1947, with emphasis on establishment of new ports improvement of existing ones arid coastal protection.

To reflect-the renewed mandate and activities, the institution was renamed in 1947 as the Central Waterways, Irrigation and Navigation Research Station. New laboratories such as River & Canal Hydraulics, Mathematics, Statistics, Soils & Soil Mechanics, and Concrete & Materials of Construction, Physics and Chemistry were added.

In 1949, to include the enhanced sphere of activities of the research station, the Government changed its name to the Central Water Power, irrigation and Navigation Research Station; and finally in 1951 to the Central Water and Power Research Station.

CWPRS has grown during the past ten decades to an institution of international standing; and is one of the few institutions of its kind in the world, dealing with the entire life cycle of water, from its occurrence in rainfall to joining the ocean and dealing with various uses .of water on one hand and water-related disasters on the other. Water management scenario of today is centered on sustainable development and environmental issues and this paradigm shift is reflected in the present-day activities of CWPRS. Today the institute is totally devoted to service of the nation through research, which also happens to be the motto of the institution.

(PTI Feature)

GOVERNMENT EYES CREATING A MASSIVE ONE CRORE JOBS IN SHIPPING, PORTS UNDER SAGARMALA

Thrust is being laid on developing waterways in the country and ball has been set rolling to tap the potential of 116 rivers across the nation as waterways

— By Namita Tewari

A massive one crore job creation is what the government eyes under its ambitious Sagarmala project in the next four to five years.

The Ambitious Sagarmala Project

Sagarmala aims to promote port-led development in the country by harnessing India's 7,500-km long coastline, 14,500-km of potentially navigable waterways and strategic location on key International maritime trade routes.

"One crore jobs will be created under Sagarmala project only in the shipping and ports sector," Road- Transport, Highways and Shipping Minister Gadkari has said after chairing the second National Sagarmala Apex Committee meeting. The jobs will include 40 lakh direct and 60 lakh indirect employment.

Also upbeat that the Maritime India Summit in Mumbai from April 14 to 16 would give a boost to Sagarmala, the Minister has said that the global meet alone would see investments to the tune of Rs. two lakh crore in the sector. The Summit is being organised to harness India's immense opportunities in the maritime sector. In line with Prime Minister', 'Narendra Modi's announcements that port sector can propel our economic growth, we are making all efforts to exploit its immense potential, Gadkari has said.

Thrust is being laid on developing waterways in the country and ball has been set rolling to tap the potential of 116 rivers across the nation as waterways, he has said. The government's top priority is to develop waterways and ports to reduce the high logistics cost as it costs Rs 1.5 a km to carry the cargo from road, one rupee from rail while through waterways it reduces to only 25 paise a km, he said.

Government has identified over 150 projects under its ambitious 'Sagarmala' initiative, the Minister informed. Apart from converting 111 rivers into waterways the agenda includes developing smart cities at major ports, the Minister said adding that the 1,620- km stretch on Haldia-Varanasi on Ganga was being developed and tenders were out for projects worth Rs 4,000 crore.

Also, on the priority is development of coastal areas in 13 states which will benefit lakhs of fishermen, he said informing the government planned low cost housing and other initiatives for. them. Development of shipping sector along with highways will contribute at least 2 per cent to India's GDP, he has said. On ports front, the 12 major ports in the country saw capacity addition of a record 94 million tonne (MJ) last fiscal ended March 31, earning Rs 4,268 crore profit on the back-of various government initiatives.

Comprehensive Planning

Projects worth Rs 72,818 crore have been awarded-for ports modernization as well as new port/terminal development, he has said, adding that contracts worth Rs 60.,000 crore would be awarded by May 26. "Financial Year 2015-16 has been historic for the Ports sector in the country, with 94 MT capacity added through 34 capital investment projects which is the highest in major ports history," Gadkari has said.

The Minister has also stressed that India plans to ramp up the capacity of its ports to 3,000 million tonnes per annum (MTPA) by 20.25 as against 1,500. MTPA at present. He said ports capacity has been increased by 4.3 per cent. Kandla became the first major port to reach 100. MT traffic in a year helped by 20 per cent improvement in port efficiency while JNPT became the first major port to reach Rs 1,000 'crore net profit helped by 12 per cent of efficiency improvement, the Minister has said after the second meeting of the National Sagarmala Apex Committee (NSAC).

Paradip Port achieved highest coal loading volumes of 24 MT with 30 per cent efficiency improvement, he has said adding the port efficiency improvement has added 50. MTPA of cargo handling capacity leading to high returns for ports with comparatively low investments.

Stating that the ports have continued their recovery, Gadkari has informed that, operating profit margins for major ports improved from 27 per cent FY 2013-14 to 39 per cent in FY 2015-16. "The major ports have increased their operating profits from Rs 3,593 crore in 2014-15 to Rs 4,268 crore in 2015-16, registering increase of about Rs 670. crore," he has said. The minister said efficiency improvement has lowered logistics cost for the trade, creating an estimated benefit of about Rs 500 crore per year.

Also, the turnaround time has reduced by over 40 per. cent in Paradip, Tuticorin and Vizag, he has said. While emphasizing on the need for pushing port and port led development, Gadkari has said that the forthcoming Maritime India Summit would be a game changer. He said there were plans to set up several industrial zones at ports like Kandla and Haldia to, spur economic growth. The minister has said that as part of modernization and up gradation of ports various steps are-being taken including implementation of 104 initiatives to reduce time and cost of operations in ports as per best global practices.

Thirty of the 104 initiatives have been implemented and the remaining will be implemented over various phases 'by 2019. India has 12 major ports Kandla, Mumbai, JNPT, Marmugao, New Mangalore, Cochin, Chennai, Ennore , V O Chidambarnar, Visakhapatnam, Paradip and Kolkata (Includinq Haldia) which handle approximately 61 per cent of the country's total cargo traffic.

(PTI Economic Service)

TWO YEARS OF MODI GOVERNMENT AND INDIAN ECONOMY

During the last two years, government has put in place structural changes, setting the stage of the economy to return to high growth path in the next couple of years

— By KR Sudhaman

A lot of positive developments have taken place to the Indian Economy during two years of Prime Minister Narendra Modi Government. Many of these developments have gone unnoticed because of the tepid global growth particularly in some of the advanced economies in Europe and emerging China.

The Economic Overhauling

The Indian Economy might not be growing to Is full potential as yet but none can deny the fact that a derailed economy during the last few years of UPA government has been put back on rails. 'The economic slowdown has bottomed out and the economy is on revival mode and surging towards high 8-10 per cent-annual growth in the coming years.

After slowing down to Jess than five per cent 'during the last years of UPA regime, India's GDP grew by 7.6 per cent in 2015-16and 7.2 per cent in 2014-15, making the country fastest growing economy in the world after racing China slowed down to less than 7 per cent annual growth in 2015. Annual inflation, as measured by the wholesale price' index (WPI), fell to -0.9% 'in January 2016. High growth and falling inflation is unprecedented in recent Indian economic history. The fiscal deficit has been contained below 4 per cent of GDP and Current Account Deficit is less than 1.5 per cent of GDP.

Foreign Exchange Reserves is beyond $350 billion and growing. India received highest Foreign Direct Investment at over $50 billion in 2015-16, which has happened for the first time in putting the Indian Economy on a sweet spot when most of 'the other' major economies are not doing all that well. Systemic reforms have happened in the last couple of years, whose impact might not be felt immediately but over a period of time it would certainly cut down wasteful expenditure and subsidies would become more targeted and social schemes more effective.

Of course, one cannot say for sure Indian economy is out of the woods as yet in view of the external factors arising out of difficult, global economic situation and some domestic, bottlenecks impeding rapid growth.

Agriculture, badly hit by poor monsoon during' the last two years coupled with infrastructure constraints are-some of the factors that needed to be addressed and the Union Budget this year has rightly caught the bull by the horn so that consumption demanded picked up particularly in rural areas and more jobs are oreated by pushing investments.

The economic survey shows that fixed capital formation has, fallen to 29.4% of GDP in 2015-16 from 30.8% in 2014-15. Agriculture has grown by merely 1.1 % this year after -0.2% growth last year with food grains production stagnating at around 250 million tonnes for the past two years. Exports and imports have fallen by,l7.6 and 15:5%, respectively, during this year.

The Railways reported a mere 1 % growth in freight volume in 2015-16 over last, year. Growth in bank credit has ranged between 9 to 11 % in the last two years in contrast to an average annual growth of over 20% in the last decade. Banks are unwilling to lend owing to a pile up of bad debts, with stressed advances accounting 'for over Rs. 8.5 crore i.e. almost 7% of GDP.

Conscious of these problematic' areas of the economy, the Budget has made an honest attempt to deal with many of the pressing issues. To begin with it has taken number of steps to boost sagging farm sector to deal with rural stress.

It has taken several steps to ensure infrastructure investments get a fillip particularly investments in 'railways, highways, ports, airports, metro rail projects in various cities, development of smart cities, rural housing and power generation particularly renewable energy. Massive investments in infrastructure is the key to kick-start the economy and this was happening when global commodity prices are low. This world help the economy reduce costs on projects because of falling prices of steel, cement, oil and other commodities.

India is endowed with 300 days of bright' sunshine in most 'parts of the' country and rightly Solar power generation has been given special thrust by the government. After it came to' power in 2014, the NDA government has stepped .up solar power' generation target five-fold to one lakh mw by 2022, Pesently' solar power 'generation is around 5000 mw and necessary ground work has been prepared to ensure at least 10,000. MW power generating 'capacity is added in the next one year which is likely to go up to 15,000 to 20,000 Mw annually in a couple of years. Some States like Maharashtra, Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Rajasthan and Gujarat have leapfrogged in this area.

One of the major successes of NDA government is in the area of financial inclusion. This would help in making India's growth story more inclusive with' nearly one third of 1.2 billion population still living below the poverty line. The success' of Jan Dhan Yojana to ensure that every BPL, family has at least on bank account has helped in bringing about systemic changes to ensure that money provided under various social schemes is transferred to the beneficiary directly. This direct benefit transfer is work in, progress and opening up of 10 million bank accounts, within as pan of few months is a great achievement. What has not been achieved since bank nationalization in 1969 has been achieved in a short period.

Predominant outlay and Initiatives

Given the widespread agrarian distress, the government, has increased the outlays significantly this-year to reverse the damage. While the outlay for agriculture and irrigation has increased from 0.19% of GDP in, 2015-16 to 0.32% in 2016-17. The four big bang reforms that Modi government can take credit is the launch of Make in India, Skill India, Digital India and Swatch Bharat initiatives that would help the economy become a global manufacturing hub and create the much needed jobs for the youth, which form 65 per cent of the population.

The Make in India initiative will push the country's manufacturing from the present 16 per cent to 25 per cent of GDP in the next five to 10 years. The second initiative: Digital India is aimed at utilizing India's prowess in Information Technology and software to make India easy place to do business and improve governance- and reduce corruption by digitising most of the government operations. India's services sector accounted for nearly 60 per cent of GDP and it is amount the leaders in IT and IT enabled services. The third initiative: Skill India is equally important as without skilled manpower, the make in India initiative will remain a non-starter.

The Make in India initiative is aimed at taking advantage of the country's demographic dividend when most other economies including China is facing ageing population. India needed to skill at least 500 million people in the next 10 years to become a global manufacturing hub.

Apart from make in India initiative, the government has done quite a bit in improving ease of doing business in the last two years. The states are also competing among themselves to improve the ease of doing business by cutting down red tapism, bureaucratic and procedural hurdles. The FDI regime too has been liberalized substantially in the last couple of years. Some necessary legislations on Insurance-and pension reforms than opened up FDI further to up to 49 per cent have been passed. These legislations were pending for several years.

That apart FDI in defence has been liberalized considerably attracting large commitments by foreign companies with Indian partners for hi tech, defence productions. FDI in defence production is now allowed up to 49 percent through FIPB route. In ‘some hi-tech defence production it could up to 100 per cent on case by case basis. More recently the budget opened up multi-brand retail on food items up to 100 per cent foreign direct investment.’ Usually 70 per cent of multi-brand retail business world over is on food items.

As on April 1,2015, there were 18.19 crore registered LPG consumers and 14,85 crore active consumers implying a gap of 3.34 crore consumers which were duplicate, fake or inactive accounts, Eliminating such 3.34 crore consumers helped save Rs 14,67.2 crore in 2014-15 fiscal. The saving in 2015-16 was about Rs 7,000 crore, lower than the previous fiscal mainly because global oil prices slumped thereby cutting the subsidy required.

The government has also, promoted green energy in a big way. Total estimated investment in renewable energy power projects during last three years is around Rs. 86,000 crore. As per inputs provided by Central Electricity Authority (CEA), around 15,400 MU has been generated through solar energy during the last three years and it has, met the energy requirement to that extent in the country. Up to 100 per cent foreign direct investment is allowed under automatic route for-power generation from renewable.

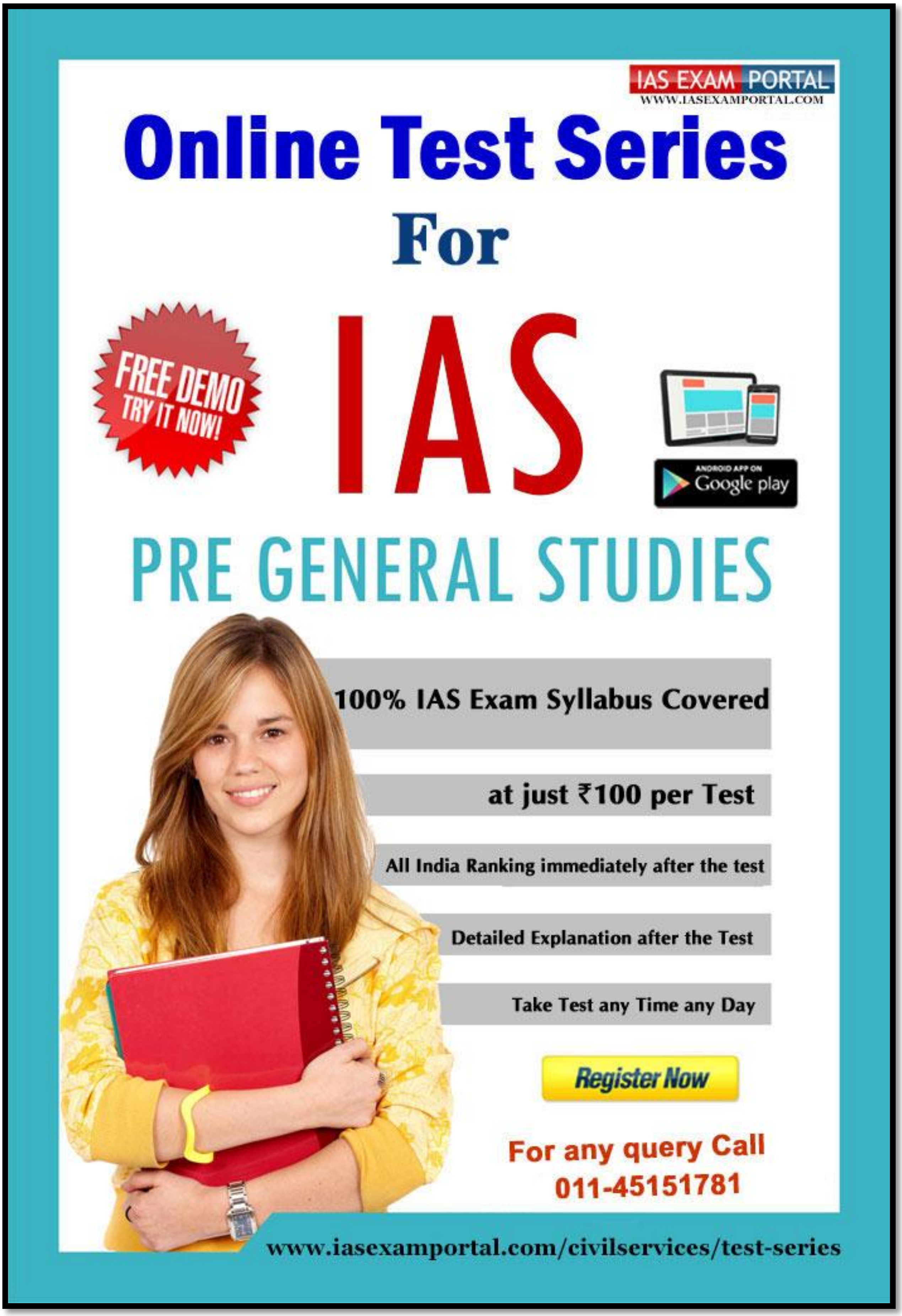
Modi launched a scheme “Prakash Path” - “way to light,” under which energy efficient LED bulbs, will be distributed for domestic efficient lighting programme in Delhi; arid a National Programme for LED-based Home and Street Lighting.

More recently India has moved a step closer to adopting a new bankruptcy law after the Lok Sabha passed the legislation. The law will ensure time-bound settlement of insolvency, enable’ faster turnaround of businesses and create a data base of serial defaulters-all critical in resolving India’s bad debt problem which has crippled bank lending and it will also help creditors recover debt faster. This transformational legislation restores the balance of power between promoters and creditors. There were 12 laws, some of which were more than 100 years old, to tackle insolvency, and now there will be one law. Implementation of the law will lead to more foreign investment interest in India.

Focusing on Industries

The government has done quite a lot to promote Micro, Small and Medium Industries as well. It has already come out with Mudra Yojana to ensure financial’ assistance to SC/ST small entrepreneur in particular. Rs 1.8 crore loans to be provided to small and micro enterprises at a concessional interest rates. That apart government will soon come out with a comprehensive MSME policy to boost the sector, which accounted for 40 percent of manufacturing and 45 per cent of merchandise exports. It also has tremendous potential for job creation particularly in rural and semi urban areas.

The sector already employed 11 crore people. Textiles sector, another employment generating sector has received fillip under NDA government. Funding is a major issue for MSMEs and the government has made concerted effort to address this issue by promoting credit rating of



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manufacturing SMEs in the country, which has considerably helped in availability of bank .Ioans to them. During the last two years government has put in place structural changes, setting the stage for the economy to return to high growth 'path in the next' couple of years.

The government is on right traek to push reforms, and these would start bearing fruits in the coming years for the economy to reap benefit. One Major reform agenda that is yet to fructify is game changing Goods and Services Tax, which-is stuck in Rajya Sabha as the ruling NDA did not have requisite numbers in the upper house.

Once that is passed in the coming months, the economy will see a sea change in pushing up growth. Apart from moving towards common-market in the entire country with near uniform rate of indirect taxation, GST rollout will push up GDP by 1.5-2 per cent.

It will-also save thousands of crore of money lost because of commercial vehicle being held 'up at toll gates. Also GST will widen the indirect, tax base thereby helping revenue mop up by both states and centres without high tax burden on indirect tax payers.

The recent monetary easing with inflation at manageable levels too will help the economy by reducing interest rates. From here on the Modi government during the last years have ensured that the economy can only look up besides the growth being inclusive with the revival of investment in the coming years.

(PTI Features)

INFLATION REMAINS IN NEGATIVE FOR 17TH MONTH AT (-) 0.85 PERCENT

RBI has so far refrained from taking bold initiatives to boost growth. The central banks has been taking baby steps as far is interest rate cut is concerned

— By Chandra Shekhar

It has been over one-and-half year that' the wholesale price index has remained in the negative indicating that all is not well with the economy. Low inflation is good, but persistent deflationary trend can create macro-level problems.

Continuing the deflationary trend for 17th month, WPI inflation wais at (-)0.85 per cent in March but may inch-up gradually in the coming months on growing pressure on food-and vegetable prices. The Wholesale Price Index-based Inflation rate in March was marginally higher at (-)0.91 per cent in February. In March last year, it was (-)2.33 per cent. This is the 17th straight month since November 2014 when deflationary pressure persisted.

Persistent Pressure

Food inflation stood at 3.73 per cent in March compared, with 3.35 per cent in February, showed official data. Inflation rate for vegetables came in at (-)2.26 per cent in March, while for cereals and pulses it was at 2.47 per cent and 34.45 per cent respectively. The inflation print in the fuel and 'power segment was (-)8.30 per cent, and for manufactured products, it read (-)0.13 percent in March. Onion and fruits saw easing, of prices with these sub indices hilling by 17.65 per cent and 2.13 per cent, respectively.

The January WPI inflation has been revised lower to (-)1.07 per cent from the provisional estimate of (-)0.90 per cent. As regards pulses, its prices have continued to remain high in March - 34.45 per cent up from year-ago levels - marking the 15th straight month of double-digit inflation in lentils, though several other essential kitchen staples have seen moderation rates. The price rise in pulses become more evident taking into account the fact that WPI inflation remained in negative for 17th month in a row. However, the sub-index for pulses showed—an inflation rate of 34.45 per cent for the same month.

The inflation in pulses has been recording double digit in increase since January 2015 when it was 12.56 percent. Since then inflation touched a high of 58.09 per cent in November 2015. India Ratings said that although prices of oil and manufactured items are expected to remain benign and keep the pressure on WPI inflation low the same cannot be said about food inflation over the next few months despite the prediction of an above than normal monsoon.

"Prices of cereals have shown some escalation in March and with summer season setting in there will be pressure on vegetable/fruit prices to rise. As a result, WPI inflation is expected to move into positive territory next month but will remain in low single digit in the foreseeable future," said Sunil Kumar Sinha, Principal Economist, India Ratings.

Industry body Assocham said that although predictions of weather department are in favour of the ongoing Rabi season, policymakers should contain the upward price pressure if it surfaces in the coming months. "Since the government has shown its commitment to support industry and considering that recent RBI policy stance to kick start investment and credit cycle can have positive impact on India's economy in the coming months, WPI is likely to move upwards," Assocham President Sunil Kanoria said.

Pulses have shown upward price pressure continuously for the past six months and policymakers should check and address this issue through supply side responses, Assocham said. ICRA Senior Economist Aditi Nayar said that prices of pulses have hardened in the first half of April. Besides, prices of certain, vegetables have risen in the last fortnight in line with seasonal trends during the summer months.

In order to deal with the rising prices of pulses, the government had in October announced host of steps including use of price stabilization fund and imports to cool prices and create a buffer stock. It had-also launched a crackdown on hoarders to deal with the price situation. Industry chamber CII said going forward, the prospects of normal monsoon along with subdued global commodity prices and favorable government policies should restrain upside pressures on inflation.

"This should provide the space to the RBI to retain the dovish stance towards monetary policy and open up the door for further easing of policy rates during the current year," it said in a statement. FICCI said the pressure which was seen arising from the food segment seems to be moderating, with , prices of vegetables and fruits reporting a decline, Further, recent meteorological prediction indicates expectation of normal rainfall this year which 'is a huge positive.

"Current inflation trajectory combined with positive monsoon forecast provides enough room for further accommodation in the policy rates which is critical for reviving the capex cycle in the economy," it said.

RBI approach

The Reserve Bank mainly looks at retail inflation data while firming up its monetary policy stance. Retail inflation in March fell, to a six month low of 4.83 per cent. RBI earlier cut the key policy rate by 0.25 percent and projected retail inflation to be around 5 per cent this fiscal.

It had said there were uncertainties over unseasonal rains, the likely spatial and temporal 'distribution of the monsoon, the low reservoir levels by historical averages, and the strength of the recent upturn in commodity prices, especially, oil. The Meteorological Department, later, forecast an above normal monsoon for this year. There are expectations that the current year will ***have*** bountiful rains after a bap of two years of deficient monsoon.

But for the subdued prices of crude oil in the international market there is no obvious reason for continued deflationary trend. The wisdom lies in taking advantage of the situation and do the utmost to push growth by generating demand for industrial goods and taking extra initiative to promote growth of agriculture produce. RBI has so far refrained from taking bold initiatives to boost growth. The central bank has been taking baby steps as far as interest rate cut is concerned. At a time, when the RBI could have been bolder it remained ultra conservative, unmindful of the fact that in several developed countries including the US and Japan the interest rates are near zero.

The onus of taking action definitely rests on the RBI as of now. If it does not take bold action, it might become too late once the oil prices start inching up in the international market.

(PTI Economic Service)

GOVERNMENT ROLLS BACK DECISION TO LOWER EPF RATE

The EPFO pays rate of return to subscribers on the basis of returns it generates from its investments

— By Ammar Zaidi

There seems to be no ending of rollbacks as far as employee provident fund (EPF) is concerned. After nationwide protests, the Government bowed to wishes of employees and rolled back its decision of lower interest rate on provident fund deposits to 8.7 percent for 2015-16 and agreed to fix it at 8.8 percent as decided by retirement fund body EPFO.

Rollback by the Government

The Finance Ministry apparently relented after Prime Minister's Office (PMO) intervened to rollback the hugely unpopular decision, The roll back comes on the heels of government having' to withdraw an order restricting withdrawals of employers share in the, employee provident fund (EPF) till an employee achieves 58 years of age. Last month the government had to roll back a Budget proposal to tax EPF withdrawals. The rollbacks on both the decisions followed protests from employees and their unions. "I am happy that our Finance Minister has agreed for 8.8 per cent interest to be given for EPF workers for 2015-16. We will issue a notification 8.8 per cent interest rate immediately," Labour-Minister Bandaru Dattatreya said announcing the decision. The minister clarified that the EPFO's apex decision making body the Central Board of Trustees headed by him in its meeting held on February 16, 2016 at Chennai recommended 8.8 per cent 'interest to be credited to EPF workers for the 2015-16 which would leave a surplus of Rs 673.85 crore.

The minister said that the Finance Ministry_ had sought clarification on interest to be credited to inoperative accounts and it was clarified that interest of 8.8 per cent was (decided) after taking-into consideration the inoperative accounts also. He also informed that EPFO updates about 15 crore accounts annually and only 2.89 lakh accounts have to be updated as of March 18, 2016.

When asked about the tussle with Finance Ministry, the minister said, Finance Ministry advises all the ministries. When interest rates wer falling they wrote a letter to us and we fixed the interest-keeping that in view.

The roll back comes in the backdrop of a nationwide protest by 10 central trade unions opposing the Finance Ministry's decision-to lower EPF interest rate by 10 basis points. Earlier the Finance Ministry defended its decision, saying last Year's surplus would have to be used to pay even the lower 8.7 per cent rate on Employee Provident Fund for 2015-16.A Finance Ministry source said earnings of EPFO in 2015-16 is not even sufficient to pay 8.7 per cent interest rate. There was a surplus of Rs 1.604.05 crore for 2014-15. At the proposed rate of 8.8 Per cent this surplus would be reduced to just Rs 673.85 crore in 2015-16. Thus the proposed rate of 8.8 per cent seeks to draw on surplus of last year. This would adversely hit maintenance of relatively stable returns to investors for the next year in a falling interest rate scenario." the source added.

Rational behind the Rollback

Stating that earnings of EPFO in 2015-16 were not even sufficient to pay 8.7 per cent interest, the source said the ratified interest rate of 8.7 percent would leave a surplus of around Rs 1,000 crore with EPFO for the year. "This is still lower than the surplus of Rs 1,604.05 crore for 2014-15." he said. Explaining the process, the source said interest rate on EPF accumulations is administered by the Labour Ministry on the recommendations of Central Board of Trustees (CBT) of EPF. Ministry of Finance ratifies the rates on the basis of proposal from Labour Ministry, taking into account financial sustainability and ensuring stable returns to the investors," the source said. ''Action of Ministry of Finance is based on pure arithmetic calculation and is in the interest of all the members of EPFO and sustainability."

The Finance Ministry source said the interest income earned on nine crore inoperative accounts, having a principal of more than Rs 35,000 crore, is not distributed among them but rather distributed among existing active account holders based on a CBT decision, "Moreover, this windfall for exiting operative accounts will not be available from next year since CBT in its recent meeting has taken a decision to pay interest for the inoperative accounts which it stopped since April 1,2011. From where would these account holders be compensated for past years when the interest earning on their investment has been used by existing active account holders?" he asked.

Also, as on March 31, around three lakh accounts are pending for updation, in the absence of which, it is difficult to calculate the' exact liabilities towards them. "The earnings of EPFo in 2015-16 itself are a result of investment made over a number of, years. It clearly implies that outgoing employees may also have benefited from the investments made when they were not the members. A decent reserve/surplus amount is necessary 'to ensure inter-generational equity," the source added.

Labour Minister Bandaru Dattatreya had on April 16 told Lok Sabha that Finance Ministry approved a 8.7 per cent interest rate for over five crore subscribers of 'the Employees' Provident Fund Organisation (EPFO). "The (EPFO's apex decision-ranking body)' CBT at its meeting held in February had proposed an interim rate of interest at 8.8 per, cent to be credited to the accounts of EPF subscribers for 2015-16. The Finance Ministry has, however, ratified an interest rate of 8.7 per cent," the minister had said.

This would have been the first time when Finance Ministry has not given concurrence to the interest rate on EPF as decided by the CBT, which is headed by the labour minister. The EPFO had provided 8,75 per cent rate of interest in 2013-14 and 2014-15, which was higher than 8.5 per cent in 2012-1·3 and 8.25 per cent in 2011-12. Its estimates, worked out in September, projected-that the body can easily, pay 8.95 per cent rate of interest as it would leave a surplus of Rs. 100 crore. The EPFO pays rate of return to subscribers on the basis of returns it generates from its investments.

(PTI Economic Service)

GOVERNMENT RELAXES FDI NORMS FOR E-COMMERCE PLAYERS

The new guidelines are expected to facilitate entry of foreign players into the booming Indian e-commerce industry

— By Rajesh Rai

Taking a calibrated approach, the government has relaxed norms for foreign players in the Indian e-commerce sector, but with certain riders. Although associations and industry has welcomed the move, but few big online players are not reacting, According to experts, major players are not happy with the guidelines issued by the Department of Industrial Policy and Promotion (DIPP), under the Commerce and Industry Ministry.

Good News for E-commerce

The government has allowed 100 per cent FDI through automatic route in the marketplace, format, of e-commerce retailing, a development that will give a boost to foreign firms like Amazon and Ebay as well as domestic players. As per the guidelines issued by the DIPP on FDI in e-commerce, foreign direct investment (FDI) has not been permitted in inventory based model of e-commerce.

It has said that, e-commerce marketplace may provide support services to sellers in respect of warehousing, logistics', order fulfillment call centre, payment collection and other services. However, such entities will not exercise ownership over the inventory. "Such an ownership over the Inventory' will render the business into inventory' ecommerce marketplaces will play in 'the based model." As per the norms, an e-commerce film will not be permitted to sell more than 25 percent of total sales from one vendor or its group companies.

"E-commerce entities providing marketplace will not directly or indirectly influence the sale price of goods or services and shall maintain level playing field," the guidelines has said. This particular point has raised eyebrows of several firms as they are claiming that it would impact the online comapnies to announce discounts for consumers. A DIPP official has said that market place firms, which as FDI , cannot- tweak the prices but the seller can announce the discounts.

Snapdeal has said the norms will provide clarity to India's fast growing e-commerce industry, "These guidelines recognize the transformative role that ecommerce marketplaces will play in the Indian market. It is a comprehensive announcement wich will pave the way for accelerated growth of the sector in India," it had said. The ecommerce industry has grown rapidly in India logging a growth rate of over 60 percent. Studies have pegged the size of the industry at around USD 38 billion by 2016 billion mark in 2020.

Positive Guidelines

To bring clarity, DIPP has also come out with the definition of e'commerce', 'inventory-based model' and 'marketplace model', Marketplace model of e-commerce means providing of an IT platform by an e-commerce entity on a digital and electronic network , to act as a facilitator between buyer and seller, The inventory-based model of e-commerce means an e-commerce activity where inventory of goods and services is owned by ecommerce entity and is sold to consumers directly, according to the guidelines.

A marketplace entity will be permitted to enter into transactions with sellers registered on its platform on business-to-business basis. As per the guidelines, e-commerce means buying and selling of goods and services, including digital products over digital and electronic network Digital and electronic network Will include computers, TV channel and other Internet application used in automated manner such as web pages, extranets and mobiles.

It also said that in marketplace model goods/ services made available for sale electronically on website should clearly, provide name, address and other contact details of the seller, "Post sales, delivery of goods to, the customers and customers. satisfaction will be responsibility of the seller," it has said adding in marketplace model, payments for sale may be facilitated by the e-commerce entity in conformity with the RBI rules. In this model, any warrantee/guarantee of goods and services sold will be responsibility of the seller.

Further the guideline has said "subject to the conditions of FDI policy on services sector and applicable laws/regulations and other conditionalites, sale of services through e-commerce will be under automatic route", Currently, FDI upto 100 per cent under automatic route is permitted in business-to-business e-commerce but no FDI is allowed in B2C. However, FDI in B2C e-commerce is permitted in certain circumstances like a manufacturer is permitted-to sell its product manufactured in India through e-retailing.

A single brand retail trading entity operating through brick and mortar stores is allowed to undertake retail trading through online platforms. The new guidelines are expected to facilitate, entry of foreign players into the booming, Indian e-commerce industry. Chinese retailer Alibaba, which holds a significant stake in payment solutions provider Paytm, has already expressed interest to enter the Indian market. Also, the move would help domestice players tap investment easily.

'25 Percent Cap is Reasonable'

Some e-commerce players, industry experts as well as IT industry body Nasscom have siad that restricting sales of a vendor to only 25 percent of the sales in the marketplace may prove to be restrictive, more so if the vendor sells high value items.

When asked, DIPP Secretary Ramesh Abhishek has said, "25 percent is a fair number becaue we want it to be a marketplace model and not inventory". If a firm a providing a marketplace model platform, sourcing 25 percent from one vendor is reasonable and large number of sellers can sell through that platform.

(PTI Economic Service)

WTO CUTS GLOBAL TRADE GROWTH FORECAST TO 2.8 PERCENT FOR 2016

The report has said that China registered the highest merchandise trade by value in 2015 with USD, 2,275 billion worth of exports

— By Rajesh Rai

Rough Clouds are expected to continue hover at the global trade. Being an integrated and important part of the: world 'economy, India too would get impacted due to this. The World Trade Organisation (WTO) has again cut the global trade growth forecast to 2.8 per cent, from 3.9,per cent earlier, on account of slowdown in emerging economies and financial volatility.

Global Trade Scenario

This is not a good news for India which is aiming to increase its share in the global trade to 3.5 per cent from the current 2 per cent by 2020. It is also 'aiming to nearly double its goods and services exports to USD 900 billion by 2019-2020. The global situation may further dent the growth of India's exports, which' are in negative zone since December-2014. "Growth in the volume of world trade is expected to remain sluggish in 2016 at 2.8 per cent, unchanged from the 2.8 per cent increase registered in 2015 imports of developed countries would moderate this year while demand for imported goods in developing Asian economies should pick up, Global trade growth should rise to 3.6 per cent in 2017," the WTO has said.

The 2017 figures are still below the average of 5 per cent since 1990. Risks to this forecast are "mostly on the downside, including a sharper than expected slowing of the Chinese economy, worsening 'financial market, volatility, and exposure of countries with large foreign debts to sharp exchange rate movements," it has said. "Trade is still registering positive growth, albeit at a disappointing rate," WTO Director-General Roberto Azevedo has said. This will be the fifth consecutive year of trade growth below 3 per cent.

While the volume of global trade is growing its value has fallen because of shifting exchange rates and falls in commodity prices. This could undermine fragile economic growth in vulnerable developing countries. There remains as well the threat of "creeping protectionism" as, many governments continue to apply trade restrictions and the stock of these barriers continues to grow, it has said.

"However, we should keep these figures in perspective. WTO members can take a number steps to use trade to lift global economic growth - from rolling back trade restrictive measures, to implementing the, WTO Trade Facilitation Agreement. Azevedo has said. This pact will dramatically cut trade costs around the world, thereby potentially boosting trade by up to USD 1 trillion a year. "More can also be done to address remaining tariff and non-tariff barriers on exports of agricultural and manufactured goods," he has said.

India's Rank

India's rank remained unchanged at 19th in 20.15 in the list of top 30 merchandise exporters of the world, according to the report. China continues to hold the top position in the list. However, India's ranking among top importers slipped by one notch to 13th in 2015, from 12th in previous year. In imports, the US topped the list.

India's exports dipped by 17.2 per cent to USD 267 billion last year while imports aggregated at USD 392 billion. In 2014, the country's outbound and inbound shipments aggregated at USD 317 billion and USD 460 billion respectively. Slowdown in the global demand-hit India's exports in 2015 and this year too the shipments are in the negative zone.

Further, India's rank remained unchanged at 8th last year among the top 30 leading exporters of commercial services respectively. This list was topped by the US in both exports 'and imports. In imports, India positioned 10th.

In 2015, India's commercial services exports aggregated at USD 158 billion while imports were USD 126 billion. Indian government has announced a host of incentives with an aim to nearly double goods and services exports to USD 900 billion by 2019-2020.

The report has said that China registered the highest merchandise trade by value in 2015 with USD 2,275 billion worth of exports. Total world merchandise exports were USD 16,482 billion whereas imports were USD 16,766 billion.

"Exports of developed and developing countries should grow at around the same rate in 2016, 2.9 per cent in the former and 2.8 per cent in the latter. Meanwhile, imports of developed economies are expected to outpace those of developing countries in 2016, with a 3.3 per cent rise in the former compared to a 1.8 per cent increase in the latter," it has said.

Falling for the 15th month in a row, exports dipped 5.66 per cent in February to USD 20.73 billion due to contraction in shipments of petroleum and engineering goods amid tepid global demand.

(PTI Economic Service)

EMPOWERING PEOPLE WITH FINANCIAL INCLUSION

Social welfare schemes were earlier of a boon for middleman who used to siphon-off bulk of the funds by taking advantage of flaws/loopholes in the system

— By Ms Prunima Sharma

Sogada a small village of Jashpur district in Chhattisgarh, is beautifully nestled in the lap of nature. The picturesque settlement is surrounded by green hills which make the village somewhat difficult to access. Not surprisingly, this inaccessibility has added to the difficulties being faced by the villagers in this region. Roshni Bai, a resident of-this village, says that, the .nearest bank to this village is 15 kilometer far, and for this very reason the banking services were beyond the reach of villagers.

Earnest Need for Financial Inclusion

Even after 69 years of independence people like Roshni Bai could not be brought within the banking system, Roshni Bai and their future generations could have been living in the same conditions but, for a new change occurred., Some Bank Mitras from a bank visited her village and explained the meaning of savings and availing banking services at their doorstep. It was a new dawn for the villagers. People from the bank explained the benefits of opening a bank account to them. They were also told that they didn't need to visit bank now and for banking services. Bank Correspondents will provide most of the banking services to them at their doorstep. After knowing all this there was no-reason for them but to open a bank account.

Roshni Bal now has a fair amount of savings in her bank account and this has encouraged her and her husband to save more. The couple is now planning to enhance their monthly deposits and save enough money to buy a scooter for the household. This would enhance the mobility of family members and help increase the income. For the first time Roshni Bai and crores of such people now have bank in their lives, and it happened only due to Pradhan Mantri Jan-Dhan Yojna (PMJDY).

Under this Scheme a majority of people who opened their bank accounts were earlier outside the periphery of banking system. The number of peoplewho have been included in the banking system in such a short time is a global record. Both 'public and private banks have been roped in for this scheme.

The Pradhan Mantri Jan-Dhan Yojana' (PMJQY) was launched on August 28, 2014 by the Prime Minister of India Shri Narendra Modi in the national capital with a vision to bring unbanked section of the society into 'mainstream banking. The Scheme was initiated to provide bank account and banking services to each household in the country so as to have comprehensive financial inclusion. So far as on 29 June 2016 more than 22.29 crore new bank accounts have been opened under the Yojana with a total deposits of over Rs 39.251,57 crore in these accounts, and overdraft facility has been availed in about 20 lakhs accounts, Out of all the accounts opened under the scheme. 61 % are in rural areas and more than 52% are women account holders.

As on 29th June, 2016, 10.39 crore of the accounts opened under PMJ DY are seeded with Aadhar numbers. In addition to this 18.22 crore Rupay Cards have been issued under PMJDY. Out of all the accounts opened under PMJDY, the zero balance accounts are now left almost one fourth only that is 25.29 percent which means people have started doing transactions in their accounts.

Guinness Book of World Records has recognized the Achievements made under PMJDY especially the largest number of bank accounts opened under PMJDY in a shortest time.

The most striking feature of this Scheme is that instead of delivering banking services to villages the focus is on households. Earlier cities were not included in the scheme assuming that banks were already there. But 8.60 crore accounts opened in cities under PMJDY showed that it was needed in cities too. Through this Scheme banks also got an opportunity to tap the saving potential of the common man. Apart from this, provision has also been made that accounts opened under this scheme are connected with mobile phones so that account holder can directly get information about transactions in their accounts.

Areal Boon

Pradhan Mantri Jan-Dhan-Yojana (PMJDY) has proved to be a major job creator, Empowering people by financial inclusion and creating self-employment by increasing the availability of credit is one-aspect of the scheme. This Scheme also enabled banks to create jobs for more than 1.26 lakh

Banking Correspondents who are delivering banking services to households' at their door step. Banking Correspondents in many ways acts as ATM too for many people. They help people to open bank account, deliver their money and also in claiming insurance. In a very short span of time. Bank Correspondents/Bank Mitras have become very popular in the rural areas.

The objective of PMJDY is to bring common people within the sphere of social security. After Independence, the concept of welfare State has been talked about much but, how to take it to the common man has not been thought-out. As a result, lot of Government policies wer formulated but their execution was poor. Money that had to reach to the masses from the Centre and State capitals used to remain unutilized or got evaporated midway somewhere.

Ther previously existing seystem was the cause of corruption where there was no provision to check whether the actual benefit of the scheme has reached to the intended beneficiary or not. A former Prime Minister's statment was much talked about when he said that only 16 paisa out of a rupee reaches to the actual beneficaries of the Government funds released by the Centre for their welfare Schemes.

The Constitution, specially, Article 41 of Directive Principles of State Policy, asks the State to make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases within the limits of its economic capacity and development,." As the Directive Principles are not binding on the Government, there has never been much emphasis on it in earlier regimes to ensure social security for citizens.

So, the fundamnetal change in the methods of carrying-out the schemes was needed. Even after six decades of independence, the Goverment schemes could not achieve the desired result in the area of sical security. And millions of people have been left-out of the banking system. Therefore, there was a need to innolve the people themselves, so that they can create theri own future. At the same time, the need to include private sector was also felt. The Government is working on the very fundamental change and this transformation is indeed speedy.

Previously, poor people had to put in tiring efforts and many formalities had to be fulfilled just to open a bank account. now they have got enough strength from the system and merely with an identify proof or sell certification, an account can be opened an banking services can be availed.

With Jan Dhan, Aadhar and Mobile (JAM) technology, bank accounts are connected and middleman can no longer exploit the poor people. Social Welfare schemes were earlier more ofa boon for middleman who used to siphon-off bulk of the funds by taking advantage of flaws/loopholes in the system. Ghost beneficiaries wer also one of the facet through which middleman made profit. Now with Jan Dhan, Aadhar and Mobile (JAM) have eliminated the middleman altogether. Now the money is being transferred directly into the target beneficiary's account. Such Schemes are definitely the need of the hour and play and important role in transforming the lives of people and the country at large.

TELECOM SECTOR JOURNEY

Government has set target to achieve 100 percent tele-density by 2019. In this, mobile services are expected to play crucial role in meeting this target

— By Prasoon Srivastava

The mobile-phones have been driving telecom growth story in the country. At the end of February 2016, the mobile phone connections in the country reached 102.71 crore from 90.45 crore at the end of March 2014. India is only next to China in the world in terms of mobile subscriber base. There has been attempt to revive landline phones with free tailing schemes from telecom operators state-run BSNL, MTNL and private firm Bharti Airtel through free call schemes. However, landline connections continue to decline. It has dropped to 2.52 crore at the end of February from 2.85 crore in March 2014.

The mobile SIM has become a major tool to connect people to internet. The internet connections in India has crossed 40 crore mark at present from 25.1 crore in March 2014. Most of the people now use their phone to access service on internet. As per Telecom Regulatory Authority of India, there were over 14 crore broadband users in the country at the end of February with 12.7 crore accessing the high speed Internet service through their mobile devices like' smartphone and dongles.

Under National Telecom Policy 2012, government has set target to, provide affordable and reliable -2014 to February, 2016. It is spread of broadband-on-demand by the year 2015 telecom services which will facilitate and to achieve 17.5 crore broadband government play to save thousands of connections, by the year 2017 and 60 crores of subsidy using Aadhaar number crore by the' year 2020 at minimum 2, megabit per-second (mbps) download Easing life of people by cutting down on speed and making available higher distance and enabling them utilise their speeds of at least 100 mbps on demand time more efficiently can be seen as main The data consumed though internet and reason behind growth of Indian telecom broadband service in the country has sector. Besides this affordability arid increased from around 9.44 lakh reach of telecom networks are another terabytes in 2014-15 to 13.831akh TB.

The industry earned revenue of Rs growth in-the sector 15,531 crore from data services in 2013-14. It increased to Rs 24,494 crore in services on internet eased life of people 2014-15. As per six month data available ' like booking' of train tickets, birth with telecom regulator Trai, the revenue certificates, and filing police complaints online, online banking services, payment of bills for various utilities. The last two years 'has' seen most of the services coming onto mobile phones.

The e-commerce sector has further brought people closer to the internet. Now merchants in small town have customers across globe and they are selling products online. People in small towns are able to order quality products especially of brands that are not available in their area.

Even small merchants, handicraft traders, local service providers use mobile applications like Whatsapp, Hike, Facebook etc to discover market for' themselves. The telecom sector has been pivotal role' in creation of industries around it like e-commerce, BPOs and increased business opportunity across the country.

As per official statistics, the, telecom sector has created 2.54 lakh jobs from 2013-14 till April' 30 of 2016-17. Telecom Minister Ravi Shankar Prasad, is a written reply to the Lok Sabha said a total of 89,634 jobs were created in 2013-14, 61,573 in 2014-15, 94,294 in 2015-16 and 8,682 in 2016-17 (till April 30,2016). The numbers include' both direct and indirect jobs.

Government Effort

Government schemes for the sector have played role of demand enabler in the sector. The Digital India programme designed by the government is an example. This program links the telecom sector with good and effective governance for robust growth of the nation. Besides creating avenues for demand of telecom services, the Digital India program also looks at infrastructure and resource deficit in the sector.

The vision of government under Digital India project includes creation of ICT (Information and: Communication Technology) 'infrastructure like high speed Internet at village Panchayat Raj level, on demand availability" of government services like health; education etc, and digital empowerment of citizens specially through digital literacy.

The programme is monitored by a committee headed by Prime Minister Narendra Modi and the Cabinet Committee on Economic. 'Affairs (CCEA) will accord approval for projects. A Digital India Advisory Group has been formed and being chaired by the Minister of Communications and IT. There is an Apex Committee which chaired by the Cabinet Secretary' and the Expenditure Finance Committee (EFC) or Committee on Non Plan Expenditure (CNE).'The Digital India programme is a transformed version of National e-Governance Plan.

The project aims to provide thrust to nine pillars identified as growth areas. These pillars include-broadband highways everywhere mobile connectivity. Public internet Access Programmee-Governance, e-Kranti (which aims to give electronic delivery of services), information on for all electronics manufacturing. IT for Jobs and early harvest programmers Government is working on programme to connect 2.5lakh village panchayats with broadband. The project is likely to be completed by September 2018.

The government has till date laid optical fibre in about 050.009 village panchayats and broadband services has been provided in 6.533 panchayats. It expects to connect 1 lakh village panchayats by end of current financial year. It is estimated that there are 55.669 villages in the country that do not have mobile coverage.

Various Schemes are being implemented with financial support from Universal Service' Obligation Fund (USOF) for expansion of mobile services in rural and remote areas Government imposes 5 per cent levy on every call made which is used to create USO Fund. This fund is used for supporting telecom services in rural and remote areas.

Under a shared mobile infrastructure scheme in villages or cluster of villages having population' of 2000 or more around 7.300 mobile. Towers have been installed. Further 2199 mobile towers are being set up in Left Wing Extremism (LWE) affected States with a total estimated cost of Rs 3.567.58 crore.

In September, 2014, the government approved a proposal to implement a Comprehensive Telecom Development Plan for the North-Eastern Region (NER) with project outlay of Rs 5,336.18 crore. Under the project mobile coverage has to be provided to 8.621 identified uncovered villages by installation of about 6.673 mobile towers and installation of 321 mobile tower sites along national highways.

Government is also in process to strengthen telecom networks in Andaman and Nicobar island and enhance telecom capacity by three fold in Lakshadweep Island.

Issues

Government has set target to achieve 100 per cent tele-density by 2019. In to this, mobile services are expected to play crucial role in meeting this target. Policy makers have challenge to strike balance between factors driving telecom penetrations like affordability, infrastructure and governments revenue from this sector.

The critical raw material in rapidly pushing telecom service is spectrum. These are airwaves frequencies which are used to transmit mobile signals. The value of spectrum depends on the availability of equipment and consumer devices that can-encode and decode signals. The other factor which counts is the area or distance that transmitted signals from a mobile tower can cover. In India, mobile services are provided in 800 Mhz (2G,4G), 900 Mhz (3G, 4G), 1800 Mhz (2G,4G), 2100,Mhz (3G), 2300 Mhz (4G) and 2500 Mhz (4G). In July, government is planning to auction spectrum in 700 Mhz band which is considered to be most efficient for delivering mobile services. The cost of delivering mobile services in this band is estimated to be around 70 per cent lower than 2100 Mhz band, used for providing 3G services.

The cut throat Competition in the sector has been pushing telecom operators to acquire spectrum as much they can for survival. The spectrum is allocated to telecom operators for period of 20 years. Holding of large a spectrum chunk can enable an operator meet growing demand in the market couple with good quality of service. However, industry players often send out signal of being over taxed by government and sector being treated as cash cow.

In this financial year, the government expects a revenue of Rs 98,995 crore from the sector in 2016-17 which includes Rs 64,580.92 crore from spectrum auction proceeds. Inter ministerial Telecom Commission has favoured putting all available spectrum of for auction which at price suggested by be sectoral regulator TRAI is valued around Rs 5.361akh crore.

The auction is to be held in July and would include sale of most premium 700 Mhz band at a price of Rs 11,485 crore per Mhz. As per the rule approved by the inter-ministerial panel a company interested in buying spectrum 700 Mhz band will need to shell out a minimum of Rs 57,425crore for a block of 5Mhz on pan-India basis. This band alone has the potential to fetch bids of over Rs 41akh crore. The total potential revenue of Rs 5.36 lakh crore from the spectrum sale is more than double of telecom services industry gross revenue of Rs 2.54 lakh crore reported in 2014-15 financial year.

Leading operators have requested to defer sale of 700 MHz spectrum, saying that ecosystem, for providing services in this band was not developed and sale would lead to underutilization of the spectrum for several years and block industry's fund. As per global body industry body GSMA" the total recommended reserve price for the auction is almost double the cost of all spectrum investment to date in India and more than 20 times the annual free cash flow-of the entire mobile industry. The panel has also suggested stringent payment conditions compared to liberal method suggested by Telecom Regulatory Authority of India.

The panel has favoured that companies winning 'spectrum in higher frequency bands, 1800 Mhz, 2100 Mhz, 2300 Mhz and 2500 Mhz band, should make 50 per cent upfront payment and rest in 10 years after a 2-year moratorium. For spectrum in 700 Mhz, 800' Mhz and 900 Mhz band, companies will require to pay 25 per cent upfront and rest in 10 years after a 2-year moratorium. It is in line with practice of earlier auctions but differs from Trai suggestion. If all spectrum in 700 Mhz band gets sold at even Trai recommended base price, then successful bidder will need to pay over Rs 1,00,000 crore upfront after auction.

Transformation

The rising cost of spectrum is leading to companies opting for premium services like 4G which at present rate is unaffordable for masses at lower rung. Need of hour is for government to think of a policy of scheme that can strike the balance between two main pillar of telecom services growth affordability and Infrastructure expansion Government in last two years has put in place crucial policies in place like spectrum sharing, trading, active infrastructure sharing, liberalization of spectrum, harmonization, virtual network operators and is further working on uniform rules across country for roiling out telecom infrastructure.

Spectrum sharing has resulted in reduction in cost of owing airwaves especially for, companies who have low subscriber base and are unable to grow at rapid pace. Spectrum trading has given way to struggling telecom operators to sell their right to use airwaves to other telecom operators based on their mutual commercial agreement. Earlier, telecom operators depended only on government for procuring spectrum but spectrum trading rules has given them liberty to buy spectrum from other operators based on their need.

After about 7-8 years, government in January 2015 was able to bring all ministries on a table to discuss and free excess spectrum they could for commercial mobile services. The industry has transformed from spectrum crisis situation till 2015 to over supply of spectrum.

Earlier telecom operators were allowed to only share mobile towers for installing antennas but this year government has allowed them to even share antennas. This would help industry in significantly reducing cost of infrastructure. Further, government has approved virtual network operator's licence that will help telecom operators in selling their service through another company. Situation of telecom operators is like a company which is making product is selling on its own. The provision of VNO will introduce a distributor like layer for companies. This will facilitate companies is selling their services in bulk to a VNO who will then market and sell telecom services further.

A VNO will be able to offer services or various telecom operators under one umbrella to customers. This will also reduce cost of marketing spend that telecom operators are required to promote the services. The sector is moving in direction where it will see huge business in communication from machines than human beings. Government has already announced roadmap for the same on May 12, 2015.

(PTI Economic Service)

UNENDING NATRiP PROJECT DUE TO MISMANAGEMENT: PARLIAMENTARY PANEL

Calling the creation of different for allocation and expenditure of funds under a single umbrella scheme ironical, the panel said it is against the government vision of simplification of procedures

— By Munish Shekhavat

A Parliamentary committee has expressed concern over the "unending continuation" of Department of Heavy Industries' (DHI) flagship project NATRiP, saying it indicates "mismanagement and lack of oversight". The Department Related Parliamentary Standing Committee on industry, chaired by K C Tyagi, expressed concern over the fact that a project which has already seen three extensions, is looking for 'further extension.

"In the view of the committee, this unending continuation of the flagship project of DHI, which was originally intended to be time-bound, is a pointer to mismanagement along with lack of oversight and accordingly recommends that a' performance audit of NATRi P with specific focus' on lapses in project management shall be, conducted," the panel noted in the report which was tabled in the Parliament. Last year, the government had extended the timeline for completing the National Automotive Testing and R&D Infra Project (NATRIP) by three years.

NATRIP which plans creation of facilities at seven locations such as Ahmednaqar, Silchar, Haebareli, Pune, Manesar, Chennai and Indore had faced hurdles at various, stages of implementation on account of delays in acquisition of land, clearances and shifting of utilities besides, contractual complications and foreign exchange 'variation. Further, the committee said it 'would have-found it more appropriate if the government would have at least by now decided the manner in which funds to NATRiP are to be provided, either as loan or as grants.

Observations by the Committee

"Such uncertainties can affect the lucidity of the demand and the transparency with which allocations are made, it said the committee also noted the explanation given by the DHI on how it is to utilise the plan loan of Rs 300 crore allocated to the project during 2015-16 over a period of three

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