

BusinessLine

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Future power

India is better placed to counter China's moves in the region after joining the Shanghai Cooperation Organisation

Diplomacy is all about managing contradictions artfully, or to put it less elegantly, sitting on both sides of the fence and looking comfortable. And the art of diplomacy at its very best was on full view at the 17th summit of the Shanghai Cooperation Organisation (SCO) in Astana, Kazakhstan. There, we were presented with the rare sight of India and Pakistan both joining the SCO on the same day with observers raising the possibility that the two arch-enemies might one day be involved in joint SCO military exercises. In the spirit of the occasion, Prime Minister Narendra Modi steered clear of prickly issues during a meeting described as "very positive and cordial" with Chinese supremo Xi Jinping. It's an open secret the Chinese weren't overly enthusiastic about India signing on as a full-fledged SCO member even though we've had observer status with the organisation since 2005. Our backers were the Russians who nurse hopes India will serve as a counterweight to the Chinese who're becoming more powerful by the day and dominating the organisation. The Chinese, in turn, insisted Pakistan should also simultaneously be made a member to counter India. The lone potentially awkward note during the summit came when the prime minister raised the issue of terrorism — though he diplomatically refrained from naming Pakistan.

The 21st century has been hailed as the Asian Century and certainly Asia is taking its place alongside Europe in global clout. So for India it's useful to branch out and establish its presence across the region, especially in Central Asia, which it has always considered part of its extended neighbourhood. India's membership also means that the SCO can claim to represent half the globe in terms of population and gives the organisation more heft and credibility. On a possibly more troubling note, India stands out because it's the SCO's only fully democratic country and it takes its place alongside countries like China, Tajikistan, Kazakhstan and Kyrgyzstan, all dominated by strongman rulers.

For India, though, joining the SCO is part of a long game. It will provide opportunities for interactions with other countries in the grouping and it might even emerge as a constructive forum where the Russians and Chinese combine to pressure the Pakistanis into curbing their jihadi fighters — many of whom come from the Central Asian region. One institution, already established by the SCO in Tashkent, is the colourfully named RATS (the Regional Anti-Terrorism Structure) and India may hope it can usefully contribute and participate in that organisation. At another level, the SCO could be useful to India if it wants to become a part, in any way, of China's grand Belt and Road Initiative. Some observers have even suggested the SCO might emerge as the Asian equivalent of NATO but that seems unlikely because its members — especially India and Pakistan — have quite disparate interests. Still, for India, being part of the SCO, is a diplomatic step forward that could bear rich fruit in coming years.

OTHER VOICES



Muslim world in turmoil

Militants have unleashed an orgy of violence. But the rulers of Muslim lands appear too busy in acrimonious exchanges and petty rivalries. The Saudi-Iran spat was already a matter of concern. In the days since, tensions between Qatar on one side and Saudi Arabia and the UAE on the other have exposed even more rifts and divisions within the Islamic bloc. The message this confrontation is sending is that despite the dangers posed by extremists, the rulers of Muslim countries are far too obsessed with infighting and power plays. KARACHI, JUNE 12, 2017



Weak, weak, weak

Before 8 June, Theresa May had sketched out a new cabinet. It would reflect her mighty status as the prime minister who had won the nation's endorsement. By Saturday morning it was clear that she lacked even the muscle to appoint her own top team. Every senior minister was to stay. The phrase "in office but not in power" might have been coined for this moment. So when the reshuffle arrived, it was a demonstration not of strength but of weakness, Mrs May's last feeble bid to cling to ebbing power. LONDON, 11 JUNE 2017



Singapore's flip-flop stance toward China

Singaporean PM Lee Hsien Loong said that many countries, including Singapore, see the Belt and Road initiative as a constructive way for China to integrate with other countries. He said his country supports the initiative as well as the Asian Infrastructure Investment Bank. These could be the most positive remarks Lee has made on China recently. China and Singapore have witnessed a cooling relationship due to the latter's siding with the US. BEIJING, 11 JUNE 2017

Climate diplomacy enters a new phase

With the US walking out on the Paris agreement, both China and the EU are likely to determine future processes

AJEYA BANDYOPADHYAY

The clear consequence of President Trump's decision to withdraw from the landmark Paris accord is that, the global climate agenda would be pushed to the back burner at least for the entire tenure of his presidency.

The 'domino effect' is forcing a few other countries to follow suit. During 2010-15, the US significantly increased its climate-related spending and outward investment in developing countries. It committed nearly \$15.6 billion on bilateral programmes for promoting clean energy, sustainable infrastructure and land use. Moreover, the US used to bear about one fifth of the administrative budget of the UNFCCC and, was the largest contributor to the IPCC, the two most important international bodies on climate change.

The proposed budget cuts by the Trump administration could dry up the endowment of the Green Climate Fund (GCF), set up in 2010, as a part of an international pledge to mobilise \$100 billion from advanced to the poorer nations by 2020. The US committed \$3 billion and till date has transferred only \$1 billion to GCF, which currently possesses a kitty of \$10.3 billion.

Leadership vacuum

Moving ahead, the EU (European Union) and China, have rightly stepped in to fill up the leadership vacuum and counter the voices seeking to slow the fight against global warming. Both these powers are largely seen as the only viable diplomatic alternative to the US leadership, as the world wrangles over how to build on its commitments to the Paris accord.

In 2016, China signed the historic deal with the US for clean energy partnership and, cooperated with

them to lead the Paris summit to fruition. In the last, World Economic Forum President Xi voiced his unequivocal commitment to the Paris Agreement, as China realised the distinct opportunity for it to expand its influence on the global stage. China has suspended construction of 103 new coal-fired power plants, and announced plans to invest more than \$360 billion into renewable energy by the end of the decade.

Questions about China

According to the People's Bank of China, the country will need \$600 billion a year to realise its dream of a "Green economy". China's green credit, as it stands today, is almost 10 per cent of the total banking sector portfolios. China today is the world's largest issuer of green bonds. The Chinese government has already mobilised massive policy and fiscal support, to enable sustainable mobility and urban infrastructure and put in place the framework for a robust domestic carbon market.

However, there are some important questions. What will China's mode and scope of engagement with the rest of the world be to lead the complicated highly political climate negotiation process? How much acceptable will be the 'Chinese model' of climate leadership, given that China is the largest emitter of greenhouse gases? As China attempts to grow green, are dirty industries likely to migrate to the poorer countries? Will China become a new hegemon in the evolving power dynamics? As the US withdraws, who will drive innovations and technological progress for low-carbon growth? Will China, the largest manufacturers of wind and solar equipment, be able to sustain its market dominance, with US backing off from clean energy



In denial Of climate change AFP

transition and the market dipping?

The cooperation between EU and China marks a turning point in climate negotiations and global diplomacy. Perhaps we are on the verge of experiencing a multipolar, collective leadership forcing the world to look beyond the Western alliance that dominated the scene for long.

EU-China alliance

China and the EU need to act together and significantly intensify their political, technological, economic and scientific cooperation on climate change and clean energy. In the past, the US did the heavy lifting to convince China and some other major emerging economies to commit to climate change mitigation. The EU too invested major efforts in building coalitions with developing and under-developed nations, vulnerable to climate risks. For the EU continuing the past momentum seems in-

dispensable, mostly by engaging and collaborating with China, India and, other major GHG emitters. However, the looming challenges over Brexit, cross-border migration and, rising threats of terrorism make it difficult for EU to lead a globally coordinated effort on climate change.

Emerging possibilities

US' scepticism on climate change provides an opportunity for countries like India and China to act on their common interests such as transformation of the coal sector, rapid deployment of renewable and electric vehicles, building sustainable urban infrastructure and, collaboration on R&D and cross-border transfer of climate-friendly technologies.

India has always practised smart climate diplomacy. To stay on course on its INDC (Intended Nationally Determined Contribution)

pledge, the government needs to accelerate the pace of important reforms and mainstream climate change in public policy and investment decisions. Adaptation to climate change is already an important agenda in India's regional cooperation strategy for South East Asia. However, ultimately, it is both India and China's intent to formulate and pursue common goals, accept sensible compromises between competing interests, and support poorer, climate-vulnerable countries. Without a stronger political alliance, wiser diplomacy and superior statesmanship, the coalition will at best be limited to technical cooperation, without making substantial headway in the global climate dynamics.

Whoever assumes the leadership needs to do a lot of homework. The Paris Agreement only sets out the broad contours of procedures and requirements — the details are still to be formulated. To enable the global stocktaking of national efforts and make the five-yearly review process a powerful tool, transparency and MRVs (Measuring, Reporting and Verifications) are essential. The development of the transparency framework will be an essential part of the negotiations in the coming years.

Trump's decision will temporarily cut the flow of multilateral climate finance in developing countries. But in the long term it will shift the focus on 'crowding in' and catalyse private investments. Innovative instruments (climate bond, social impact bond, catastrophic risk insurance, etc.) will provide new flows, greater efficiency and effective development impact.

The writer is a Partner of infrastructure and government services at KPMG. The views are personal

Trump's impeachment, a tall order

FBI's James Comey did not deliver the knock-out punch. The special counsel's report may take a long time coming

CHARLES M BLOW

Last week, in a highly anticipated Senate testimony, fired FBI Director James Comey delivered a stinging rebuke and strong indictment of Donald Trump as an abuser of power, twister of arms and, above all, a spewer of lies.

No fewer than five times did Comey accuse Trump of lying.

The White House's response as issued from the mouth of spokeswoman Sarah Huckabee Sanders: "I can definitely say the president is not a liar, and I think it's, frankly, insulting that question would be asked."

No, you saying he's not a liar is a lie, and it is the American people who are insulted.

Trump took to Twitter on Friday morning, writing: "Despite so many false statements and lies, total and complete vindication... and WOW, Comey is a leaker!"

That too was a lie.

During a Rose Garden press conference Friday afternoon with the president of Romania, Trump answered the question of why he felt "complete vindication" by speaking in a hodgepodge of hashtags: "No collusion, no obstruction,

he's a leaker." If America is confronted with a he-said, he-said standoff between Trump and Comey, the former having a documented history as a pathological liar and the latter not, who one grants the benefit of the doubt to is easily answered: Comey.

No knock out blow

And yet, there was something many seemed to find unsatisfying about Comey's testimony: There was no knockout blow. It wasn't the penultimate moment that guaranteed impeachment, but rather just another moment in what will likely be a plodding inquiry.

This becomes the critical and increasingly urgent question for many: Will Trump be impeached — or indicted — and when? The anticipation has produced a throbbing anxiety. There is so much emotional investment in Trump's removal that I fear that it blinds people to the fact that it is a long shot and, in any case, a long way off.

As Adam Liptak wrote last month in NYT, about special counsel Robert S. Mueller's investigation: "Would the Constitution allow Mr. Mueller to indict Mr. Trump if he finds evidence of criminal conduct? The prevailing view among most



Too optimistic About impeachment AFP

legal experts is no. They say the president is immune from prosecution so long as he is in office."

As to the point of impeachment, the founders made this difficult on purpose. Only two US presidents — Andrew Johnson and Bill Clinton — have ever been impeached by the House of Representatives. The Senate refused to convict in both cases, and both men remained in office.

Richard Nixon may well have been impeached, but resigned before the House could vote on his articles of impeachment. Yes, there is a

first time for everything, and this may well be the first time that a president is impeached by the House and convicted by the Senate, or that a president is successfully indicted, but think hard about how remote that possibility is.

At this moment both the House and Senate are led by Republicans who show no inclination to hold Trump accountable and who, in fact, are now making excuses for his aberrant behaviour.

Last week House Speaker Paul Ryan excused Trump's highly inappropriate contacts with Comey, making the silly argument that Trump is "just new to this."

Republican Sen. Susan Collins on Friday engaged in the outlandish speculation that Comey had set the precedent for one-on-one meetings with Trump when Comey pulled Trump aside to discuss the salacious "pee-tape" dossier.

Sorry folks, ignorance — even the towering ignorance of Trump — is no excuse.

Long road ahead

A damning report from Mueller could change Republican reticence, but such a report is likely quite far off. (Fifteen months passed from the time a special prosecutor was

appointed in the Watergate investigation and the time Nixon resigned.)

Unfortunately American expectations are tuned to a Netflix sensibility in which we want to binge a complete season in a single sitting. A proper investigation will not indulge our impatience. The best bet is for Democrats to win a majority in the House in 2018, which is possible and maybe even likely, but winning a majority in the Senate that year is a much steeper climb.

I know well that impeachment is one of the only rays of hope cutting through these dark times. But, I believe that it's important to face the very real possibility that removal may not come, and if it does, it won't come swiftly. And even a Trump impeachment would leave America with a President Mike Pence, a nightmare of a different stripe but no less a nightmare.

In the end, the Resistance must be bigger than impeachment; it must be about political realignment. It must be built upon solid rock of principle and not hang solely on the slender hope of expulsion. This is a long game and will not come to an abrupt conclusion. Perseverance must be the precept. NYT

LETTERS TO THE EDITOR

Send your letters by email to bleditor@thehindu.co.in or by post to 'Letters to the Editor', The Hindu Business Line, Kasturi Buildings, 859-860, Anna Salai, Chennai 600002.

Time to act

The editorial 'Angry Bharat' (June 12) has touched on salient points that merit immediate attention. Agriculture has always been the backbone of our economy and unless the ruling government adopts a sympathetic attitude, the problems will continue, be it the ruling party or any other Opposition party.

Ashok Jayaram
Bangalore

Acute distress

In a country where most of the population derives its income from agriculture, the government should pay utmost attention to farmers' welfare. We have a flawed taxation system, where many people declare themselves farmers for the sake of evading taxes. Hence, if the government allows en masse loan waivers, these so-called farmers will also reap the benefits. Suicide cases can be

avoided if we are able to counsel the farmers at the right time. For this the government should take the help of good counsellors and NGOs. It is not only the burden of debts, but a gloomy future which drives farmers to suicide. Waiver of farm loans is only a small step to prevent suicides, but taking care of their families' medical and other needs with CSR efforts is the right way forward. By encouraging small scale and cottage industries in the villages, families of poor farmers should be given alternate employment.

Veena Shenoy
Thane

Market access

Successive policies, though on paper, do not address the problem of agriculture marketing. Farm gate prices are never close to consumer prices and it is only the middleman who benefits. Technology and accessibility to global mar-

kets, leave alone domestic markets, have not been fully exploited. With the disposable income of Indians in the high end consumer market growing, the demand for quality food has also increased.

The Government should guide farmers to raise crops that match the demand. Besides, a predetermined price has to be assured for crops. The government should absorb the loss if the market prices are not favourable. Farmers are not considered in major policy decisions as they are not a dominant pressure group, unlike the industry and service sectors.

Though the amount involved in farm loans is only a fraction of the exposure to a few corporates, successive waiver schemes has only rewarded wilful defaulters more than the genuine failures.

Farm insurance has only made the insurance companies richer and the farmers poorer. Policies at affordable premia should also

cover the unremunerative prices for the produce.

S Veeraraghavan
Coimbatore

The Government needs to go beyond farm loan waivers, and start thinking out of the box, providing cold storage houses and access to global markets to our farmers so that they are not dependent only on local consumption. And technology must reach to small farmers.

Bal Govind
Noida

RBI justified

This refers to "Why RBI has turned a perma-hawk" by Aarati Krishnan (June 12). Going by the popular demand, had RBI cut interest rates, that would have fuelled inflation due to increase in retail spending with supply side concerns. Further GDP growth was less than expected during the last quarter and in-

flation control and growth cannot go hand in hand. The debate on potential impact of GST on inflation is still on. With so much of uncertainty around, it is but logical for RBI to maintain a neutral stance.

Srinivasan Velamur
Chennai

GST and inflation

The GST Council has cut tax rates on 66 essential items. That the list includes insulin is relevant to a nation with the largest diabetics population. An insulin pen priced ₹540 two years ago now costs ₹640 even as manufacturers claim an annual spike of no more than 1.6 per cent from 2010. Enforcement agencies should ensure that companies do not increase the price in anticipation of GST. Governments that have implemented GST have put in place an oversight committee for this.

R Narayanan
Ghaziabad

CHENNAI

FAQ: GST basics

The what, how and why of the tax reform

AJAY SRIVASTAV

GST MASTERCLASS

What is GST? Who collects and administers it?

GST is a tax on economic activity like manufacturing, services or trading. It would be levied on nearly all supplies except those listed as exempted supplies and imports. GST exempt supplies include alcohol for human consumption and five petroleum products (crude, petrol, diesel, ATF & natural gas).

GST replaces eight central and nine State taxes such as Central Excise Duty, Service Tax, CST, State VAT and Entry Tax. The uniform GST rates across States reduce the tax burden and compliance cost.

GST would be collected at each stage of production or distribution. GST would be levied by both the Centre and States simultaneously on a common tax base. Centre will levy and administer CGST & IGST. Respective States will levy and administer State GST.

My annual turnover is ₹5 lakh. Do I need to register for GST?

No GST registration is required for firms with an annual turnover of less than ₹10 lakh for north-eastern States, Himachal Pradesh and Uttarakhand, and ₹20 lakh for the rest of India. But firms selling online need to register irrespective of the turnover.

GST also offers lower tax option for small dealers with turnover below ₹50 lakh. They may choose to pay tax at a flat rate on turnover without credits under the Composition Scheme.

But this option is not available to inter-State suppliers, service providers (except restaurant service) and specified category of manufacturers.

My unit in Himachal Pradesh is exempt from payment of all

taxes? How my situation changes post-GST?

To promote manufacturing and employment generation, many States exempted manufacturing firms from payment of VAT and other taxes payable to the State. However, under GST, since the State of manufacture would not collect any tax and hence cannot exempt these. For continuance, exemptions would require reimbursement through the budgetary route.

I have a small unit with a five-people operation. I heard all GST compliances would be online. How do I go about it?

GST mandates electronic filing of returns in strict time-bound fashion and punishes any late filing. To ensure that you meet the requirements, you must join a GST compliance training programme and contact a GST Suvidha provider for help. Start today.

This is part two of a series to introduce readers to GST's intricacies. Part 1 appeared on June 12

Which domestic taxes will still be levied post GST?

Taxes collected by the Centre: Taxes on income, wealth or gifts, Central Stamp Duties, Clean Environment Cess, Duty of Excise on tobacco and tobacco products; Terminal taxes on goods or passengers, carried by railway, sea or air; taxes on railway fares and freights, Oil Industries Development Act Cess.

Taxes collected by States: Electricity duty, Mandi fee, property tax, State stamp duties

India has GST rates ranging from zero to 28 per cent. What are the average GST rates in other countries?

Japan: 5 per cent, New Zealand: 15, Austria: 20, Australia: 10, Malaysia: 6, Canada: 5, and Singapore: 7 per cent.

The writer is from the Indian Trade Service. The views are personal. Adapted from his book, 'The GST Nation: A Guide for Business Transformation'

Was the CBI right in raiding NDTV?

The NDTV-ICICI Bank issue anchors on an SC ruling in the CBI Vs Ramesh Gelli case, which digs out some hard facts



D SAMPATHKUMAR

The NDTV says that the Central Bureau of Investigation (CBI) has no jurisdiction to investigate any complaint of wrongful loss to ICICI, even if there had indeed been a loss caused to the bank stemming from transactions between itself and ICICI. But the CBI says the Supreme Court's ruling in the case of CBI versus Ramesh Gelli (Criminal Appeals 1077-1081 of 2013- Supreme Court) confers such a jurisdiction on it.

Who is right? As it happens, the question is moot. A lot depends on how the facts and circumstances of the totality of transactions between NDTV and ICICI are seen, as similar to or can be distinguished from, the issues that were agitated before the Supreme Court, in the Gelli case.

A case of reference

The case relates to certain loan transactions of Global Trust Bank (GTB), a private sector bank licensed by the RBI in 1994 to undertake banking business. Subsequently, having regard to the fragile nature of banking operations of GTB and as a measure of protection of interests of depositors in GTB, the RBI ordered in 2004 that the bank be merged with Oriental Bank of Commerce (OBC), a public sector bank.

Post such a compulsory takeover, OBC undertook a complete investigation of the affairs of the erstwhile GTB which revealed that certain loans were sanctioned to borrowers in the diamond trade that did not adhere to prescribed norms of scrutiny of loan applications and which later turned out to be bad causing

thereby, a loss to the bank. It was contended by the CBI that the officials of the bank who sanctioned these loans were pressured by the GTB's then Chairman and Managing Director, Ramesh Gelli and Executive Director, Subasri Sridhar. It was also contended by them that there was a quid pro quo in the form of the delinquent borrowers contributing funds to make up the short fall in promoters' contribution for setting up the GTB in return for sanction of loans initially and later for bearing to resort to any coercive measures of recovery.

The question before the Trial Court was whether on the dates the loan transactions had taken place, the accused (Ramesh Gelli and Subasri Sridhar) could be deemed as 'public servants' within the meaning of the Prevention of Corruption Act (PC Act).

For even if there was a clear quid pro quo (support for promoters' equity contribution to the bank's capital and sanction of loans) between the two sets of players, charges of 'criminal misconduct' under the Prevention of Corruption Act would not be attracted if Gelli and Sridhar could not be regarded as 'public servants' under that law.

Act of importance

The Supreme Court took note of the fact that the Banking Regulations Act (BR Act) expanded the scope of officials of banks who are liable for criminal prosecution for purposes of offences under the Indian Penal Code dealing with corruption. From a position where only a chairman or auditor could be prosecuted for acts of corruption, the scope of law was expanded to cover practically every employee of a banking institution within the ambit of a corruption investigation.

The Court also dismissed a technical lacuna in the BR Act which only spoke of acts of corruption under Indian Penal Code which have since been repealed but did



Not a straightforward case Of the CBI exceeding its brief PTI

not refer to acts of corruption mentioned in the PC Act. The Court quite rightly ruled that the provisions under the Indian Penal Code that have been repealed have been substituted by identical provisions under the Prevention of Corruption Act and as such the absence of any explicit reference to the latter Act in the law on banking regulation is no bar to the launch of any criminal prosecution for acts of corruption by a bank official.

That said, it is far from certain that the Supreme Court verdict in the Gelli case settles the law on the prosecution of bank officials for cases of corruption in the ordinary course of banking business. This is because the particular judgement confines itself to ruling on the narrow question of law as to whether a managing director can be prosecuted for an act of corruption within the narrow parameters of the Prevention of Corruption Act.

The verdict while expounding on the expanded notion of a 'public servant' under the PC Act omits to discuss at any length the notion

of 'public duty' in the context of the banking industry and more specifically that of specific acts of banking. For a charge of corruption under the PC Act to stick, it is necessary to establish that not only was the officer of a bank a 'public servant' but also that the specific act which is the subject matter of investigation is in the nature of a 'public duty'.

Need more clarity

Indeed, Justice Ranjan Gogoi, writing a separate but concurring judgement, specifically mentions this aspect. As he puts it, "the mere performance of public duties by the holder of any office cannot bring the incumbent within the meaning of the expression 'Public servant' as contained in Section 2(c) of the PC Act. The broad definition of 'public duty' contained in Section 2(b) would be capable of encompassing any duty attached to any office in as much as in the contemporary scenario there is hardly any office whose duties cannot, in the last resort, be traced to having a bearing on public interest or the in-

terest of the community at large. Such a wide understanding of the definition of public servant may have the effect of obliterating all distinctions between the holder of a private office or a public office which, in my considered view, ought to be maintained".

Clearly, this is an aspect on which there is a case for the Supreme Court to deliver its considered opinion and until then the legal position will only be in the realm of speculation. Above all, the Gelli case doesn't also address another aspect that is of particular relevance.

There is little in it to help distinguish between acts of a bank official that amounts to a grant of a largesse (such as an egregious grant of a loan to the most undeserving of a borrower) to a customer for pecuniary considerations and acts of commercial give and take in the context of building an enduring commercial relationship in the banking business. Hopefully the latest CBI initiative in the NDTV-ICICI Bank case would help bring some more clarity on the subject.

5 THINGS to WATCH OUT for TODAY

The J&K government will convene an all-party meeting today in Srinagar to discuss implementation of the Goods and Services Tax law in the State after the main opposition National Conference demanded a wider consultation on the matter.

Liquor baron Vijay Malviya's extradition case comes up for hearing at Westminster Magistrates' Court in London today. The hearing was earlier scheduled for May 17. Britain's Crown Prosecution Service will be arguing on behalf of Malviya, who fled India in March 2016.

The Punjab Congress Legislative Party has convened a meeting today to counter the opposition charges. The specially convened meeting is expected to be attended by all MLAs of the ruling party. The various matters listed for the budget session, scheduled from June 14 to June 23, will be taken up in the meeting.

Nokia is to launch its three Android-powered smartphones — Nokia 6, Nokia 5 and Nokia 3 today. The trio of devices were globally unveiled at the Mobile World Conference in Barcelona in February. Nokia 3 may have a price tag of ₹9,000, Nokia 5 around ₹12,000 and Nokia 6 could cost around ₹15,000.

Patidar quota agitation leader Hardik Patel is likely to leave for Mandsaur, the epicentre of the farmers' stir in Madhya Pradesh, with his supporters on Tuesday. The Patidar community of Gujarat and Rajasthan has extended its support to the MP farmers and Patel would meet the agitating community members during his visit there.

All you wanted to know about...



RADHIKA MERWIN

SLATE

Despite the clamour for a rate cut, the RBI kept its key policy rate (repo) unchanged in the latest June policy. But it lowered the SLR (statutory liquidity ratio) by 50 basis points to 20 per cent.

What is it?

SLR is one of the many arrows in the RBI's monetary policy quiver. These are used, sometimes in isolation, sometimes in combination, to manage money supply, interest rates and credit availability in the country. The SLR may not be as talked-about as its flamboyant cousins, the repo rate and the cash reserve ratio (CRR) but it packs quite a punch too, in its own quiet way.

The repo is the rate at which banks borrow short-term money

from the RBI and the CRR is the percentage of deposits banks have to hold as cash reserves with the RBI. SLR is that portion of deposits banks have to hold with themselves in highly liquid government securities.

Why these reserve requirements? Primarily to ensure that banks always have enough liquidity (cash and cash equivalent securities) to honour depositor's demands and that they don't lend away all their funds. So, banks have to keep 4 per cent of their total deposits as CRR with the RBI.

They also need to invest, as SLR, another 20 per cent now (from 20.5 per cent earlier) of their total deposits in government securities. These reserves are also used by the RBI to tighten or ease monetary conditions in the economy. For instance, now, the 50 basis points reduction in SLR leaves more money with banks to lend. If, in the future, the RBI wants to reduce money supply, it can raise SLR thus leaving banks with lesser funds to lend.

Over the years, the use of CRR and SLR as instruments of monetary control has been reduced.

From 37-38 per cent in the early 1990s, the RBI has reduced the SLR to 20 per cent now. But this is still significant to influence credit and rates.

Why is it important?

The RBI doesn't always prefer bringing out the big guns in its monetary tools arsenal for fear of causing collateral damage — read, the risk of stoking inflation due to a repo rate cut. In such situations, SLR can be an effective pistol, so to speak. Reducing SLR can free up banks' funds, which if deployed for lending can boost investment cycle. The RBI lowering SLR this time was broadly seen as an attempt to revive the slack credit demand in the economy.

But banks may not loosen up their kitty immediately, this time around. That's because banks prefer to carry excess investments and park funds in highly safe assets, particularly when lending opportunities are weak. Currently, banks on an average continue to invest 3-5 per cent more than the mandated SLR requirement.

Why should I care?

SLR tweaks can impact your borrowing rates. Wondered why the RBI's rate actions don't seem to make much difference to your borrowing rates? One of the reasons cited for this poor monetary transmission is the ready market for bond buybacks by the RBI through open market as well as through the SLR mandate.

This, the Urjit Patel Committee believes has kept rates on government borrowing suppressed. To facilitate quicker transmission of policy rates to borrowers, it is essential to align interest rates across different segments to market-determined rates. The RBI has been reducing SLR in a phased manner over the past one to two years, to ensure better transmission by doing away with a captive market for government securities. This should make the bond yields reflect actual market demand.

The bottomline

The RBI's ratios and your rates — it's an effective bond.

A weekly column that puts the fun into learning

BusinessLine TWENTY YEARS AGO TODAY

JUNE 13, 1997

Effective penal action must: Chidambaram

The Finance Minister, Mr. P. Chidambaram, has said professionals such as members of the Institute of Company Secretaries of India and the Institute of Cost and Works Accountants of India have to earn their place in industry by equipping themselves with competencies that are sought by the system. Delivering his inaugural address at the national seminar on the working draft of the Companies Bill, 1997, organised jointly by the ICSI and the ICWAI, Mr. Chidambaram urged both institutes not to look at the new provisions of the Bill from the employment point of view alone.

'Broadcast authority by year-end'

The Government is determined to constitute the Prasar Bharati Board and Broadcast Authority of India (BAI) in calendar 1997, the Information and Broadcasting Minister, Mr. Jaipal Reddy, told a seminar on the Broadcasting Bill organised by the National Telematics Forum. Inaugurating the two-day seminar, Mr. Reddy said he intended to make the minority character of the United Front Government his "forte" while dealing with the Broadcasting Bill.

SEBI plans further action against errant brokers

SEBI is contemplating further action against 134 merchant bankers and more than 300 stock brokers of different exchanges for their failure to fulfill their underwriting obligations, according to top SEBI officials. Underwriters to issues such as Pal Peugeot Ltd, Ginnar Fibres Ltd, American Paints Ltd, Pashupati Fabrics Ltd and Niwas Spinning Ltd failed to meet their obligations and action against them will be taken soon. SEBI has already written to different exchanges across the country to prevent the members who have defaulted on their underwriting obligations from underwriting any future obligations.

EASY

ACROSS

- 02. Chemical found in fats, oils and waxes (5)
- 05. Organ for breathing in water (4)
- 07. Flat-bottomed boat (4)
- 08. Useful implements, vessels (8)
- 09. Sullen, grim quality (8)
- 11. Rapid (4)
- 12. Outline, external shape (13)
- 15. Depressed (4)
- 17. Control, adjust by rule (8)
- 19. One to write from different materials (8)
- 21. Part of foot (4)
- 22. Assist (4)
- 23. Reside; linger on subject (5)

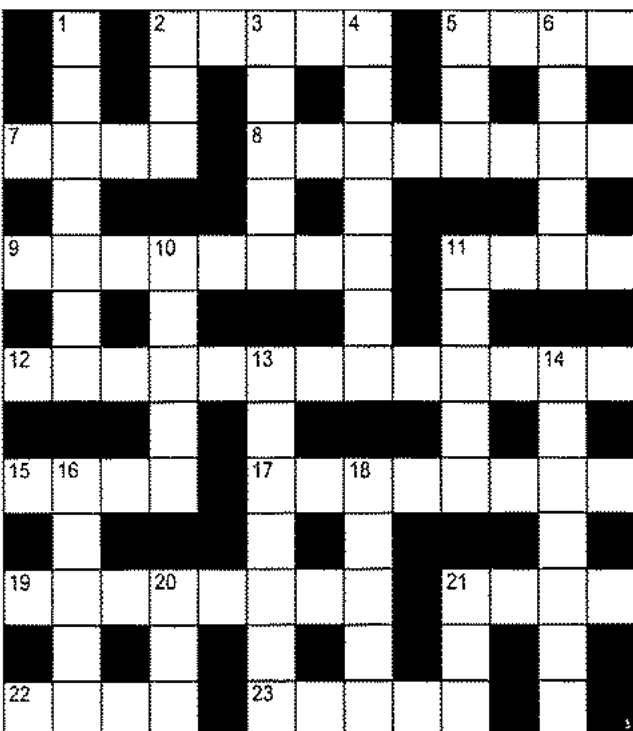
DOWN

- 01. Small flute (7)
- 02. Jurisprudence (3)
- 03. Wait momentarily (5)
- 04. Kitchen sideboard (7)
- 05. Empty, frothy talk (3)
- 06. Sing or plays merrily, vaguely (5)
- 10. Spirally-grooved gun (5)
- 11. Causing death (5)
- 13. Rinsed the throat without swallowing (7)
- 14. Concerning sight (7)
- 16. Not fettered (5)
- 18. Ravine (5)
- 20. Fruit seed (3)
- 21. Be sickly (3)

SOLUTION: BL Two-way Crossword 869

ACROSS 1. Liverpudlian 8. Offering 9. Kepi 11. Turin 12. Scratch 13. Rusk 15. Faro 19. Evasive 20. After 22. Side 23. Distrain 24. Straight away
DOWN 2. Infer 3. Errand 4. Punish 5. Inertia 6. Neighbouring 7. Poltergeists 10. Orc 14. Slander 16. Pin 17. Fetish 18. Mantra 21. Tiara

BL TWO-WAY CROSSWORD 870



NOT SO EASY

ACROSS

- 02. Mouth-part I'd found in fatty tissue (5)
- 05. Have a breather with a quarter-pint (4)
- 07. Barge firm in the Southwest (4)
- 08. Useful implements for making us listen (8)
- 09. Sullen quality rude sons might adopt (8)
- 11. How quickly one will do without a meal (4)
- 12. External shape of coin rating u-turn (13)
- 15. Squander a colour that may be royal (4)
- 17. Govern it with a true leg-break (8)
- 19. One to make a puzzle of clip Rome can produce (8)
- 21. It's so roguish, it may be over one's head (4)
- 22. Man with a record for assistance (4)
- 23. Be a resident and prosper, having nothing to lose (5)

DOWN

- 01. It's a little Roman, blow it! (7)
- 02. The long arm of the Mosaic code? (3)
- 03. Temporary wait while father gets the habit (5)
- 04. He helps an actor to hold crockery in the kitchen (7)
- 05. It may be methane that will make one droop over (3)
- 06. Still being upset, sings merrily (5)
- 10. Plunder it for Lee Enfield (5)
- 11. A fault that's non-u and might bring about death (5)
- 13. Washed the throat with egg and lard preparation (7)
- 14. It's about seeing it come out of the Capitol (7)
- 16. Is not bound to be unsuccessful, round being included (5)
- 18. A gluttonous feed of Cheddar, say (5)
- 20. Seed awarded to one leaving Sandhurst? (3)
- 21. Be poorly put up in parliament (3)