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EDITORIAL

The United Nations Conference on Climate Change attended by representatives of 192 countries held in Copenhagen from December 7 to 18, 2009 did not succeed in signing an agreement with legally binding commitments for reduction in carbon emissions. The Conference took note of a statement outlining the future approach to contain climate change which was evolved in discussions by US and a few other countries, including India as a last ditch effort to save the Conference after negotiations failed to bring in consensus till the scheduled final day on 18th December.

The Accord requires developed countries to list their reduction targets and developing countries to list the actions they will take to cut global warming pollution by specific amounts. The Accord also includes a method for evolving reductions of heat trapping gases and promises $30 b in emergency aid in the next three years and a goal of channeling $100 b a year by 2020 to developing countries with no guarantees.

The draft agreement negotiated in the Conference envisaged 80% reduction of green house gases by the developed world. That proposal has now been scuttled. It is now agreed that developed and developing countries will work out carbon reduction goals together and attempt to sign a global agreement in December 2010 in Mexico.

Rising global temperature due to excessive emissions of green house gases has become a threat to the existence of mankind, mainly on account of rising sea levels and steep decline in agricultural production. The world today is increasingly aware of containing the devastating impact of climate change. Commitments for reduction in the emissions of carbon and other green house gases by countries, however, involve complex issues. A few developed countries as well as emerging economies account for most part of the industrial pollution. The developed countries had been polluting the environment ever since the days of industrial revolution. In fact, the wealth acquired by developed countries is at a heavy cost for the environmental stability and safety at the global level. Today these countries have the resources and know-how to adapt to greener technology. However, the story of developing countries is different. They can fulfill high targets for reduction in carbon emissions only at the cost of further economic advancement. Smaller and least developed countries especially small island nations on the other hand are victims of pollution by other countries without reaping any economic benefits accrued from such pollutions. Negotiations for a global agreement to contain climate change, therefore, are centered round the concerns of all these countries individually and in groups.

The United Nations framework Convention on Climate Change at the Rio de Janeiro Earth Summit in 1992 is the first international treaty on climate change. It established the vital principle that the developed countries should take the lead in combating climate change and adverse impact thereof. The legally binding targets under the Kyoto Protocol was negotiated in 1997 as supplement to the UNFCC.

The Climate Change Conference in Bali in 2007 concluded with the adoption of Bali Road Map which also included Bali Action Plan charting the course for a new negotiating process designed to tackle climate change with the aim of signing a comprehensive agreement by 2009. The launch of adoption fund, review of Kyoto Protocol, decisions on technology transfer and on reducing emissions from deforestation were the important agenda for negotiation process scheduled for completion with the Copenhagen Summit in December 2009. These issues are being renegotiated in December 2010 in Mexico as per the broad approach outlined in the Copenhagen accord, for reaching a global agreement.

K.K.Ravindran

Managing Editor

Tit-Bits Of Service Tax Application In Cooperatives

A.K. Zakir Hussain*
Dr. P. Natarajan**

Introduction

'Services' constitute a very heterogeneous spectrum of economic activities. Services cover wide range of activities such as management, banking, insurance, hospitality, administration, communication, entertainment, wholesale distribution and retailing including Research & Development activities. Service tax is a tax on Services. It is levied on the transaction of certain services specified by the Central Government under the Finance Act, 1994. It is an indirect tax which means that normally, the service provider pays the tax and recovers the amount from the recipient of taxable service.

Service sector has emerged as the largest and fastest-growing sector in the global economy. Service sector contributed 28% of GDP in 1950, which rose to about 55% in 2006-07 and nearly 60% in 2009-10. The Gross Tax Revenue expected to reach Rs. 65,000 crores in 2009-10 from the meager figure of Rs. 2613 crores in 2000-01. Thus service tax collection is expected around 10% of total taxes and 24% of indirect taxes in India. However, the service tax is only around 1% which throws a significant potential to augment revenue. Thus, the government accommodates more services in to the service tax net every year. A snapshot of the procedural aspects of service tax applicable to cooperatives is discussed below:

Services in Cooperatives

A brief description about the important services rendered by cooperatives falling under service tax is given below:

I) Banking and Other Financial Service

Banking and other financial services were brought under the service tax net by Finance Act, 2001, with effect from 16th July 2001 vide Notification. No.4/2001 dated 9.7.2001

Service tax on “banking and other financial services” are defined

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under section 65(12) of the Finance Act, 1994 and classifiable as taxable service under section 65(105) (zm) of the Finance Act, 1994. Hence, banking and other financial services provided by a banking company or a financial institution or a non-banking financial company or any other service provider similar to a bank or a financial institution are liable to service tax under section 65(105) (zm) of the Finance Act, 1994.

"Banking" shall have the meanings assigned to it in clauses (b) of section 5 of the Banking Regulation Act, 1949 (10 of 1949), "banking company" shall have the meanings assigned to it in clauses (a) of section 45 A of the Reserve Bank of India Act, 1934 (2 of 1934). The expression 'other financial services' appearing under section 65(12) (a)(ix) is a residuary entry and includes those services which are normally rendered by banks or financial institutions. Thus all cooperative banks and other cooperative societies carrying on banking business including employees credit societies and PACS falls service tax net.

"Banking and other Financial Services" includes the following:

a. Financial leasing services including equipment leasing and hire purchase;
b. Merchant banking services;
c. Securities and foreign exchange (forex) broking, and purchase or sale of foreign currency, including money changing
d. Asset management including portfolio management, all forms of fund management, pension fund management, custodial, depository and trust services
e. Advisory and other auxiliary financial services including investment and portfolio research and advice, advice on mergers and acquisitions and advice on corporate restructuring and strategy;
f. Provision and transfer of information and data processing; and
g. Other financial services, namely, lending, issue of pay order, demand draft cheque, letter of credit and bill of exchange, transfer of money including telegraphic transfer, mail transfer and electronic transfer, providing bank guarantee, overdraft facility, bill discounting facility, safe deposit locker, safe vaults, operation of bank accounts; etc.

II) Mandap Services

"Mandap" means any immovable property as defined in Section 3 of the Transfer of Property Act, 1882 (4 of 1882) and includes any furniture, fixtures, light fittings and floor coverings therein let out for consideration for organizing any official, social (including marriage) or business function. It includes places like marriage halls, banquet halls, conference halls, etc. Even the open land / ground is to be treated as an 'immovable property' as per the definition given in Sec. 3 of Transfer of Property Act, 1882 and hence the above premises let out for consideration also falls under the category 'Mandap' for the purpose of levy of Service Tax.

The Service Tax would be leviable not only on the hire charges for the mandap but also charges for electricity, whether on actual basis or otherwise, charged to the customer. The mandap keeper may also bill the client for other services rendered by him such as charges for providing furniture, fixtures, lighting fittings, vessels, crockery, cutlery, etc. The tax is to be collected on the whole amount even if separate bills are issued one for the rental and the other for electricity charges. Since Sales Tax, Expenditure Tax, etc., are statutory levies, they cannot be included in the value of the taxable services.

III) Storage and Warehousing

"Storage and Warehousing" includes storage and warehousing services for goods including liquids and gases but does not include any service provided for storage of agricultural produce or any service provided by a cold storage. Therefore, PACS, marketing, dairy, poultry and fishery cooperatives providing storage for agricultural produce does not fall under the purview of service tax. The term agricultural produce would cover all cereals, pulses, fruits, nuts, vegetables, fibers such as cotton, flax, jute, etc., indigo, non-manufactured tobacco, betel leaves, tendu leaves and similar products. However, manufactured products such as sugar, edible oils, processed foods, etc. will not come under the term "agricultural produce".

Service Tax Complying Procedures

The comply with service tax provisions, cooperatives require registration, valuation of taxation services, calculation of service tax, payment of service tax, filing of returns, etc. which are detailed below:

A. Registration

When the taxable service tax receipt of a cooperative exceeds Rs. 8 lakhs for the financial year, registration is required to be made in duplicate in Form ST-1. The department is required to issue the registration certificate within 7 days of the receipt of the application. Once a cooperative registered under service tax ceases to provide the taxable service, it must surrender the registration certificate immediately to the designated Central Excise Office / Superintendent of Central Excise.

B. Small Service Provider-Exemption

Presently, cooperatives having aggregate value of taxable services not exceeding Rs. 10 lakhs exempted from service tax as their considered to be small service providers.

C. Valuation of Taxable Service

The value of taxable service is based on the gross amount charged by service provider for the service provided or to be provided (Section 67). Generally, it is payable on receipt basis. In case where the service provider is providing more than one taxable service, the gross amount is determined separately in respect of each such service, as this will facilitate availment of specific exemptions applicable to each service. In the end, the gross amount in respect of all the services (after taking into account the specific exemptions) can be aggregated.

Out of Pocket Expenses

The out of pocket expenses will be admissible from the value of taxable service subject to the following conditions:

1. Expenditure must be actually incurred by the service provider
2. Such expenditure is incurred on behalf of the customer
3. The expenditure incurred must have been reimbursed by the service receiver
4. There should be documentary evidence for such reimbursement

D. Basis of Charge of Service Tax

The rate of service tax is applied on the value of taxable services provided or to be provided as specified in Section 65 (105). Education cess and secondary education cess are calculated on service tax on all the taxable services and are shown separately in the bill. There is a uniform rate of service tax on all services. Currently it is 10.30%.

(i.e. 10% service tax plus 2% education cess plus 1% secondary education cess chargeable on tax)

E. Payment of service tax

Rule 6(1) provides that service tax has to be paid up to 5th of the month (6th day if tax is deposited electronically through internet banking) immediately following the said calendar month using Challan TR-6. This rule has an exception that service tax received during the month of March shall be paid to the credit of the Central Government by the 31st day of March of the calendar year and not up to 5th of the month immediately following the said calendar month. If the last day of payment of service tax is a public holiday, tax can be paid on the following working day. Education cess and Secondary and Higher Education cess should be shown under separate account head in TR-6 challan.

e-payment of Service Tax

Some banks provide the facility of e-payment of service tax. It is known as Electronic Accounting system in Central Excise and Service Tax (EASIEST). In case of e-payment, GAR-7 challan is used instead of TR-6 challan. With effect from January 1st, 2006 it has become mandatory to make e-payment of service tax in case of assesses who had paid service tax of Rs. 50 lakhs or more in the preceding financial year or have already paid service tax of Rs. 50 lakhs during the current financial year.

F. Returns

Every person liable to pay the service tax needs to furnish return in Form ST-3 (filed in triplicate) on half-year periods of April 1st to September 30th and October 1st to March 31 of the relevant year, on or before April 25th and October 25th respectively. Copies of TR 6 challans of service tax payments to be submitted along with the return. Even if no services have been provided during a half year and no service tax is payable, the assessee may file a nil return within the prescribed time limit.

E-filing facility is also available, by using the site address http://servicetaxefiling.nic.in

G. Penalty

As service tax is an indirect tax, it is payable by the service provider but it is ordinarily recovered from the recipient of services. However, if the service tax is not collected by cooperative, the same has to be borne by it. Further, if service tax is collected but not paid within the due date, simple interest is paid @ 13% for such late payment for the period of delay. Furthermore, if service tax return is not filed in time, penalty is imposed as given below:

Delay	**Penalty**
Upto 15 days	Rs. 500
16 days to 30 days	Rs. 1000
31 days onwards	Rs. 1000 plus Rs. 100 per day from 31 day onwards subject to a maximum of Rs. 2000

H. Maintenance of Books and Records

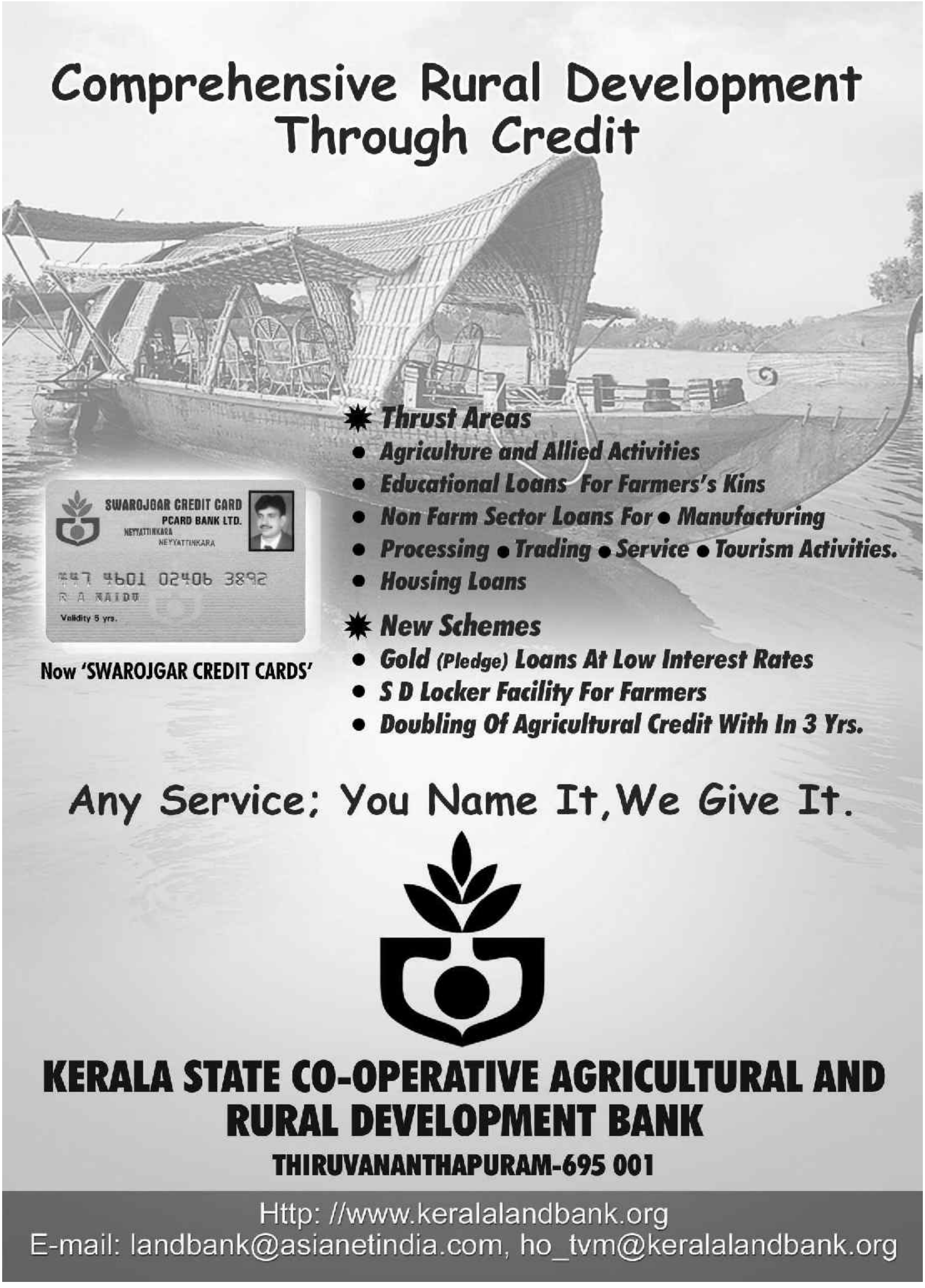
The books and records pertaining to service tax to be preserved by cooperatives for a period not less than 5 years. They should be made available for inspection by departmental officers.

I. Automation of Cental Excise and service Tax

A Centralized and web-based software application of Central Board of Excise and Customs (CBEC), named as Automation of Central Excise and Service Tax (ACES) is available for all institutions including cooperatives to comply with service tax provisions. ACES aims at providing an electronic interface with the department thereby reducing paper work, visits to departmental offices and improving transparency and efficiency in the indirect tax administration in India. The cooperative should login to ACES at http://aces.gov.in and submit the form "Registration with ACES”. The existing assessee-cooperative may also register with ACES. Registering with ACES will make the cooperative to file registration for ST-1 and returns ST-3 online through ACES.

Conclusion

Thus, this article gives an overview about the basics of service tax. Cooperative institutions are encouraged to remit service tax regularly and contribute its share to the exchequer consistently. The simplified guidelines of the service tax computation given in this paper will make the cooperative units, irrespective of its size and nature, to come into fold of service tax net willfully.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Role Of Crop Insurance In Agriculture

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Agriculture and allied activities accounted for 17.8 % of the Gross Domestic Product in 2007-08 as compared to 21.7 % in 2003-04. Its role also remains critical as it accounts for 52 % of the employment in the country. To provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests & disease. To encourage the farmers to adopt progressive farming practices, high value inputs and higher technology in Agriculture. To help stabilize farm incomes, particularly in disaster years. India is the third country after U.S.A. and the U.K. to roll out a crop insurance policy with a view to protect the interests of the farmers through risk minimization in agriculture.

Agriculture is no doubt an important industry and considered to be the back bone of Indian economy. Agriculture and allied activities accounted for 17.8 % of the Gross Domestic Product in 2007-08 as compared to 21.7 % in 2003-04. Its role also remains critical as it accounts for 52 % of the employment in the country. Apart from being the provider of food and fodder, its importance also stems from the raw materials that it provides to the industry. The prosperity of the rural economy in India is also closely linked to agriculture and allied activities. But Indian agriculture is still best with problems like inadequate capital formation, low productivity, high cost of production and uneven growth due to severe monsoon failure.

In India, the agricultural related works are seasonal and are uncertain. Due to this, rural people are affected very badly and their suffering is an imaginary one. For rural people the survival itself is a problem. Therefore they are forced to get loans at a higher rate of interest even from unorganized sectors of the economy. To overcome this, a well organized credit system is the only key element to uplift the life of the rural people. Not only can credit remove financial constraints, but it may also accelerate the adoption of new technologies in agriculture and allied agricultural activities. Credit facility is also an integral part of the process of commercialization of the rural economy. 65 % of Indian agriculture is heavily dependent on natural factors, particularly rain-

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fall. Studies have established that rainfall variations account for more than 50% of variability in crop yields. Its known that yields are variable, however, its now being realized that the weather, particularly rainfall is also become increasingly unpredictable and uncertain. Although there is no way of controlling weather-factors, there is now a hope of mitigating the adverse financial effects that rainfall can have on the rural economy, particularly farm incomes. Varsha Bima covers anticipated shortfall in crop yield on account of deficit rainfall. Varsha Bima is voluntary for all classes of cultivators who stand to lose financially upon adverse incidence of rainfall can take insurance under the scheme. Initially Varsha Bima is meant for cultivators for whom National Agricultural Insurance Scheme (NAIS) is voluntary.

The crops need to be covered under insurance so as to ensure financial support to millions of small and marginal farmers in the event of any of the unforeseen contingencies as a result of sudden unset of natural calamities, pest and diseases. Further, in the wake of globalization, open-market and intense competition, the farmers are often not protected under any government-assisted subsidy programme for the losses they encounter due to their low production and productivity. But when their crops fail, they encounter serious financial problems which hamper to repayment schedule of their crop loans. The enhancement in interest rates on the principal amount and the pressure from institutional or non-institutional financers to pay back the loan amount irrespective of the crop failure lead them to take drastic steps to end their precious lives. Thus, an effective insurance scheme is the need of the hour.

India is the third country after U.S.A. and the U.K. to roll out a crop insurance policy with a view to protect the interests of the farmers through risk minimization in agriculture. Under the scheme of crop insurance, the probability of crop-loss is calculated on the basis of which the farmers pay a premium to the insurance company. Through this, the burden of crop loss is shifted to the insurance company.

There are usually three types of 'Crop Insurance'. They are,

- **All Risk Crop Insurance**

Here, the base-crop yield is fixed for each farm which is proposed to be insured. Thereafter, the crop insurance is offered to cover a fraction of the crop loss arising out of the natural calamities

- **Area-yield Insurance**

In this case, the base period crop-yield rate is fixed for a specified area, such a block or district. Insuring farmers are paid compensation in any particular year, in which the mean yield rate of the area becomes less than what was determined earlier.

- **Weather Crop Insurance**

Under this, normal weather standards are determined and the insuring farmers are paid compensation for the year in which weather is adverse in terms of pre-determined standards.

Objectives of the Crop Insurance Scheme

1. To provide insurance coverage and financial support to the farmers in the event of failure of crops as a result of natural calamities, pests and diseases.
2. To encourage farmers to adopt progressive framing practices, high value inputs and higher technology in agriculture.
3. To stabilize farm incomes, particularly in disaster years.

Salient Features of the Scheme

Crop Covered

- All Foods Crops (Cereals, Millets & Pulses) and Oilseeds.
- Annual Commercial / Horticultural crops viz. Cotton, Sugarcane, Potato, Chilly, Onion, Ginger, Turmeric, Jute, Tapioca, Banana and Pineapple.

Farmers to be Covered

All the farmers including share-croppers, tenant farmers growing insurable crops on:

- **Compulsory Basis:** All farmers growing insurable crops and availing Seasonal Agricultural Operations (SAO) loans from Financial Institutions i.e. Loanee Farmers.
- **Voluntary Basis:** All other farmers growing insurance crops (i.e. Non Loanee Farmers) who opt for the scheme.

Risks Covered

The Scheme provides comprehensive risk insurance against yield losses, viz.:

Natural Fire and Lighting, Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Flood, Inundation, land-slide, Drought, Dry spells and Pests / Diseases etc.

Sum Insured / Limit of Coverage

The sum insured (SI) extends to the value of the Threshold Yield of the crop, with an option to cover upto 150 % of Average Yield of the crop on payment of extra premium.

Premium Rates

a. Food Crop & Oilseeds:

- Kharif Season-3.5 % of the sum insured for Bajra and Oilseeds and 2.5 % of sum Insured for other Food crops or actuarial rates, whichever is less.
- Rabi Season-1.5 % of sum insured for Wheat and 2.0 % for other Food crops and Oilseeds or actuarial rates, whichever is less.

b. Annual Commercial / Horticultural crops : Actuarial rates.

Premium Subsidy

50 % Subsidy in premium is allowed to Small and Marginal farmers which will be shared equally by the Government of India and State Government / Union Territory. Subsidy is to be phased out gradually.

Scheme Approach

- **Widespread calamities:** The Scheme would operate on the basis of Area Approach i.e. Defined Areas for each crop. The Defined Area may be a Gram pachayat, Mandal, Circle, Block, Taluka etc., to be decided by the State Government / Union Territory. However, each participating State Government / Union Territory will be required to reach the level of Gram Panchayat.
- **Localized calamities:** The Scheme would operate on individual basis for localized calamities such as Hailstorm, Landslide, Cyclone and Food on experimental basis.

Levels of Indemnity and Threshold Yield

Three levels of Indemnity, viz. 90%, 80 % and 60 % corresponding to Low Risk, Medium Risk and High Risk areas shall be available for all crops. The insured farmers of a unit area may also opt for higher level of indemnity on payment of additional premium.

The Threshold Yield (TY) or Guaranteed Yield for a crop in an Insurance Unit shall be the moving average based on past three years average yield in case of rice & Wheat and five years of average yield in case of other crops, multiplied by the level of indemnity.

How to Buy Insurance

- **Loanee Farmers:** From the designated branches of Financial Institutions where crop loan availed.
- **Non Loanee Farmers:** From the designated branches of Financial Institutions.

Loss Assessment and Indemnity

- **Widespread calamities:** If the Actual Yield (AY) per hectare of the insured crop for the Defined area fall short of the specified Threshold Yield (TY) all the insured farmers growing that crop in the defined area are deemed to have suffered shortfall in their yield. The scheme seeks to provide coverage.
- **Localized calamities:** Loss assessment and settlement of claims in case of occurrence of localized perils, such as hailstorm, landslide, cyclone, and flood, will be on individual basis. To be tried on experimental basis.

Corpus Fund

To meet Catastrophic losses, a corpus fund shall be created with contributions from the Government of India and State / UT on 50:50 basis.

Benefits of the Scheme

The scheme is expected to:

- Be a critical instrument of development in the field of crop production, providing financial support to the farmers in the event of crop failure.
- Encourage farmers to adopt progressive farming practices and higher technology in agriculture.
- Help in maintaining the flow of agricultural credit.
- Providing significant benefits not merely to the insured farmers, but to the entire community directly and indirectly through spillover and multiplier effects in terms of maintaining production and employment generation of market fees, taxes etc. and net accretion to economic growth.
- Streamline loss assessment procedures and help in building up huge and accurate statistical base for crop production.

Progress and Performance

During the previous fifteen crop seasons (from Rabi 1999 to 2006), 9.71 crore farmers have been covered over an area of 1,562 lakh hectares insuring a sum of Rs. 97,181 crore (GoI, 2007). The total claims to the tune of Rs. 9,763 crore have been paid against the premium income of Rs. 2,943 crore. This indicates that the claim to premium income ratio is 3.3:1 with a claim of Rs. 1,005 per farmer.

Despite a high claim ratio to low premium rates and government support to this scheme in the way of subsidy, the coverage of farmers has not been much satisfactory. On an average only 64 lakh farmers are being covered under this insurance scheme in each crop season. The various constraints which could be listed are:

- Paucity of the financial resources of the State Governments.
- Regular occurrence and severity of natural calamities.
- Unreliable estimation about crop damages.
- Improper Land records
- Growing sub-division and fragmentation of land holding.
- Economic poverty of the small and marginal farmers.
- Illiteracy and ignorance of the farmers.

Lack of co-ordination between Govt. and different insurance institutions.

Conclusion

In an agrarian Society like India where production and productivity of agriculture is often subjected to large scale damage caused due to pest attacks, crop diseases and vagaries of weather, agriculture or crop insurance scheme have assumed significance in providing the beneficiary farmers with timely financial security. The present NAIS insures risk of millions of small and marginal farmers whose livelihood is largely dependent on the pattern and distribution of monsoon rainfall. The scheme which is based on area-yield approach suffers from low coverage and high claim to premium ratio. The comprehensive and all-inclusive coverage need a reliable and realistic estimation of crop damages and an effective strategy of insurance coverage and claim settlement policy. While sensitization of farmers on the beneficial aspects of the insurance coverage against crop failure is a must, effective attempts are equally important to make the insurance scheme more useful, target oriented, time-bound, realistic and farmer friendly.

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Role Of Swaranjayanti Gram Swarozgar Yojana (SGSY) In Socio Economic Development In Rural Punjab

Dr. Sukhdev Singh*
Dr. T.K. Gill **
Amanpreet Kaur***

In the last six decades Indian government have been making efforts for the socio-economic betterment of the weaker and marginalized sections of the society in the form of development programmes with ever changing strategies and shifts in these programmes (Tandon, 2009; Census, 2001;). The focus of these development programmes changed from the overall rural development to agriculture development and from target group to self help group approach (Bhai et al, 2004; Singh, 2001; Arora, 1990). To achieve the self help group targets all the existing rural development programmes were merged in 1999-2000 and a new programme named Swaranjayanti Gram Swarozgar Yojana (SGSY) was started by Indian Government and this programme is in operation from the last more than nine years. One of the major aspects of this programme has been the self help group approach for development, which is largely based on the model of Dr. Muhammad Yunus of Bangladesh. It aims at providing micro credit to the poor enabling them generating income raising activities.

The SGSY is different from earlier programmes, in terms of the strategy and for its implementation. Under the SGSY, assistance is given to the poor families living below the poverty line in rural areas for taking up self-employment (Ahirrao, 2009; Geetha et al, 2008; Thakuria, 2006; Mahajan and Kumar, 2004; Selvarajan and Elango, 2004, Sinha, 2002). In this paper a modest effort is made to assess the role of Swaranjayanti Gram Swarozgar Yojana (SGSY) in socio-economic development with the following objectives:

1. To study the socio-economic profile of beneficiaries of SGSY programme.
2. To Assess the contribution of various economic activities undertaken by SGSY programme in the socio-economic development of the beneficiaries.
3. To identify the factors for success/failure.
4. To suggest suitable improvements in SGSY programme.

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Methods and Materials

This paper is based on the study conducted in Jalandhar district of Punjab. From all the nine blocks of the Jalandhar district, two blocks namely Adampur and Jalandhar East were selected to represent the whole district. A Sample of 30 groups was selected from the available lists. Fifteen groups each were taken from the selected blocks. Four active members of each group were selected for interview and thus, total sample of respondents was 120. The data was collected personally with the help of a structured and pre-tested interview schedule, and suitable statistical tools were used to draw the conclusions. Socio-economic characteristics of the respondents indicated that majority of the respondents (92.50%) belonged to 30-50 years of age, hailed from Sikh religion and from Scheduled Caste. As regards the education of the respondents, results indicate that 57.50 % were matriculate and 20 % of the respondents were illiterate. Majority of the respondents were having income less than Rs. 50,000. Most of the respondents were living in nuclear family system, labour was the main family occupation of majority of the respondents, either agricultural labour or industrial labour.

Findings of the study

Adoption of the activities: Efforts were made to know about the activities adopted by the respondents after joining the self-help group. Table 1 shows maximum numbers of respondents (35.83%) were engaged in football making and 16.67 % were engaged in dairy or cattle rearing. Among the other

Table 1 Economic activities adopted by the beneficiaries of SGSY

Type of entrepreneurships	Frequency	Percentage
Candle making	5	4.17
Dairy	20	16.67
Football making	43	35.83
Beauty parlour	1	0.83
Karayana Shop	5	4.17
Involvement in insurance (LIC)	3	2.50
Tailoring	6	5.00
Soap and surf making	4	3.33
No activity	33	27.50
Total	**120**	**100**

Table 2 Monthly income from the activity		
Income	**Frequency**	**Pecentage**
Only savings (no activity started)	33	27.50
Upto 50	22	18.30
500-1000	51	42.53
1000-1500	10	8.33
1500-2000	2	1.66
2000-2500	1	0.83
2500-3000	1	0.83
Total	**120**	**100**

economic activities data indicate that 5 % of the respondents were engaged in tailoring, 4 % each in candle making and kirana shop, 3 % in soap and surf making. 2 % of the respondents were engaged in LIC scheme running for the SHG members. Only one respondent constituting 0.83 % was running the beauty parlour. A significant proportion of the respondents (27%) were not involved in any economic activity only they contributed to the mandatory savings done by the group. These people joined the group just to take the advantages of loan provided to the SHGs, after taking loan they did not start any economic activity for which the loan has to be given, instead of it they spent the money on other purposes. Main economic activities undertaken by the SHGs in the study area were football making and dairy.

Income from the activity: What is the earning of the beneficiaries of SHGs? This question was probed and the response in this regard is presented in Table 2 which shows that majority (42%) of the respondents were earning between Rs. 500 to 1000 per month while about 1/5th of the respondents were earning Rs. 500 per month from the activity started under SGSY, further 8.33 % told their monthly income as Rs. 1000 to 1500 per month and a few of the respondents showed even higher earning i.e. between Rs. 1500 to 3000. On the other side 1/4th of the respondents did not show any earning from the activity. These respondents were mainly who spent the loan taken under SGSY programme for other purposes and did not start any economic activity, only contributed to the mandatory savings done by the group. On the whole data indicate that majority of the respon-

Table 3 Monthly savings of the respondents		
Monthly savings	**Frequency**	**Percentage**
Up to 200	51	42.5
201-400	38	31.67
401-600	18	15.00
601-800	7	5.83
Above 800	6	5.00
Total	**120**	**100**

Table 4 Monthly average saving of the respondents			
Monthly average saving (Rs.)	**Before joining the group**	**After joining the group**	**t-values**
Mean ± SD	92.78 ± 52.87	369.23 ± 98.30	13.106*

*significant at 5 per cent level

dents were earning Rs. 500 to 1000. Average income of the respondents was Rs. 554 per month.

Savings: Promoting savings among the beneficiaries of the SHG is one of the objectives of SGSY programme. These savings include mandatory and voluntary savings of the respondents. So during the course of study efforts were made to know the savings of the respondents and data in this regard presented in Table 3. The results indicate that 1/3rd of the respondents were saving in between Rs. 201 to 400 while 42.5 % were saving up to Rs. 200 per month, 15 % of the respondents maintained their savings between Rs. 401 to 600 while percentage in higher saving level was comparatively low i.e. 11%.

The average monthly saving per person came out to be Rs. 369 and this saving stood at Rs. 92 per month before joining the group (Table 4). On the whole it came out that the joining of SHGs proved beneficial to its beneficiaries.

Impact of SHG activities on economic aspect of the beneficiaries: Efforts were made to assess the economic impact of adopted activities on the beneficiaries of SGSY programme and data in this regard is presented in Table 5, which indicates that 83.33 % of the respondents held that they have access to the credit facility through micro credit under SHGs. Before joining the SHG respondents were depending on other sources for credit mostly on non-institutional. Respondents experienced relief in

Table 5 Economic impact of SGSY on its beneficiaries			(Multiple Responses)
Economic impact	**Before joining the group**	**After joining the group**	**Z-values**
Access to the credit facility	15 (12.50)	100 (83.33)	10.98*
Dependence on money lenders	110 (91.67)	35 (29.17)	9.90*
Economically independent	15 (12.50)	52 (43.33)	5.32*
Savings	22 (18.33)	81 (67.50)	7.69*
Indebtedness	85 (70.83)	40 (33.33)	5.81*
Asset creation	17 (14.17)	63 (52.50)	6.30*

*5% level of significance

terms of less interest rate on loans. Dependence on moneylenders was reduced substantially after joining the SHG by the respondents. During field work the respondents told that the relief from the economic dependence on others has given them a sense of confidence. Similarly economic independence from the family members, relatives etc. was also found to be encouraging as 43.33 % of the respondents were feeling economically independent. Another important issue of the study was to find out if any saving was being done by the respondents or not and data in this regard showed that majority (67.50%) of the respondents were found in the position of saving after joining the SHG. The results of the study indicate that there was enough reduction in the percentage of the respondents showing prevalence of indebtedness i.e. from 70.83 % to 33.33 %. More than 50% of the respondents opined that they were able to create assets under SGSY which were quiet durable in nature, mean they can have economic benefits from created assets even after quitting the group. Sivamurugan (2008), Rajapriya (2008) Meher (2007) and Hirevenkanagoudar et al (2006) have also arrived at almost similar conclusion in their work.

Impact of SHG activities on social aspect of the beneficiaries: While probing the other issues it was considered important to asses the social impact of the various activities started under SGSY progamme. The results are discussed in Table 6 which indicates that 65.00 % of the respondents felt more socially recognized after joining the SHGs. On the issue of

Table 6 Social impact of SGSY on its beneficiaries (Multiple Responses)

Social impact	Before joining the group	After joining the group	Z-values
Social recognition	30 (25.00)	78 (65.00)	6.22*
Participation of women in family decisions	35 (29.17)	64 (53.33)	3.80*
Participation in social services	12 (10.00)	40 (33.33)	4.38*
Active participation in organized actions/activities	6 (5.00)	75 (62.50)	9.42*
Self dependence	38 (31.67)	80 (66.66)	6.47*
Better schooling of the children	33 (27.50)	83 (69.17)	6.46*
Better inter-personal relationships	45 (37.50)	94 (78.33)	6.41*
Institutional participation	20 (16.67)	64 (53.33)	5.95*
Awareness regarding new govt. Schemes	25 (20.83)	111 (92.50)	11.20*
Good standard of living	20 (16.67)	51 (42.50)	4.38*

*5% level of significance

recognition respondents told that now many people know about them and their activity and show more interest for interaction with them.

More than 50 % of the women respondents opined that now they were free to take decisions in various issues in family. Major decisions reported by the respondents were education of the children, family needs, attending social functions and involvement in religious activities etc. After joining the group, participation of the women in social services like raising funds for girl marriages, setting family disputes, to encourage the people send their children to school etc. has been increased.

Study further shows that participation of women in organized action like campaigns against female foeticide, dowry, drug addiction and domestic violence on women increased considerably. Majority of the respondents felt that they were self independent and the major reason for self independence was due to their savings coming out of their economic activity started with the other women as self help group. Moreover 70 % of the respondents opined that now they were in a position to send their children to school.

The joining of SHG is not confined to the self of respondents rather the interpersonal relations of the beneficiaries showed encouraging results as 78.33 % of the respondents felt betterment in their interpersonal relations with group mates and other concerned. After joining the SHG involvement of women in social institutions increased, they were either contesting Panchayat elections or actively participating in election campaigns, made Mahila Mandals in the village etc. The increased self confidence made their involvement possible in social institutions.

They were more aware regarding the new developmental schemes. A large number of women now had knowledge about the other developmental programmes such as LIC scheme for the poor, MNREGA etc. Their standard of living was better after joining the SHGs, as there was improvement in their houses, sanitation conditions etc., and better access to medical facility. This is largely attributed to the change in their economic position after joining the SHGs. Shylendra (2008), Pazhani (2008) and Ramachandran and Seilan (2005) have also draw almost similar conclusions.

Impact of SHG activities on psychological aspect of the beneficiaries: Data regarding the psychological impact of SHG activities on its beneficiaries is given in the Table 7 and results show that majority of the respondents held that they were in a position to

Table 7 Psychological impact of SGSY on its beneficiaries (Multiple Responses)

Psychological Changes	Before joining the group	After joining the group	Z-values
Communication skills	30 (25.00)	80 (66.67)	6.47*
Managerial skills	25 (20.83)	79 (65.83)	7.03*
High confidence level	16 (13.33)	86 (71.67)	9.14*
Decision making	24 (20.00)	61 (50.83)	4.99*
Risk bearing capacity	18 (15.00)	66 (55.00)	6.49*

*5% level of significance

communicate in a better way within the group and with others and can manage their work effectively. This is largely attributed to the increased interaction with VLWs and other concerned officials, raw material agencies and market places. After joining the SHG one half of the respondents were more firm in taking decisions related to investments, family matters, education of children. Risks and uncertainties effect the decision of the people in adopting innovations or starting new enterprise. People with high risk bearing capacity are eager to adopt or start new enterprise while people with low risk bearing capacity are more skeptical in taking new enterprise. The results show that after joining the self-help group more than half of the respondents felt that now they can take risks.

Problems faced by the beneficiaries: Data given in the Table 8 show that majority of the respondents i.e. 93.33 % had some kind of problem viz in sanction of loan, running the SHG, marketing problem etc. Only 7 % of the respondents said they had no problem.

Further an effort was made to identify the type of problems beneficiaries were facing and the results are given in Table 9. Results show that majority of the respondents were having stress and tension because of dual responsibility of group as well as home. They have to play the dual role, one as homemaker and other in the group, they were facing problems in maintaining balance between these two roles. Majority of the respondents complained about the misutilization of funds given by the government. VLWs, BDO officials and pachayts all together utilize this money for their own purposes, in this way these officials were exploiting the members of SHGs. Conflict among the group members and misunderstanding were some other problems of the groups. Futher 1/3rd of the respondents complained about the lack of training programmes and they lack required skills in starting the activity.

Formulation of the groups was also emerged as a major problem, 42% of the respondents said that village sarpanch and other local

Table 8 Respondents faced problems in functioning of SHGs

Problem perceived	Frequency	Percentage
Yes	112	93.33
No	8	6.67
Total	**120**	**100**

Table 9 Type of problems faced by the beneficiaries	(Multiple Responses)	
Problem	**Frequency**	**Percentage**
Lack of training programmes	40	35.71
Improper utilization of funds	79	70.54
Formulation of group	46	41.07
Inequality in issuing loans	41	36.61
Repayment of loan	24	21.43
Establishing the activity	47	41.96
Running the SHGs	32	28.57
Excessive stress and tension in women	92	82.14
Lack of guidance and support from supporting agency	30	26.79
Misunderstanding among group members	64	57.14
Pressure from the family to go for a loan	43	38.39
Lack of support from family members	29	25.89
Poor output from the group activity	23	20.54
Marketing problems	22	19.64
High interest rate	19	16.96
Non-cooperation of banks	21	18.75
Too many formalities	50	44.64

leaders create problems in starting the self help group in village, further it was very difficult to convince the women to join the group, families of the women were not supporting. 38 % of the respondents said that their families pressurize them for taking loan for family needs and when the beneficiaries were taking loan for consumption purposes rather than starting the economic activity, it affects the repayment of the loan. To run the SHGs smoothly was another problem faced by the presidents of the SHGs as the group members were creating troubles, members were not paying the loan in time and they (Presidents) felt that members were not cooperating with them. Establishing the economic activity under SGSY was emerging as one of the difficult task for majority of the respondents under the study area. 27 % of the respondents had problem with promoting agencies, as they did not guide them properly. It was attributed by the 37 % of the respondents that there was biasness in issuing the loan to the group members, members and presidents close to the VLWs got maximum benefits.

Findings of the study further revealed that beneficiaries of the SGSY had been facing problems in opening bank accounts; there were too many formalities in opening the account and in getting the loan sanctioned. Illiterate members were more harassed by this tedious procedure. About 1/5th of the respondents told that bank employees were not cooperating; they were rude to the members. It was attributes by the beneficiaries of SHGs under the study area that some banks were charging high interest rate than the usual interest rate for the SHGs members. Some of the respondents were having problem of poor output from economic activity due to lack of raw material, lack of required skill in particular activity and marketing problem, they had good produce but did not have the proper market to sell it. Reddy and Narasimahulu (2009), Sheela and Jayamala (2008) and Nirmala et al (2004) also arrived at similar results in their respective studies.

Conclusion and suggestions

The study reaches at the conclusion that football making emerged as the major activity started under SHGs by the respondents followed by dairy, tailoring, candle making, karyana shops and soap and surf making, etc. As regard the income of the beneficiaries, 70 % of the respondents were getting monthly income in between Rs. 500 to Rs.1500. Average income of the respondents was Rs. 554 per month. After joining the SHGs members started saving Rs. 200 to 800 per month, which seems encouraging trend in rural areas. The average saving of the beneficiaries turned out to be Rs. 369 per month. Most of the respondents informed that they have access to the credit facility after joining the SHGs, dependence on money lenders was reduced, less than half of the women respondents felt economically independent after joining the group. There was enough reduction in the percentage of the respondents showing prevalence of indebtedness i.e. from 70.83 % to 33.33 %. A little above half of the respondents were able to create assets under SGSY. After joining the SHGs respondents felt more recognized, increased participation in family decisions, social services and organized action. There was increase in their participation in social institutions and became self depend and their standard of living also improved. Study further reflected that there was improvement in the communication and managerial skills of the beneficiaries. Confidence, Decision-making power and risk bearing capacity of the beneficiaries were also increased after joining the group. Respondents were facing many problems regarding the group formation, getting the loan sanctioned, repayment of loan, stress and strain due to dual responsibility in women, lack of support from the family, lack of guidance from promoting agency, problems with bank employees too many formalities in opening bank account, high interest rate, lack of training programmes and marketing problem. One fourth of the respondents manage to divert the loans to other purposes rather starting the economic activities. Beside all these problems it came out form the study that the deserving and target group enjoyed benefits of the SGSY programme.

On the basis of the results of the study, some suggestions are being made which may be helpful to improve the functioning of the SGSY:

1. Loan should be given at the starting of SHGs and not after the return of revolving fund as it creates lot of financial problems for beneficiaries.
2. Arrangement for market of products of SHGs may be made which may further enhance the profits of SHGs and hence may attract more number of people to join the Self-Help-Groups.
3. As the VLWs have major role in promoting SHGs in the villages, it is of utmost important that these people should be efficient and dedicated.
4. Though many of the respondents told that they received training but it was not proper. So, the efforts should be made for providing adequate training to the beneficiaries enabling them to start new ventures.
5. Corruption prevalent in the loan sanctioning should be checked firmly.
6. Loan sanctioning process should be made easy so that deserving people come forward to join the SHGs and take the benefits of development programmes for their socio economic development which may ultimately results in contributing towards development of the society at large.

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THE HARYANA STATE COOPERATIVE AGRICULTURE AND RURAL DEVELOPMENT BANK LTD.

Sahakarita Bhawan, Bay No. 31-34, Sector - 2, Panchkula

The Haryana State Cooperative Agriculture and Rural Development Bank Ltd., is the specialised institution in the State, which caters to the Long Term credit needs of the farmers for the upliftment of the economic position of the agriculturists and allied fields.

The bank advances Long Term loans to the farmers for the following purposes :-

Scale of finance and periodicity of Major Sectors

Farm Sector

Sr.No.	Name of the Scheme	Period	Scale of finance
1.	Minor Irrigation	9 years	Rs. 36,000 to 1,50,000
	i. WCS/UGPL	-do-	90% of the project cost
2.	Farm Mechanisation	5-9 Years	85% of the cost of the Machinery
3.	Purchase of Agriculture Land	10 Years	Upto Rs. 10.00 Lacs
4.	Horticulture/Plantation	5-9 Years	Rs. 40,000 to 1,55,000 per Acre
	i. Medicinal & Aromatic Plants	-do-	90% of the project cost
5.	Animal Husbandry	5-7 Years	90% of the project cost
6.	Rural Godowns	Upto 10 Years	75% of the project cost

Non Farm Sector

Sr.No.	Name of the Scheme	Period	Scale of finance
1.	Rural Housing	Upto 10 Years	Upto Rs. 5.00 Lacs
2.	Marriage Palaces	Upto 10 Years	90% of the Project Cost
3.	Community Halls	Upto 10 Years	90% of the Project Cost
4.	Village Cottage Industry	Upto 10 Years	90% of the Project Cost
5.	PublicTransport Vehicles	Upto 10 Years	85% of the Project Cost
6.	Rural Educational Infrastructure	Upto 10 Years	90% of the Project Cost
7.	Other SSI Units	Upto 10 Years	90% of the Project Cost

Rate of Interest

The Bank has revised the rate of interest and fixed it at 10.50% p.a. to be charged from the ultimate borrowers on all types of loans w.e.f. 15.12.09 and a rebate of 5% w.e.f. 1.1.2010 to 31.12.2010 is allowed on all slabs to regular paymasters.

NOTE:-

For further details, kindly contact The Haryana State Coop. Agri. & Rural Dev. Bank Ltd., Panchkula or the District Co-op. Agri. and Rural Dev. Banks at District level and its branches at Tehsil & Sub-Tehsil level in the State.

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NEWS & NOTES

NCARDB Federation felicitates Dr. Chandra Pal Singh, President, NCUI

The Board of Management of the Federation in its meeting on 16th April 2010 at Pondicherry felicitated Dr. Chandra Pal Singh on his election as President, NCUI. Shri K. Sivadasan Nair, Chairman of the Federation said that the cooperative movement in the country was fortunate to have a dynamic young leader like Dr. Chandra Pal Singh as President of NCUI at a very critical time for the movement. He expressed confidence that the leadership of Dr. Chandra Pal Singh will enhance the image and glory of cooperative movement at national and international levels. The Board also felicitated Dr. Bijender Singh, Chairman, NAFED & NAFSCOB who has been giving able guidance and valuable support to NCARDB Federation in its efforts to facilitate revival package for Long Term Cooperative Credit Structure. Dr. Chandra Pal Singh and Dr. Bijender Singh thanked the Federation for the reception and promised all possible efforts on their part to meet the expectations bestowed on them with the support and cooperation of persons associated with the movement.

129th Meeting of Board of Management of NCARDB Federation

129th Meeting of Board of Management of the Federation was held on 16th April 2010 at Pondicherry. Shri K. Sivadasan Nair, MLA, Chairman chaired the meeting. The Chairman in his address recollected the relentless efforts made by the Federation in removing the hurdles in the way of implementing a scheme for revival of Long Term Cooperative Credit Structure. He hoped that the scheme will be announced by the Government without further delay. Dr. Chandra Pal Singh, President, NCUI was the chief guest at the inaugural session of the Board Meeting and the Seminar on Sharing of Experience in Loan Recovery. Dr. Chandra Pal Singh in his inaugural address emphasized the need for ensuring timely recovery of loan to maintain the viability of cooperative credit structure which operates mainly on borrowed funds. He said that the structure needed to be strengthened for meeting the credit requirement of farming community for all purposes.

Dr. Bijender Singh, Chairman, NAFED & NAFSCOB was the special guest on the occasion. Dr. Bijender Singh in his address congratulated Dr. Chandra Pal Singh on his election as President, NCUI. He said that there is no alternative for cooperative credit institutions in meeting the credit needs of rural sector. The Government should, therefore, initiate steps to revive the Long Term Cooperative Credit Structure also the same way a scheme was implemented for reviving the STCCS. The Board reviewed the performance of member banks in key operational areas. The Board also approved an action plan for improving loan recovery and introducing a scheme to mobilize members deposits by ARDBs. The Board also approved the draft report on the activities of the Federation and the tentative annual financial statements of the Federation for 2009-10.

Seminar on Sharing of Experience in Loan Recovery

The NCARDB Federation organized a Seminar on Sharing of Experience in Loan Recovery on 16th April 2010 at Pondicherry. The Seminar was inaugurated by Dr. Chandra Pal Singh, President, NCUI. Dr. Bijender Singh, Chairman, NAFED & NAFSCOB was special guest on the occasion. Shri K.K. Ravindran, Managing Director made the thematic presentation highlighting the key aspects of recovery performance by ARDBs in various States and the salient aspects of the guidelines on loan recovery issued by the Federation. Shri V. Jagan Mohan, Managing Director, Andhra Pradesh State Cooperative Bank made a presentation on the general scenario of rural banking and financial system in the country and challenges faced by rural financial institutions in achieving their full potential. Chief Executives of SCARDBs made presentations on status of loan recovery in their respective States and the major lessons and experiences in the areas of loan recovery and resource mobilisation. The Seminar at the conclusion of day long deliberations recommended strategies for improving loan recovery comprising of coercive as well as legal actions with effective measures to gear up the recovery machinery at various levels and also to revamp the systems and procedure relating to loan recovery taking into account the best practices in the structure.

RBI Issues Final Guidelines on Base Rate

RBI vide a notification dated April 9th, 2010 addressed to scheduled commercial banks has issued the following final guidelines on Base Rate to be effective from July 1st , 2010.

Base Rate

i. The Base Rate system will replace the BPLR system with effect from July 1st, 2010. Base Rate shall include all those elements of the lending rates that are common across all categories of borrowers. Banks may choose any benchmark to arrive at the Base Rate for a specific tenor that may be disclosed transparently. An illustration for computing the Base Rate is set out in the Annex to the circular. Banks are free to use any other methodology, as considered appropriate, provided it is consistent and is made available for supervisory review/scrutiny, as and when required.

ii. Banks may determine their actual lending rates on loans and advances with reference to the Base Rate and by including such other customer specific charges as considered appropriate.

iii. In order to give banks some time to stabilize the system of Base Rate calculation, banks are permitted to change the benchmark and methodology any time during the initial six month period i.e. end-December 2010.

iv. The actual lending rates charged may be transparent and consistent and be made available for supervisory review/ scrutiny, as and when required.

Applicability of Base Rate

- All categories of loans should henceforth be priced only with reference to the Base Rate. However, the following categories of loans could be priced without reference to the Base Rate: (a) DRI advances (b) loans to banks' own employees (c) loans to banks' depositors against their own deposits.
- The Base Rate could also serve as the reference benchmark rate for floating rate loan products, apart from external market benchmark rates. The floating interest rate based on external benchmarks should, however, be equal to or above the Base Rate at the time of sanction or renewal.

- Changes in the Base Rate shall be applicable in respect of all existing loans linked to the Base Rate, in a transparent and non-discriminatory manner.
- Since the Base Rate will be the minimum rate for all loans, banks are not permitted to resort to any lending below the Base Rate. Accordingly, the current stipulation of BPLR as the ceiling rate for loans up to Rs. 2 lakh stands withdrawn. It is expected that the above deregulation of lending rate will increase the credit flow to small borrowers at reasonable rate and direct bank finance will provide effective competition to other forms of high cost credit.
- Reserve Bank of India will separately announce the stipulation for export credit.
- Banks are required to review the Base Rate at least once in a quarter with the approval of the Board or the Asset Liability Management Committees (ALCOs) as per the bank's practice. Since transparency in the pricing of lending products has been a key objective, banks are required to exhibit the information on their Base Rate at all branches and also on their websites. Changes in the Base Rate should also be conveyed to the general public from time to time through appropriate channels. Banks are required to provide information on the actual minimum and maximum lending rates to the Reserve Bank on a quarterly basis, as hitherto.

Transitional issues

- The Base Rate system would be applicable for all new loans and for those old loans that come up for renewal. Existing loans based on the BPLR system may run till their maturity. In case existing borrowers want to switch to the new system, before expiry of the existing contracts, an option may be given to them, on mutually agreed terms. Banks, however, should not charge any fee for such switch-over.
- In line with the above Guidelines, banks may announce their Base Rates after seeking approval from their respective ALCOs/ Boards.

Proof of Bad Debt Not Needed For Tax Deduction : SC

Corporates and banks will not have to establish a debt as a 'bad debt' in order to claim tax deduction, according to a Supreme Court ruling. The apex court order has said that bad debts written off in the books of accounts of the taxpayer is sufficient ground for claiming deduction.

The issue was settled by a 1989 amendment in the income-tax Act, which had clarified that the tax payer need not establish that the debt is irrecoverable for claiming deduction. If a bad debt is written off, the taxpayer can legitimately claim the deduction. This amendment was incorporated with the intention to reduce the number of litigation arising from disputes over whether a debt is a bad or not. But, even after the amendment, tax officers insisted on proofs from tax payers for declaring a debt as bad debt. The Supreme Court judgment therefore reaffirmed the importance of the 1989 amendment, much to the relief of those affected.

Microfinance IPO: Profiting From Poverty?

An initial public offer by SKS Microfinance is likely to set the stage for more such offers in the world's largest micro lending market, but it has also sparked a debate on the ethics of profiting from the poor. The IPO, a first in India and one of only a handful by Microfinance Institutions (MFIs) around the world, is expected to raise about $250-$350 million for SKS and its private equity investors.

But it has also drawn sharp criticism from some MFIs and non-government organisations who do not favour going to capital markets or the strong flows of private equity that have pushed up valuations. "The job of microfinance is to alleviate poverty, so the question to ask is: who's going to benefit from the IPO?" said Olivia Donnelly, executive director of UK-based Shivia Microfinance, a non-profit firm that focuses on India and Nepal.

It's OK to do an IPO because you need to scale up, or upgrade your IT systems, but is it correct to make millionaires out of shareholders when your borrowers are so poor? Some Indian MFIs including SKS have switched to a for-profit model and registered as non-banking financial corporations. MFIs' expanding client base and near-zero defaults have drawn investors ranging from Singapore's Temasek, CLSA Capital and International Financial Corp to private equity firms Sandstone Capital, Unitus and Matrix, which have put money in SKS, Share Microfin, Spandana, Ujjivan and other MFIs.

Rapid growth and the drying up of traditional sources of capital have driven MFIs to consider other options. "When we are growing 75 percent year-on-year, the sort of equity we need to maintain 15 percent capital adequacy ratio cannot come from old-fashioned sources such as philanthropists or banks," said Vijay Mahajan, president of lobby group MFI Network. But India's central bank has pulled up MFIs for their high interest rates about 25-27%. That is about double the rate at which they borrow from banks, but still lower than money-lenders. There is also criticism of high valuations, which private equity has helped push to about 5.9 times book value, or nearly three times the global average, JP Morgan and the World Bank's Consultative Group to Assist the Poor (CGAP) said in a report.

Listed MFIs, including Mexico's Compartamos, have outperformed mainstream banks, but valuations of Indian MFIs are "unsustainably high" and not justified by their recent growth or current and future earnings expectations. Delinquency levels, kept low because borrowers must repay funds before getting access to more funds, may not be sustainable. Overheating was already evident in some southern Indian states, and profitability will also decline as operating costs rise as MFIs expand outside the southern states. Private equity's role in MFIs has also been criticised.

SKS has drawn investors including Sequoia, Kismet Capital, Unitus, venture capitalist Vinod Khosla and Infosys Technologies founder N.R. Narayana Murthy. Vikram Akula, a former McKinsey consultant, has been named one of the most influential people by Time magazine, and SKS, which he first founded in 1997 as a non-profit, is today India's largest MFI with about 5.5 million clients.

"MFIs are ignoring their social mission. They have a duty to educate their clients and not lend money for buying a TV or pay dowry just to add to their loan books," said Shivia's Donnelly. "It's the wrong path to take. It's sub-prime all over again." There are few regulations and no accountability, they say. "MFIs talk about their valuations, but no one talks about social performance: are we really lifting people out of poverty?" said Royston Braganza, chief executive of Grameen Capital India.

MPs Want Interest on Credit Card Dues Regulated

A key committee of Parliament has come down heavily on the country's central bank for what it perceives an 'indifferent attitude towards' problems of credit card customers. Parliament's standing committee on finance has also favoured some sort of regulation of interest rates charged by banks on credit card dues and personal loans. The committee had earlier recommended the RBI to tighten the guidelines on credit cards. It has criticised the RBI for not taking action on the recommendations in its assessment of the government's action taken report. “Such approach clearly indicates indifferent attitude towards the problems of customers in these matters,” the committee noted. The committee also did not agree with the government's explanation that credit card dues were non-priority sector lending and interest rates on such loans were at the discretion of the individual bank. Arguing for some ceiling it said, “Maximum interest rates to be charged may be specified so as not to allow exploitation of customers by banks.”

CAs, CS Told To Report All Suspicious Fund Transfers

The government has asked chartered accountants, cost accountants and company secretaries to directly report to the home ministry cases of suspicious fund movements in an out of companies, as it looks to crack down on money laundering and terror funding. The home ministry, through the ministry of corporate affairs, has asked the Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI) and the Institute of Cost and Works Accountants of India (ICWAI) to ensure that their members report any instances of diversion of funds directly without any procedural formalities.

“If any suspicious fund movements come to the notice of the professionals, details of it alongz with full particulars of its clients should be reported within 24 hours," said a senior government official. Incidences should be reported directly to a designated e-mail as also be conveyed through fax to the home ministry, the official said. Suspicious activities include cases where a dubious individual or entity approaching them for investing into financial instruments or immovable property or arrange for incorporating a company as a director, shareholder or partner. The specific entities or individuals, which fall under the government's radar finds mention in a ministry of external affairs order issued in July 2009.

Outstation Cheque Collection: IBA Advises Collecting & Paying Banks to Share Charges Equally

IBA's Sub-Committee on Customer Service and Customer Rights has advised all Member Banks to share 50:50 charges for collection of Outstation Cheque. As per RBI's directions all Scheduled Commercial Banks including RRBs/ Urban Cooperative Banks/ State Cooperative Banks/ District Central Co-operative Banks are not to collect charges more than the stipulated charges i.e. minimum Rs.50 and maximum Rs.150. According to RBI these charges are all inclusive and are to be complied with irrespective of charges recovered by destination banks. No additional charges such as courier charges, out of pocket expenses etc. should be received from the customers. The IBA circular also requests banks having bilateral arrangements with their counterpart for collection of outstation cheque to rework their arrangements considering the charges stipulated by RBI.

IBA Guidelines on Automatic Renewal of Fixed Deposit

RBI in a communication to IBA had pointed out that some banks do not offer the facility of automatic renewal of Fixed Deposits and do not intimate the customer prior to the due date of maturity and also do not transfer maturity proceeds to the saving bank account of the customer, and had sought its views on the issue. Following a request from RBI to issue guidelines to the member banks regarding automatic renewal of term deposits. IBA vide its circular dated April 9, 2010 has advised member banks as under:

A. The account opening form for term deposits should contain two options:

(a) Option for automatic renewal of the term deposit for the same tenure at the rate of interest prevailing on maturity.

(b) Option to await the customer's instruction for renewal of term deposit.

B. The account opening for should also contain the following clarification:

On completion of the term of automatic renewal and in the absence of specific instructions from the customer thereafter, interest will be paid at the applicable savings bank rate. In case of automatic renewal, if the customer thereafter decides to prematurely close the term deposit or renew it for a period shorter than the remaining period of the contract, the bank will have the freedom to determine its own penal interest as per its Board approved Policy.

Banks Offer up to 25% Rebate To Better Farm Loan Recovery

Some public sector banks are offering as much as 25% rebate to improve recovery on their farm loans, providing substantial relief to farmers who have already had same amount waived off as part of the debt relief scheme. The offer follows a nod from the RBI to the banks to give discount as per their own internal assessment to settle the loans because not many farmers were settling their dues despite two extensions.

"This is the last chance for farmers, since there'll be no further extension to the scheme and we expect a healthy recovery," said Chairman and Managing Director of Bank of Baroda, MD Mallya. The bank is offering a 25% rebate to the large farmers, over and above the 25% offered by the government to the large farmers under the one-time settlement scheme or OTS, which was part of the debt waiver plan.

A bank offering 25% rebate will be able to recover only 75% of the loan, 50% from the farmer and 25% from the government. Almost all leading public sector banks are offering schemes to these farmers so as to help them repay their loans. PNB is giving an additional relief of 15%. SBI is giving a discount of Rs 50,000 for farmers who are unable to repay their loans. The generous offer will not impact the revenue of banks as most of them have already made provisions for these farm loans classifying them as NPAs or bad assets.

Well-behaved Borrowers may have to Pay Less For Loans

Banks are considering the introduction of a behaviour-based dynamic lending system once the base rate mechanism is in place from July. Once the proposal, at drawing board stage at a number of banks, is implemented, a customer's record on timeliness of payments, performance on other loan commitments and frequency of cheque bounces would go into calculating a behaviour score.

Banks are already accessing the credit score from credit information companies while determining the worthiness of a prospective borrower. Now the data would be accessed more frequently to keep tabs on customers. The base rate mechanism has given banks the flexibility to not only charge retail customers according to their risk profile, but also make changes to the risk weight during the term of the loan.

This means customers who are regular with their equated monthly installments (EMI) can expect to have a few basis points shaved off the interest rate on an existing loan. In contrast, customers who are irregular with their repayments might see their interest charges increased.

Financial inclusion : Govt Ready to Foot Bill Initially For Banks

The government is open to the idea of providing financial support to banks for implementing financial inclusion, as the lenders fear that the move may be unviable in initial years. The government, in a meeting with banks on Wednesday, expressed it was open to the idea of subvention in initial years. The government met representatives of Indian banks to identify the challenges facing them for implementing financial inclusion. About 32 banks were present at the meeting, including 12 chiefs of large banks such as ICICI Bank, HDFC Bank, Union Bank of India and Bank of Baroda. R Gopalan, secretary, financial services, finance ministry, represented the government at the meeting.

The government has embarked on an ambitious plan to cover all villages having a population of more than 2,000 to have banking facilities by March 31st, 2012. There are about 64,000 villages in the country with a population over 2,000 lacking a formal banking channel. Though the government is open to provide financial assistance to banks initially, but there was also a question whether banks would share profits with the government, once their ventures turned profitable.

"There are issues of viability. As the business grows, it will become profitable. Initially, its an investment, so that's a challenge," said the chief of a large public sector bank. Bankers have pointed out three major challenges on their way to implement financial inclusion. First, the establishment cost of setting up banking service in rural areas, which may not earn money for at least three years. According to rough estimates, a bank may have to spend Rs 250 per account plus 2.5 per cent of operating cost.

Second, the selection of business correspondents (BC), as they would carry the identity and trust of the bank. One large government owned bank proposed the idea of having some kind of security from BCs, though the idea was not accepted by the Reserve Bank of India (RBI). The third concern expressed over the logistics behind replenishing cash with BCs. The central bank is currently reviewing the plans on financial inclusion submitted by banks. RBI had asked banks to submit their board approved plans of financial inclusion for 2010-11. The four working groups formed to chalk out the modalities of micro automated teller machines (ATMs) also held presentations at the meeting. These four groups were given the task of chalking out technological specifications of micro ATMs, regulation, connectivity and cash handling issues.

Limit of Collateral Free Loans to MSEs Raised to Rs.10 lakh

Reserve Bank of India had constituted a Working Group to review the Credit Guarantee Scheme (CGS) of the Credit Guarantee Fund Trust for Micro and Small Enterprises and suggest measures to enhance its usage. The following recommendations of Report of the Working Group which was released on March 6, 2010, have been accepted.

The limit for collateral-free loans to the MSE sector be increased from the present level of Rs 5 lakh to Rs 10 lakh and it be made mandatory for banks. Banks, in turn, can take cover for the collateral-free credit facilities under the Credit Guarantee Scheme (CGS). In order to upscale the CGS, it is necessary to create widespread awareness about the key features and benefits of the Scheme. As the branch level functionaries have a predilection to lend against collaterals, the Group recommends that the Chief Executive Officers (CEOs) of banks assume complete and total ownership in the matter of strongly encouraging the branch level functionaries to avail of the CGS cover, including making performance in this regard a criterion in the evaluation of their field staff.

RBI in a notification dated May 6 has mandated all scheduled commercial banks (including RRBs and LABs) not to accept collateral security in the case of loans upto Rs.10 lakh extended to units in the MSE sector. The circular also advises to encourage their branch level functionaries to avail of the CGS cover, including making performance in this regard a criterion in the evaluation of their field staff.

RBI Rejects Banks' Proposal for Borrower-specific Base Rates

The Reserve Bank of India (RBI) has rejected a proposal by some banks for having borrower-specific base rates. It has also not allowed them to charge a negative premium while calculating the effective interest rate. Some banks had sought a few relaxations after RBI came out with final base rate guidelines in April. They asked the regulator if they could be allowed to fix different base rates for different customers and if they could charge a negative premium on the base rate.

Charging a negative premium would have meant lending below the base rate. For instance, if a bank uses the marginal cost of one-year deposits as the benchmark for fixing the base rate, a negative premium will be charged for all loans with tenures of less than 12 months. RBI, however, stuck to its basic principle, that is, it would not allow any lending below the base rate. Some banks, which are indicating that the base rate will be 8-9 per cent, will not be able to give short-term loans to the corporate sector. This is because interest rates for short-term loans are linked to the overnight rate, which is well below 8 per cent. The regulator also ruled out different base rates for different customers.

Govt Working on Refinance Scheme to Offer Education Loans At 4%

The government is working on a refinance scheme to offer education loans at interest rates as low as 4%, and plans to extend the repayment period for those who aspire to become doctors, engineers, fashion designers and IT professionals. The scheme envisages the setting up of a special purpose vehicle to refinance banks for giving education loans below prime lending rates. Currently, interest rates for education loan varies between 10% and 12%. The ministry of Human Resource Development (HRD), which has drawn up the plan, also wants to extend loan repayment periods from 5-7 years to 6-12 years, according to government officials. Mr. Kapil Sibal said the ministry has already discussed the proposal with the Planning Commission. “They have appreciated the idea and asked us to submit a formal note,” he said. Confirming this, a Planning Commission official told the panel was looking into the proposal to set up a new National Education Finance Corporation (NEFC) to refinance banks on this count. Based on the feedback, the ministry will prepare a formal note for the approval of the Cabinet.

NEFC is to be set up with an initial equity capital of Rs 5,500 crore. The ministry has proposed to infuse Rs 3,000 crore in the company every year so that it reaches to Rs 35,500 crore by 2020, the plan panel official said.

Jail, if Compensation Not Paid for Bounced Cheque

If a person convicted for issuing a cheque without balance in his bank account is ordered to pay compensation to the payee, he can be sentenced to imprisonment under Section 357(3) of the Criminal Procedure Code, the Supreme Court has held in the case, K A Abbas vs Sabu Joseph. In this case, the court asked the drawer to pay Rs 5 lakh as compensation for issuing a cheque which bounced. The drawee did not pay. So he was sentenced to two months more for the default. The Kerala high court reduced it to imprisonment till the rising of the court. Both parties appealed to the Supreme Court. The court ruled that sentence of imprisonment can be imposed in such cases.

Revised Direct Tax Code Draft By First Week of June

The finance ministry will publish a revised draft Direct Tax Code (DTC) by early-June to invite public comments. The new code advocates that long-term savings be taxed during withdrawal and the Minimum Alternate Tax (MAT) be computed against the gross assets of the companies concerned. Industry bodies and public reacted strongly against the proposals. Union revenue secretary Sunil Mitra said the government will invite suggestions for 15 days on the DTC and will prepare the final draft of the new tax legislation.

"By budget session, it should be law," Mr Mitra said at an interactive session organised by the Bengal National Chamber of Commerce & Industry. The new tax code aims to simplify the income tax structure and will replace the existing Income-Tax Act. "The Code will minimise exemptions," the revenue secretary said.

International Financial Reportintg Standards (IFRS)

IFRS is a set of accounting standards developed by the International Accounting Standards Board (IASB)-an independent group of 15 experts- that is steadily becoming the global standard for the preparation of financial statements of public companies.

Approximately 120 nations require IFRS for domestic listed companies. Of these, about 90 countries have made it mandatory for their domestic companies to follow IFRS, while in the rest it is optional for companies to either follow IFRS or the domestic accounting norms. India, at the moment, does not require companies to follow the IFRS. However, as per its commitment in the G20 summit last year, India will coverage its domestic accounting standards with IFRS in a phased manner starting April 1st, 2011. While BSE and NSE listed entities, apart from companies with net-worth over Rs 500 crore, are required to converge with IFRS from April 2011, for banks and insurance companies the date of convergence has been extended to April 1st, 2013 and April 1st, 2012 respectively.

By making a shift to IFRS, a business can present its financial statements on the same lines as its foreign competitors, making comparisons easier. This will lead to increase trust and reliance placed by investors, analysts and other stakeholders in a company's financial statement.

For a smooth convergence to take place, India needs to amend key provisions in the Companies Act, SEBI Act, Insurance Act as also RBI regulations. While the changes to the Companies Act have been provided for the proposed new Companies Bill, sectoral regulators like Reserve Bank of India and Insurance Regulatory and Development Authority of India will have to bring in certain changes in their norms.

Physical Share & Other Dematerialization

When one buy or sell shares, brokers insist on dealing only in dematerialized shares. To get his shares dematerialized one has to open a demat account and get into an agreement with a depository participant. He needs to surrender his physical share certificates to the company which issues him, inform him and giving details of his agreement with his depository participant. On the basis of this, the company would cancel your certificates and register your shareholdings in the name of his depository participating, as the registered owner of those shares and intimate this registration through a notice to your depository participant. On receipt of the aforesaid notice from the company, the depository participant would register him as the beneficial owner of those shares. As a registered owner his depository participant has no rights of benefits from those shares.

To start with, one will have to open an account with a Depository Participant (DP) and get a unique client ID number. Various banks and brokers are DPs. Once the account is open, one will have to fill up a Dematerialisation Request Form (DRF) provided by the DP and surrender the physical shares, which he want to be dematted to the DP. The DP upon receipt of the shares and the DRF, will send an electronic request to the company's register and share-transfer agent through the depository for confirmation of demat. Each such request will bear a unique transaction number. Simultaneously, the DP will give the DRF and the shares to the company's registrar and share-transfer agent with a covering letter requesting the registrar and the agent of the company to confirm demat. The company's registrar and share transfer agent will verify the documents so received and after necessary verification will confirm demat to the depository. This confirmation, will be passed on from the depository to the DP, which holds a person's account. After receiving this confirmation, the DP will credit the account with the shares so dematerialized. The DP will hold the shares in the dematerialized form thereafter on person's behalf, and he will become beneficial owner of these dematerialized shares.

Dematerialisation of shares is optional and an investor can still hold shares in the physical form. However, if they wish to sell it on the stock exchange, most brokers would not accept it, and hence, investors have to get it dematerialized. Similarly, if an investor purchases shares, he/she will get delivery of the shares in demat form only. The Depositories Act, 1996, has been enacted to regulate the matters related and incidental to the operation of depositories and demat operations. Two depositories are in operation National Securities Depository (NSDL) and Central Depository Services Ltd. (CDSL).

Small Units to Get Collateral-free Loan upto Rs.10 lakh

In order to ensure increased flow of credit to the Micro and Small Enterprises (MSEs), the Reserve Bank of India has asked banks not to insist on collateral security in case of loans upto Rs.10 lakh. Currently, banks extend loans upto Rs.5 lakh without collateral security to all units in the MSE space. The doubling of the without collateral security loan limit to Rs.10 lakh follows recommendations of the Working Group on credit guarantee scheme of the Credit Guarantee Fund Trust for Micro and Small Enterprises.

State Owned Banks to get Rs.15k cr. to Meet Credit Needs

The Union Cabinet approved infusion of Rs.15,000 crore in state-owned banks in 2010-11, to help meet growing credit requirements of the economy. The infusion in Tier-capital instruments of PSBs would enable them to expand their credit growth by about Rs.1.85 lakh crore. Tier-capital is core capital comprising equity, disclosed reserves and perpetual debt. Fresh capital infusion will strengthen the banks and aid their expansion plans. In the Budget 2010-11, finance minister Pranab Mukherjee had made a provision of Rs.16,500 corre for state-run banks to ensure that they are able to attain a minimum 8 % Tier-capital by March 31st, 2011. The capital infusion would enhance the lending capacity of PSBs that are expected to continue meeting credit requirements of the economy in order to maintain and accelerate economic growth. This additional availability of credit is likely to benefit employment oriented sectors, especially agriculture, micro and small enterprises and entrepreneurs that in turn would contribute substantially to the growth of the economy.

Make Phone Banking More Secure or Face Penalty: RBI to Banks

Banks will have to soon put in place an additional authentication cover for their credit and debit card customers transacting over phone, or get penalized. Taking forward its efforts to tackle identity frauds in non-branch banking transactions, the Reserve Bank has asked all the banks operating in the country to put in place by next year a system where credit and debit card customers would need to provide an additional password for IVR (Interactive Voice Response) transactions. IVR transactions are done over phone, wherein customers dial bank's customer care number and are prompted by a recorded voice to dial designated digits for different kinds of transactions such as balance enquiry, bill payment etc. The customers would now need to key-in an additional password on their phone, besides the currently prevalent details like card number, date of birth, card issue or expiry date and in some cases a telephonic password.

As RBI has also noted, there has been a stupendous rise in recent past in the banking transactions through channels other than the traditional branch banking. Such non-traditional routes include Internet, mobile and phone banking. However, these new-age banking transaction routes are considered to be relatively more prone to identity frauds and the credit or debit cards could be misused by those other than their bonafide owners. To tackle this menace, RBI last year asked the banks to put in place “a system of providing for additional authentication/validation based on information not visible on the cards” for transactions where card was actually not presented. In both online and IVR transactions, a card is not actually presented for conducting the transactions, unlike the transactions at ATMs or merchant establishment where a credit or debit card needs to be swapped for credit or debit to take place from the customer's account. However, RBI has now decided to “extend this requirement of additional authentication/validation to all CNP (Card Not Present) transactions including IVR transactions.

Commodity Currencies

These are currencies which essentially derive their strength from commodity exports from their respective markets. Also, in these countries, commodity exports are major source of foreign exchange inflows. In today's world, where most economies thrive on exports of value-added products and services, there are very few such currencies in the global market, though traditionally lesser developed economies in Africa and Latin America have come under this category. Despite the weaker correlation between commodity exports and currency strength, the Canadian, Australian, the New Zealand dollar and the South African Rand are still considered commodity currencies. In recent times, they have emerged as global currency traders' favourite as there has been a general surge in commodity prices globally.

Potential of Financial Literacy

At a workshop on financial literacy, organized by the Reserve Bank of India (RBI) and the Organisation for Economic Cooperation and Development (OECD), it was interesting to note that even developed countries were grappling with the issue. There was, however, a difference in the thrust of financial literacy/education drives in these countries vis-à-vis developing countries like India. So far, in India, the emphasis has largely been on financially educating the rural poor and illiterate. Whether it is the business correspondent/business facilitator (BC/BF) model or the technology-driven banking model that the regulators and banks are focus remains the rural poor. These models have a two-pronged focus; include the financially excluded in the mainstream financial system and financially educate the rural masses about banks, their products, services, procedures, and so on. There is another difference in the objectives of financial education programmes in the developed and developing countries. In the developed countries, financial literacy is linked to consumer protection. Better information disclosure, would go a long way in strengthening regulatory standards for consumer protection. In India, financial literacy is seen as a means to achieve financial inclusion. The thrust is on rural areas. This is not surprising , given that 5.7 lakh out of the 6 lakh villages don't have a bank branch. There is, however, a strong case for extending the efforts of financial inclusion to urban areas as well. The Economic Survey 2009-10, quoting the NSS 61 Round, says that poverty ratio in urban areas is 25.7 % which is only somewhat lower than the 28.3 % poverty ratio in rural areas.

What will help financial inclusion is not financial literacy per se but linking people's livelihood needs with banking services. For example, the Aryavrat Gramin Bank in Uttar Pradesh achieved 100 % financial inclusion in some hamlets in UP through its tie-up with a corporate to sell solar powered lamps. The Kisan Mitra Scheme of Punjab National Bank achieved 100 % financial inclusion in 40 villages by linking bank finance to farming needs. There is also the example of a pilot project in Warangal district of Andhra Pradesh, where pension payments and payments under NREGS were made through direct credit to bank accounts. Financial literacy can achieve a larger goal; that if empowering the consumer to rate financial decision confidentially. And it need not be restricted to rural area. Countries such as Malaysia, Singapore, and the Philippines include financial education. Money sense (like civic sense) is best inculcated in people as early as possible., The pilot project in Karnataka where financial education is being implemented in schools is a good step, and the outcome of the project will help in the strategizing of financial education and roll-out in other States.

In New Zealand, as a part of its financial literacy strategy, topics have been classified into three levels: everyday (financial products, services, inflation, etc.), occasional (wills, mortgage, etc.) and specialist (derivatives, portfolio management, etc.). We could think of a financial literacy strategy along similar lines. Delivery of financial literacy is going to be the greatest challenge in India, not the least because of its geographical spread and diversity in languages.

Progress of the Budget in Parliament and the Concept of Cut Motion

Budget discussion in the Lok Sabha is a two-stage process. In the first stage there is a general discussion on the budget as a whole, lasting 4-5 days. Only the broad contours of the budget and the principles and policies underlying it are discussed at this stage. After the general discussion on both the railway and general budgets, the House is adjourned for a period. In this interval, demands for grants of various ministries and departments including railways are considered by the concerned standing committees (Rule 331G). These committees are required to submit their reports to the House within a specified period without asking for more time. The reports of the standing committees are of persuasive nature, they cannot suggest anything in the nature of cut motions.

Cut motions are moved to discuss specific matters by the minister concerned or to ventilate grievances or to suggest economies. Each motion has to focus on one matter and one demand, which needs to be precisely stated, it must not relate to expenditure charged to the consolidated fund of India and not suggest any change of law. There are three types of cuts.

Policy cuts: There is a notional cut of Re. 1 to express total disapproval of the policy.

Token cut: Grant is sought to be reduced by Rs.100 and the purpose is to ventilate a grievance relating to the demand.

Economy cuts: There are cuts suggested by members to bring about economy in expenditure, or to reduce the demand by such amounts that may be considered necessary.

The cut motions are put to vote after discussion. Depending on the result of the vote the demands are either reduced or allowed to go through. Cut motions invariably put the government on the defensive, but if the replies are convincing and the ruling party has a good majority then it would not mean much. If the cut motion goes through, the government will have to resign.

Currency Fluctuation

It is a scheme designed to check excessive fluctuation in the exchange rate of the rupee vis-à-vis the dollar. A surge of dollars into India would strengthen the rupee and harm the exporters. The RBI, in such an event, mops up the excessive dollars from the market, thereby creating a scarcity for the dollar and correspondingly halting its weakening. But this remedy has a side effect excessive rupee in circulation engendered by buying of dollars with rupees. The RBI therefore sets out to mop up the excessive rupee as well by issuing medium-tern bonds at attractive rates of interest. MSS has been found to be an expensive operation and the RBI has not been using this option for quite sometime but it is possible that it might revert to it now that there is a huge surge of foreign exchange inflows into the country.

Food Coupons

It has been in vogue in several countries, including the U.S. In India, Bihar has tested it on a pilot basis with a modicum of success. While the system of food coupon as an alternative to the Public Distribution System (PDS) is not entirely foolproof, one must concede that overall it has lesser weaknesses. It would involve lesser role for the state, obviating governmental purchases after every rabi and kharif seasons at attractive minimum support prices. To enchew the possibility of manipulating with the food coupons, one may say that it would be best to run state kitchens but then it would bring in problems of its own.

UID Has Changed Its Name to Aadhaar with a New Logo

The Unique ID number will now be known by its new brand name Aadhaar. The Unique Identification Authority of India (UIDAI) unveiled the new UID's new name and logo. Henceforth, the government plans to issue 600 million Aadhaar numbers over the next four years, through various registrar agencies. People living below the poverty line will get Rs.100 each as they are allotted the Aadhaar number. The Finance Commission has made a grant of about Rs.2,980 crore for the incentive for getting registered in the Aadhaar scheme for people who might forgo a day's income to travel and get themselves enrolled. UIDAI is in the talks with banks to make sure that the Rs.100 is directly credited to people's bank accounts. This way, people who are not financially included will also be allotted a bank account number. Along with the brand name, the logo of Aadhaar is in the form of a fingerprint was also released. Iris scan will be used along with fingerprints for collecting biometric data of citizens. About 10 fingerprints, a photo and Iris scan will be collected as part of biometric data per person.

Government Bond Auctions

When the country started reforming its financial markets in the 90s, the need was felt to put an end to 'automatic monetization” of fiscal deficit the practice of printing more money when government expenses overshot revenues. The abolition of monetization led to significant increases in market borrowings of the government.

Putting in place a systematic process for auction of government securities (G-sec) was the central bank's next challenge.

Today, everytime the government needs money, RBI announces the auction of government securities through a press notification, and invites bids. The sealed bids (bids received electronically as well as physically) are opened at an appointed time, and the allotment is based on the cut-off price decided by RBI. Successful bidders are those that bid at a higher price, exhausting the accepted amount at the cut-off price. For the past one year, RBI has followed a uniform price auction method where all successful bidders pay a uniform price, which is usually the cut-off price (yield).

Government bonds are largely issued in the demat form. But unlike other bonds, their records are not maintained in their NSDL or CDSL. Records of G-secs are maintained in the subsidiary general ledger a demat account maintained by RBI Books and primary dealers hold bonds in the demat form in SGL while other entities need to open a constituent account with banks though which they can hold the bonds. It is also possible to hold the bonds in a physical form.

Individual can participate in the auction on 'non-competitive' basis, indirectly though a scheduled bank or a primary dealer offering such services. Here, allocation of the securities is at a price not higher than the weighted average price arrived at on the basis of the competitive bids accepted at the auction. FIIs are not allowed to buy G-secs in auction (primary market), but can buy them later in the secondary market.

Changes in ARDBs

i) Shri M. Tharmalingam, has assumed charge as Additional Registrar / Special officer of the Tamil Nadu Cooperative State Agriculture & Rural Dev. Bank Ltd., w.e.f. 9th April 2010.

ii) Shri M. G. Patil, has assumed charge as Administrator of the Karnataka State Cooperative Agri. & Rural Dev. Bank Ltd., w.e.f. 1st April 2010.

iii) Dr. R. Zaman, IAS, Secretary to the Govt. of Assam has assumed charge as Chief Executive Director of the Assam State Cooperative Agri. & Rural Dev. Bank Ltd., w.e.f. 20th April 2010.

iv) Shri B. K. Subhash Chandra, K.C.S., has assumed charge as Administrator of the Karnataka State Cooperative Agri. & Rural Dev. Bank Ltd., w.e.f. 29^{th} April 2010.

v) Dr. Subhash Mane, has assumed charge as Administrator of the Maharashtra State Cooperative Agri. Rural Multipurpose Dev. Bank Ltd., w.e.f. 12^{th} May 2010.

vi) Dr. Ajay Sharma (HPAS) has assumed charge as Managing Director of the Himachal Pradesh State Cooperative Agri. & Rural Dev. Bank Ltd., w.e.f. 17^{th} May 2010.

vii) Shri C. M. Singhal, has assumed charge as Managing Director of the Haryana State Cooperative Agri. & Rural Dev. Bank Ltd., w.e.f. 14^{th} June 2010.

AGRICULTURAL NEWS

Bicycle Inspired Plougher and Weeder Gains Popularity

Fast shrinking farm lands, acute labour shortage, decreasing income per acre of cultivation, and economic frustration are some of the key factors hurting a farmer's confidence in continuing farming. While maintaining a pair of bullocks is a big challenge for many in their small holdings, a tractor today seems an easy alternative initially as many banks give generous loans. But after the initial months of euphoria from buying a tractor, a small farmer realizes the pain of paying the monthly instalments, and many are forced to sell their lands to repay the debts. Whether a farmer owns one acre or ten acres, ploughing and weeding are basic operations to be done at regular intervals and in the absence of manual labour, a multipurpose cycle weeder named Krishiraja, developed by a poor farmer, Mr. Gopal Malhari Bhise from Jalgaon district in Maharashtra, is being received well.

Ploughing 0.8 hectare of rain fed fallow land proved a tough job for the farmer without bullocks. One day the farmer saw a grocer transporting some flour sacks on a bicycle, and this made the farmer think of using a bicycle for farming operations. Mr. Bhise designed the implement out of the front axle, wheel and handlebar of a standard bicycle to conduct operations normally carried out by bullocks or tractors. The main part of his implement is the front portion of a bicycle, namely handlebar, front axle and the wheel. A steel fork is connected to the axle and the other end carries different kinds of attachments. Separate attachments for weeding, tilling and harrowing are attached to the working end, using bolts and nuts. This helps in changing the attachments as required. Suitable slots in the device are provided for adjusting the distance between blades to suit specific requirements. Safety provisions are incorporated so that the blade does not injure the user at the time of reversing the device during weeding operations.

The tiller attachment enables the farmers to cultivate medium-hard soil upto a depth of about one foot. Priced at Rs.1200, a person can weed 0.08 ha in one hour. It is easy to operate and suited for those who cannot afford bullocks. For details, readers can contact Mr. Gopal Bhise, Shendurni-Taluka: Jamner, Jalgaon, Maharashtra, Phone 9970521044 and Dr. Nitin Maurya at email: nitinnif@gmail.com and info@nifindia.org Phone: 079-26732456 and 26732095.

AP Fixes Royalty for Monsanto Cotton Seed

The Andhra Pradesh Government has fixed the trait value for BG II (Bollgard-II) at Rs.90 and for BG-I (Bollgard-I) at Rs.50. with cotton farmers preparing for the kharif sowing, the State Government issued an Order fixing the BG-II seed price at Rs.750, BG-I at Rs.650 and non-biotechnology seed at Rs.500 for a packet of 450 gm. The BG seed packets would also comprise 120 gm of non-BG seed that act as refugia (a buffer-like crop grown around the BG plants to ward off early resistance). These were the rates at which the seed manufacturers sold last year.

The Government pointed out the trait values specified in the agreements between the seed manufacturers and Monsanto were not binding on it. By its (Monsanto's) monopoly and dominant position, it is exploiting the poor farmers, causing unjustified burden. The principle of linking trait value with the incremental profits gained by consumers is not accepted anywhere in the world. In many countries, royalty is not beyond 10 per cent of wholesale price of goods. Referring to the International Cotton Advisory Committee of June 2009 (submitted by the Mahyco-Monsanto to the Agriculture Department of AP), the letter said the trait fee in China was $2.3 a kg. This works out to be Rs.50 for 450 gm, it pointed out. It, however, said the trait value for the year could be fixed at Rs.90 considering the fact the company had reduced the figure significantly during 2002-09.

Monetary Policy and Farm Credit

Agriculture can hardly be insulated from the effects of macroeconomic policies. The global financial crisis dampened the growth of credit to non-agricultural sectors more than to agriculture. Lower interest rates when the monetary policy transmission mechanism works would also mean lower rates for farm credit, or vice versa. Monetary policy, which targets or manages parameters such as inflation and exchange rate, has an impact on agriculture through its impact on agricultural investments, exports and imports. A moderate rate of inflation is also good for the farm sector, although steady changes in relative prices in its favour may have some beneficial impact on farm investment.

A protective environment for farm credit through the priority sector lending framework is still important. These policies ensure that bank credit, or more appropriately institutional credit to agriculture, does not get crowded out by the other sectors. The monetary policy for the current financial year focuses on protecting growth recovery and reducing inflation. With agricultural commodities as the main culprits of the inflationary phase of the past year, monetary policy can only try and limit the spillover of these impulses to the rest of the economy. It also outlines steps to ensure that bank presence in some form in every village becomes reality. Judging by these measures, growth of agricultural credit appears to be supply-driven rather than demand-driven. Further, a lot of priority sector credit ends up as indirect credit rather than direct credit to the farmers.

Farm loans attract periodic attention for the loan waiver schemes, rather than the crucial role they play in modernizing farm operations. Buying a tractor, pumpset, or merely paying for fertilizer before the harvest brings in revenues has become increasingly possible because there is credit supply. It is often noted that more than half the cultivator households are indebted which is not surprising, given the lumpy nature of income flows. Working capital loans are most sustainable from the farmer's view point because they are directly linked to the revenue from the current crop season. Long-term credit is linked to income growth, and unreal significant income growth is realized debt repayment becomes a problem. Long-term credit has to be increasingly technology related, so that it alters the income stream of the farms. Without this link, credit can only have a gradual impact through stabilizing income.

A limiting factor in pushing credit is the fact that land is the main collateral and the only asset that farmers possess for a livelihood. However, the fact that more aggressive targets for institutional credit have been achieved in the recent past is a significant policy accomplishment. Farm credit accounts for less than 15 % of the total non-food credit of scheduled commercial banks. However, it is still sizeable. With this significant share farm credit should be an attractive part of portfolio of the banking sector's assets. Even so, priority sector compulsions are still necessary to ensure that banks continue to lend to the sector, directly or indirectly. Aggressive lending makes sense if credit leads to income growth for the borrower. At a given level of technology, the cost of credit clearly has an impact on the level of demand for credit. With barely 2-3 % growth in farm output, the farm sector would not be able to borrow at higher rates. Subventions on interest rate are needed to keep interest payments viable for the farm sector, unless there is faster agricultural output growth. Monetary policy aiming to protect growth momentum is equally important for the farm sector.

Israeli System to Help Osmanabad Farmers Save Water

Maharashtra's Osmanabad district is set to adopt Israel's water management system to tide over its irrigation woes. Around 2,500 farmers will benefit from the technique which is being implemented under Terna Medium Project. While its initial phase is under way, a full-fledged system will be in place in labour a year. The technique has two-dimensional benefits. One, it will prevent wastage of water, and secondly, it will monitor water usage through digital meters. The ambitious project led by the state irrigation department is spread over 1,655 hectares of agricultural land. It is estimated to cost Rs.23.60 crores and around 60 digital meters have already been purchased from Israel for the purpose. A 16 km pipeline has been laid to supply water to the fields. Two pump houses have been set up with booster pumps of 175 horse power capacity and 130 horse power capacity pump will be used to draw water from the dam. Under the system, farmers would be charged using the electric meters. This will curb theft of water from lakes and nearby ponds. As the system will promote dripping and sprinkling processes, it will also prevent wastage of water. The digital meters will monitor water discharge as also pressure from the pump house. The PVC pipeline will carry water from the pump house to the fields. Before the project was activated, about 6.95 TMC (Thousand Millions Cubic) water was required for irrigation purposes in the district. After completion of the initial phase, the requirement has come down to 5.44 TMC, saving around 1.51 TMC of water. About 50 per cent of water stored in dams in India, which is usually discharged through canals, is lost to percolation or evaporation. The Israeli irrigation system, operates in an exactly opposite manner and will stop such losses. It would be for the first time in the region that water audit would be carried out. This would ensure that every drop of water is utilized for the crops.

Farm Pond Scheme in Maharashtra Takes Off

The Maharashtra Government's project of setting up one lakh farm ponds across the State this year has received good response. More than 50,000 ponds will be constructed before the onset of this monsoon. Of the budgeted outlay of Rs 300 crore, about Rs 160 crore has already been disbursed to farmers, a senior official with the State Government said.

The ponds are being set up in order to create a captive source of water for the farmer in his own farm, besides enhancing the groundwater level. It has been observed that because of a farm pond, the rise in farmer's income is about 35 %. On an average Rs 40,000 is given as a one time grant to the farmer. Money is not paid in advance but only after the completion of the construction activity. To have better control and accountability over disbursement of funds, all data about the beneficiary farmers including photographs of the farmers and technical specification of the ponds have been uploaded on the government's Web site.

Across the world, climate change poses a challenge for rain-fed agriculture and Maharashtra is especially vulnerable as about 80 % agricultural land is rain-fed, the rest being irrigated. There are constraints on further expanding irrigated areas in the State, and so, farm ponds are inevitable to sustain agriculture in the future. Construction of the ponds is being done through eight schemes, including the Maharashtra Rural Employment Guarantee Scheme.

Sorry State of Rainfed Agriculture

Though India has the largest irrigated area in the world, over 60% of its cropped area is fed by rain and it contributes substantially to the production of coarse cereals, pulses, and oilseeds. Yet the state of rainfed agriculture is precarious and the problems associated with it are multifarious such as, Low cropping intensity, poor adoption of modern technology, uncertainty in output, low productivity, the increasing number of suicides among farmers, and the high incidence of rural poverty.

The era of planned development saw governments making efforts to improve the performance of rainfed agriculture as part of their plan to alleviate rural poverty. Although over the years productivity has been increased, it is still way behind the performance of the irrigated regions. The green revolution, set in motion during the mid-1960s, has bypassed rainfed agriculture, and this is the main reason for the parlous state in which this segment of farming funds, itself. M.S. Swaminathan speaks of a 'Community Landcare Movement' based on conservation farming techniques to improve rainfed agriculture and says that the gram panchayats must be actively involved in it. Since moisture stress is often found to be a major reason for the underperformance of rainfed agriculture, adoption of drip and sprinkler irrigation is suggested as a remedy. Soil fragility and water scarcity, are among the major problems plaguing rainfed agriculture. Watershed development programme, represents an important official intervention for the conservation of land and water resources in rainfed areas.

How far livestock development programmes implemented in the rainfed areas have helped in sustaining and increasing the farmers' livelihood opportunities?. This has to be studied in depth and systematically before they could be commended as a solution to the ills of rainfed agriculture. The agrarian crisis (a major challenge for the country since the early 1990s) and rainfed agriculture are closely linked. The high cost of cultivation, the disturbing phenomenon of farmers' suicides, lack of institutional credit, and inadequate public investment are some of the serious issues affecting rainfed agriculture. Without investing in infrastructure development (irrigation, rural roads, markets etc.), the performance of rainfed agriculture cannot be improved.

How To Proceed On Sugar Decontrol ?

Sugar is one of the most controlled industries in India. Attempts to decontrol sugar were made in 1971-72 and again in 1978-79, only to be rolled back. The control on sugar is effected mainly through control orders issued under the Essential Commodities Act. Allocation of cane area is purely discretionary in most States and done by State Governments. The allocation becomes more ad-hoc when two factories vie for the same area. There are no predictable policy guidelines. Poaching becomes the practice in deficit years. Restrictions on setting up new factories: There are clear guidelines on the distance between two factories, irrespective of productivity and area under sugarcane. As opposed to a minimum support price, there is a statutory minimum support price, in operation. This is now replaced or supplemented by Fair and Reasonable Price (FRP) and State Advised Prince (SAP). Sugar is sold by sugar factories on the basis of release orders issued monthly (recently weekly) by the Sugar Directorate, Government of India. The dynamics of this release mechanism changes in a surplus year. There are, however, many sugar factories which obtain court orders to release more sugar than the quantity allocated, thereby making the allocation system irrelevant. A certain percentage of production in each sugar mill is allocated as levy sugar. This year it is 20%. The lower the production, the higher the percentage levy.

Restriction experts is usually resorted to in deficit years, while in surplus years, exports are encouraged. There are also restrictions on movement and use of by-products, particularly molasses. Finally, there are restrictions on gur and khandsari as well. The sugar industry is cyclical in nature. The off repeated pattern has been two years of surplus followed by two or three years of deficit. Deficit years see higher prices for farmers while surplus years see delayed payments. The uncertainties created by the various control measures act as a dampener to better technology and investments in sugar. The sugar industry is closely linked to farmers. When the industry produces about Rs.45,000 crore worth of sugar in a normal year, Rs.30,000 crore goes to sugarcane farmers. Approximately two-thirds of the cost of sugar is the cost of sugarcane. Land for growing sugarcane will remain limited. The same land will compete with cereals and oilseeds. Water will remain a major constraint. To ensure that the sugar industry remains profitable and to keep the sugarcane farmer interested in growing sugarcane, the Government will need to ensure that the policy framework is predictable and encourage investment in the sector. The potential of the industry to generate about 3,000 MW power in decentralized locations will be an added bonus.

Deregulation process:- The following controls can be done away with:

1. Abolish levy obligations

Levy is the most inefficient way of ensuring cheap sugar to BPL families. It is easier to make location specific purchases through an open tender and subsidise the sale to the beneficiaries. This could increase the financial burden of the government to some extent, but will be more efficient and easy to operate.

2. Abolish monthly release orders

The monthly release order mechanism does not work. Apart from court orders, the factory can take out the sugar, keep it outside and not release it to the market. There is no effective instrument to check this. As this mechanism affects the cash flow of the company, the hit is normally taken by the farmers who do not receive payments in time.

3. Abolish cane area allocation

Cane area allocation is more often an arbitrary exercise without any reference to investment and productivity. This system does not provide any incentive to investment in cane development to sugar factories. It is better to create a statutory framework to enable contract farming for a long period. Such a medium-term arrangement will spur investments in the sugarcane fields and in modernization and consolidation of factories.

4. Abolish FRP, SAP etc

Create a system to assure a certain percentage of sugar price as came price 65-66% should normally be acceptable. While a benchmark price can be declared as a base sugarcane price for the year, an independent agency can declare the average sugar price for the season at the end of the sugar year.

The additional payments to farmers can then be transferred to their accounts quickly. This process of payment through banks will also ensure financial inclusion.

5. <u>Declare a predictable import-export policy</u>

Scientific Fertilization of Soil Very Much on The Cards

Unscientific soil and crop management practices followed by farmers for many years took a heavy toll on the soil's health condition. Fertility loss and related nutritional problems pose a major challenge, next only to pests and diseases today. “A healthy soil, proper environment, and balanced nutrients are the basic necessities for a good yield,” says Dr. V.A. Parthasarathy, Director, Indian Institute of Spices Research (IISR), Kozhikode, Kerala.

Plants mainly need three elements: nitrogen, phosphorus, and potassium in higher quantities, besides thirteen elements such as calcium(Ca), sulfur (S), magnesium (Mg), boron (B), chlorine (Cl), manganese (Mn), iron (Fe), zinc (Zn), copper (Cu), molybdenum (Mo), selenium (Se), sodium (Na) and silicon (Si) in small quantities for optimizing their growth. The availability of an element in less than the minimum quantity in the soil cripples crop growth and makes it more vulnerable to pest and diseases. Presence of these elements in higher doses in soils can also lead to plant toxicity. “Farmers must ensure the availability of all essential elements in balanced proportions in soil, and keep its pH (measurement of the alkalinity or acidity of soil) most congenial to a crop for sustainable production” says Dr. Parthasarathy. Farmers cannot grow crops successfully in poor soil. They must be aware of the importance of maintaining soil health for reaping good yields. A scientists' team at Krishi Vigyan Kendra (KVK), IISR, Kozhikode, took the lead in issuing soil health cards to several farmers in the region. They collected soil samples from several fields for making soil health cards, analyzed them critically in the laboratory, and printed the details of the farmers and the field in a form. The card also suggests the most suitable crop that can be grown on their land, depending on the fertility and other chemical and organic features of the soil.

The district level map to be prepared after compiling the data from various villages will be marked in various colours. Often farmers use fertilizers in excess not being aware about the quality of their land and thus end up damaging the soil fertility and wasting fertilizers. With the help of the soil card, farmers can know their soil conditions better and also about what suitable crops to be grown.

For more details readers can contact the programme co-ordinator, Krishi Vigyan Kendra, Peruvannamuzhi, Kozhikode district, Kerala, email: kvkcalicut@spices.res.in or kvkcalicut@sancharnet.in, phone: 0496-2662372

Scientific Support for Pond Construction Helps Fresh Water Fish

Whatever be the crop, whether grown in a small area or in a large landholding, the bottom line should be a good price for farmers," says Dr. D.Seenappa, Chief Scientific Officer, Inland fisheries division, main research station, University of Agricultural Sciences (UAS), Hebbal, Bangalore. After all, any agricultural enterprise should aim at income generation for the farmer. The role of proper technical expertise assumes significance in guiding a farmer as manpower shortage, shrinking lands, high input costs, and lack of proper marketing avenues plague agriculture today. Mere technical innovations far removed from the social life structure of the farmers can never hope to succeed. Both scientific experts and the farmers must work hand in hand.

A training program organized by the Inland fisheries department some years back on freshwater prawn farming motivated the farmer to construct two earthen ponds (each one acre) in the field to start rearing fishes. Scientists provided the technical support in the pond construction and benefit schemes were offered by the Department of Fisheries. The one acre earthen pond remained dry for a week and later 100 kg of agriculture lime sprinkled all over the pond bottom, and left undisturbed for two days and later filled with water.

About, one tonne of cow dung slurry broadcast all over the pond water to facilitate algal growth, and fingerlings released into the pond after a week. Initially, for five days, the fingerlings' food consisted of two gram of groundnut cake powder, and later a mixture of rice bran and groundnut cake powder fed twice daily. Addition of manure once in 15-20 days helped in good algal growth. The technical team regularly monitored the water quality, growth and health of stocked fish seed once in 10 days and the farmer advised accordingly for the input management by the project team. The farmer used about 50,000 of fingerlings of catla, rohu and grass carp varieties as his own stocking in a natural tank and the rest sold (catla, rohu at Rs 1.0 per fingerling and grass carp at Rs.1.50) to other farmers. and spent Rs. 1,10,0000 towards buying fish seeds, manure, fertilizer, feed and labour and earned a net profit of Rs. 58,550 in three months.

For more details readers can contact Mr. Kumar. V. Naidu, Holebyranahalli, Badravathi (Taluk), Shimoga (District), Karnataka mobile: 09480011958 and Dr. Seenappa, at email: drdseenappa@yahoo.co.in, mobile: 09845244458

NAFED Ties up With CDB to Sell Coconut Products

Value-added coconut products will soon be available to a wide section of consumers through the marketing network offered by the country's largest farmers' cooperative National Agricultural Cooperative Marketing Federation of India (Nafed). State-run Coconut Development Board (CDB) has teamed up with Nafed to sell coconut-based products. Under the pact, Nafed would source products from around 100 small-scale processors in the coconut-growing states like Kerala, Tamil Nadu, Karnataka, Goa, West Bengal, Maharashtra and the Union territories of Lakshadweep and Andaman and Nicobar Islands.

Products like coconut milk, water, oil, vinegar, shell-based items and cakes have been identified by Nafed for selling under its brand. CDB will ensure quality of the products. Export markets in Gulf and Europe too will be tapped, the draft agreement said. Nafed and CDB will jointly promote raw coconut water in tetra packs or other suitable packaging in 100 specialised carts manned by uniformed personnel from women self-help group at prominent tourist destinations in the country, particularly during the Commonwealth Games.

Unless Farm Sector Delivers Incomes to Farmers, Growth will not be inclusive

At a time when agriculture growth is projected at 5 % for 2010-11 based on predictions of a normal monsoon, Planning Commission member Abhijit Sen says that "unless the sector delivers incomes to farmers, the growth will not be inclusive." We have to plan differently from the Green Revolution Days, when the single-point agenda was to grow more food. [Now] first, agriculture must deliver food, [but] more than that, incomes or agriculture growth will not be inclusive.

"After the initial spurt of the Green Revolution, there have been several interventions, but agriculture science has not done that well," Dr. Sen told on an august gathering of farm scientists.

"There are many achievements that the Indian Council of Agriculture Research (ICAR) can be proud of, yet things don't add up. The Green Revolution achieved the single-point programme of enhancing cereal output, but too many producers remained poor and illiterate when education was a general failure in the country. The agriculture sector remained much more devoid of knowledge than any other," he underscored. According to him, the real problem that science needed to address was how much income could be given to farmers when the education base continued to be poor. The focus should have been on what resources farmers have, with what knowledge base to produce the largest value with least resources. The problem is defined at the level of farming system, not crops.

Highlighting the fact that efficient use of water resources did not get the attention it deserved from farm scientists, water availability shall be the biggest problem in years to come. The level of depletion of ground water that is happening today in Punjab and elsewhere cannot continue. Owning to the scarcity of natural resources and slowing down of productivity, it was necessary to increase investment in research. At the same time, if it were to be measured how much research contributed to incremental growth in "technical production".

Dr. Sen said public expenditure on agriculture was lower in 2003-04 than in the 1980s, but had now doubled in real terms. Yet, growth in the output and income of farmers was not commensurate with what was being spent. To make sure that States fundamental units in agriculture spent more on agriculture and yield gap was bridged in location-specific manner, the Rashtriya Krishi Vikas Yojna had been conceived. However, the agriculture plans that came from more than 600 districts under the scheme were not designed in a problem-solving mode.

Tech to speed up Agri Insurance Claim Settlement

The 10-year-old National Agriculture Insurance Scheme (NAIS) is one of the largest insurance plans for farmers in the world. The scheme is now expected to get a technological helping hand in speeding up the settlement of claims. The central government's Department of Science and Technology will conduct an experiment for crop yield assessment using remote sensing technology for the agriculture ministry and the Agriculture Insurance Company (AIC) of India during rabi 2010-11. Sowing for the rabi season starts around September. “The experiment will be carried out in Rajasthan, Uttar Pradesh, Bihar and Karnataka for selected cereal crops,” said M Parshad, Chairman and Managing Director, AIC. Introduced in the rabi season of 1999-00, the NAIC has covered 13.46 crore farmers till rabi 2008-09, of which just over 25%, or 3.60 crore farmers, have benefited. “We have covered 25 million farmers in 2009-10 and the total sum insured is Rs 42,000 crore”.

NAIS is compulsory for farmers who have taken loans in notified areas for notified crops and optional for those who haven't. It is an yield guarantee scheme operating on an area approach with past yield data and the crop cutting exercise (CCE) carried out by the state government being the basis for deciding crop loss.

Crop cutting amounts to the crop yield on experimental plots with the data scaled up for the state. The number of CCEs required to arrive at the final yield data varies according to the area and the type of crop. As this experiment takes place at the taluka level, the data compilation at district, state and national level takes a very long time, usually up to one year.

“It takes about five to ten months to get the results of the CCEs. Then there are other procedures. Since agriculture is a state subject, states are also involved in the entire process. This further delays the claims settlement period," said Mr Parshad. Crop cutting is carried out by the state governments and insurance companies have no say in the entire process.

Control of Coconut Leaf Beetle

Both the larvae and adults of the Coconut leaf beetle (Brontispa longisimma) inhabit the developing spears where they cause decay and drying of affected parts which prevent the tree from bearing fruits. When the infestation reaches the pith, the palm eventually dies.

The beetle is generally brown in colour with bright orange thorax. The damage symptom caused by this pest is almost similar to that of coconut black headed caterpillar. If the tree is seen from far, the dried fronds appear burnt. But the only way their damage can be differentiated is that, coconut leaf beetle attacks the top young fronds while black headed caterpillar prefers middle and lower fronds.

At present, mechanical, biological and chemical methods are employed to eradicate this pest. In young palms, cutting down and burning of the affected plants is recommended. For older palms, chemical control should be applied by using systemic pesticide injected into the trunk of the palm.

Biological method to control the menace involves the use of natural predators such as earwig, green muscardine fungus, and white muscardine fungus to paralyze and eventually kill the pest. The eggs of this beetle are difficult to detect because they are inserted in between leaflets. So, there is a need for thorough inspection of planting materials intended for transport to uninfected areas.

The Golden Crop - Sunflower

Bright yellow sunflowers cover the fields where withering wheat crops stood around in this part of Bihar and with the land here being submerged for most part in a year, thanks to Kosi on one side and Ganga on the other, the farmers remained caught in a one-crop cycle of maize in the winter months. Now, almost 30 km stretch on either side at Pasraha (Khagaria) and Bhawanipur (Bhagalpur), beyond Maheshkhoot on the Begusarai-Purnia National Highway, has swathes of sunflower plants. Sown in January, the crop will be ready for harvest in a fortnight. Sunflower as a crop has a number of advantages. The expenditure on sunflower seeds is low and the high-yield variety matures between 80-100 days, leaving the fields free for cultivation of maize in the winter months. A little time gap in between harvesting of the sunflower crop and the sowing of seeds for the winter crops also adds to the natural regeneration time of the soil to regain its fertility. Weeding is also less severe in sunflower cultivation.

The only problem that farmers face is that of damage caused by birds to sunflower heads during harvest time. However, farmers have put up reflecting ribbons and scarecrows in their fields to keep the birds at bay. The farmers know that sunflower, a very fast-growing seed, is the largest selling oil in the branded oil segment. So, even as the low-lying area still faces submergence of cultivable land, sunflower cultivation has turned out to be a sort of a savior for the farmers.

A yield of 15-20 quintal of sunflower seeds per hectare attracted other farmers who weren't getting as much profit from wheat cultivation. Plus, growing sunflower was almost hassle-free requiring only two irrigation in the crop cycle. Pasraha and Bhawanipur now grow sunflower seeds on about 500 acres of land, stretching for almost 30 km. An average farmer earns Rs.80, 000-Rs.5, 00,000 per year from the sale of sunflower seeds. Fertile and moist soil found near river belts of Kosi and Ganga is suitable for sunflower cultivation. Several farmers also grow wheat alongside sunflower. But those having less than five bighas of land go for sunflower for a sure shot profit. A progressive farmer of Bhagalpur says sunflower has changed the area profile. It is now for the state authorities to help them avail good market price for the sunflower seeds that go to different parts of the country from Purnia.

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