Planning Commission
Government of India

PART A: News pertaining to Planning Commission

11.11.2014

Compiled by:

S. Wadhawan, ALIO **and** **Communication, IT & Information Division**
Mrs. Varsha Satija, SLIA
Planning Commission Library

(महान लोगों के विचार)

(A goal is a dream with a deadline.एक लक्ष्य एक समय सीमा के साथ देखा गया सपना है.)

Napolean Hill नेपोलीयन हिल

1. An opportunity for fiscal reform

Rathin Roy, Business Standard: 11.11.2014

The **Planning commission** is no more but the Plan Budget continues as a fiscal entity. This newspaper reported that Plan Budget proposals are to be prepared and forwarded by line ministries directly to the ministry of finance. As post-commission arrangements are yet to evolve, this is a necessary stopgap measure. But it marks the need to reflect on needed institutional reforms in the fiscal business process.

The erstwhile Planning Commission had two important fiscal responsibilities. First, to allocate money to the states in order for them to finance their Plan expenditures. Second, to provide a five-year fiscal-resource framework for the central Plan. Much has been made of the first, which has meant centralisation and the use of imperial discretion by the Centre. Over the last decade, however, with the financial position of the states improving sharply, the imperial dimension has become more an irritant than a regrettable necessity for most states. It is still pertinent in the case of the so-called special category states, but that reflects the absence of a coherent policy to secure the fiscal sustainability of these states without recourse to discretion. With such a policy in place, the problem will abate. If not, then there are a number of entities that can be entrusted with this discretionary power.

The second responsibility was based on the implicit assumption that the central Plan would be the principal vehicle driving public investment. This has long been invalid. The share of capital expenditure in total Plan expenditure has fallen from 68 per cent in 1983-84 to 21 per cent in the current fiscal year. The Centre is no longer a major provider of budgetary resources for public investment. Plan expenditure, therefore, does something else - no one seems sure quite what.

The abolition of the Planning Commission raises an important fiscal question: will we continue to plan in the old-fashioned way with a range of output targets, and an expenditure programme to achieve these targets specified over the next five years? If so, the current Plan and non-Plan expenditure categories will continue to hold. But it will be necessary then to specify what "Plan" expenditure means in today's India. In the absence of a Nehruvian vision, this will require some institutional work.

If we do away with the "Plan" conceptualisation of public expenditure, then the strategic context would need to be defined. There will need to be a multi-year macroeconomic framework that specifies (a) the desired real growth rate; (b) the medium term share of public expenditure in gross domestic product; and (c) the medium-term shares of investment expenditure, transfers and consumption expenditure. These aggregates will be specified based on multiyear political decisions that derive from the government's growth and development vision. It is essential to specify these, so that annual budgeting can be predictable, strategic and transparent.

In all modern economies fiscal budgeting is essentially a rolling medium-term exercise that specifies the above in the expenditure dimension. Together with a resource-mobilisation strategy. this constitutes a medium-term fiscal framework, with annual budgets reflecting largely the articulation of the medium term in the immediate present. Policy attention is focused on the framework, not on the budget. In India, it is exactly the opposite. The media, commentators and general public derive great entertainment from anticipating and discussing the annual Budget. For years, with fiscal planning essentially being a gestural exercise, this has meant that there has been no multi-year basis to fiscal planning. We have "Plan" and "non-Plan" expenditure categories, but these have no strategic or operational relevance. As a consequence, our fiscal performance has suffered in terms of predictability, effectiveness and credibility, and this has meant that governments have been punished by those who have borne the adverse consequences - from the rating agencies to the electorate. The previous National Democratic Alliance government and successive Finance Commissions recognised this challenge. The implementation of their recommendations means that an adequate apparatus to change this is at the disposal of the government. For more than 10 years, every annual Budget presents a medium-term macroeconomic framework, a medium-term fiscal policy and a fiscal-policy strategy statement. But the time and attention afforded to these is a fraction of what is afforded to the preparation of the annual Budget. Thus, the accounting exercise dominates the policy and strategic exercise. The political impetus to deliver change that is at the heart of every new government gets stymied when the cumbersome and antiquarian budget-making exercise commences its lumbering annual process.

If the government of the day takes advantage of the opportunity presented by the demise of the Planning Commission to undertake these fiscal reforms, it can expect significant positive political payback. No great business process re-engineering is required - the instruments are already at the government's disposal. A rare opportunity to reform India's fiscal-business process by giving priority attention and life to the medium-term fiscal instrumentation at the government's disposal presents itself today. It should be seized in the national interest and the excessive focus on the annual budgeting exercise should be consigned once and for all to the dustbin of history.

2. Letters: The population problem

Brijesh Sheregar, Business Standard: 11.11.2014

T C A Srinivasa-Raghavan's column "The gorilla in the room" (Marginal Utility, November 8), provides a perspective different from the euphoria surrounding the "demographic dividend" that India enjoys.

Anyone whose eyes are not tinted enough by Hollywood understands that all societies have good people and bad people, metaphorically speaking. However, due to the limited size of their population, many developed nations do not have overwhelming numbers of "bad" people to deal with.

More significantly, these countries have created efficient systems to deliver education and health care to their population, presumably resulting in more contented societies. Also, their policing and prosecution mechanisms deliver swift justice, acting as deterrence to wrongdoing. I would not belittle our own judicial system, but it is no secret that our system is overwhelmed by the sheer number of cases awaiting judgment. Another example is the Delhi Metro, a fine system that is creaking, thanks to the sea of humanity it has to support, as I found to my chagrin sometime ago.

The author's analysis of electoral economics becomes starker when read with the fact that most candidates would like a "return on investment" and constitute the largest segment for black money demand.

Conventional economics, especially the socialist variety that promotes entitlement and pseudo-equality, has no answer for our issues. We need to find creative solutions that go beyond symptomatic relief and address the deeper malaise. Does the new body that will replace the archaic **Planning Commission** provide Narendra Modi with an opportunity to make a beginning?

3. A full-time job in South Block

Ajai Shukla, Business Standard: November 11.11.2014

The new defence minister must stand up to the military and chart his own course

Prime Minister Narendra Modi has taken five months to appoint a full-time defence minister. Now Manohar Parrikar will oversee the defence of India, dealing with a potential "two-and-a-half front" challenge from Pakistan, China and several internal insurgencies. He will be constrained by limited funds since the government's primary ambition to boost the economy allows for only modest increments to defence spending. Nor can Mr Parrikar, a newcomer to defence, draw upon any existing vision for transformative change. All he has to guide him are slogans from a myopic strategic community, which apparently believes that military readiness consists of bluster, threats, backward shuffles and the unhindered disbursement of vast sums to international arms vendors.

On the plus side, the new defence minister will have a full day to devote to his charge, unlike his predecessor, Arun Jaitley, who was unfairly saddled with this job in addition to his own full-time assignment as finance minister. Mr Parrikar, furthermore, is a metallurgist from the Indian Institute of Technology, an outstanding qualification for a man who will be expected to boost indigenous defence research and development (R&D), and manufacture. As chief minister of Goa, he has proven his ability to administer and govern. Finally, he is reputed to be honest, a rare enough quality today to rate a mention. One hopes that like his Congress party predecessor, A K Antony, he is not both honest and indecisive.

The new defence minister could choose to function like most of his predecessors. This would involve ceding to the army, the navy and the air force chiefs the unfettered right to run their services as they deem fit; while the ministry controls the money and procures military equipment. This operating style - if so this abdication of ministerial responsibility can be termed - would be justifiable only in a security emergency so imminent that there is no place for long-term planning. This is clearly not so for India. Yet our paranoid public narrative of dire external threat, along with the crashing unfamiliarity of the political class with military matters, warps the higher management of debate. There is no explicit enunciation or discussion of outcomes that the military must ensure; and no evaluation of its readiness to achieve those goals. Instead, military preparedness is evaluated mainly in the currency of arms purchases. Mr Antony was never criticised when his service chiefs expressed their inability to retaliate militarily against Pakistan in the wake of the Mumbai blasts. Ironically, criticism centred on his failure to spend his ministry's capital budgets.

Mr Parrikar must start by reminding his military that they exist as an instrument of deterrence and that they must have plans pre-prepared to discharge that role. As the army chief in 1999, general V P Malik, famously said before the Kargil conflict, "We will fight with what we have got." Even when full-scale war is not feasible or desirable in response to, say, a major terrorist attack launched from foreign soil, or ingress into Indian territory, the defence minister must ensure that clear, pre-determined deterrent capability is in place for various eventualities and that the military is trained and equipped for those. If, in the face of dire provocation, the military chiefs merely look down at their shoes, this abject failure is the responsibility of the defence minister.

If Mr Parrikar goes by the BJP Election Manifesto 2014 that was released in April, he will only feel confused. Congress-like, the Bharatiya Janata Party (BJP) has viewed security in holistic terms - maintaining "social cohesion and harmony" as a component of national security along with "military security; economic security; cyber security; energy, food and water and health security". The promise to "revise and update" India's nuclear doctrine will presumably create more deterrence, placing less reliance on an unaffordable conventional build-up. Another part of the manifesto inverts cause and effect, by promising to "modernize armed forces, and increase the R&D in defence, with a goal of developing indigenous defence technologies and fast tracking of defence purchases".

Instead, Mr Parrikar should start afresh, read extensively, consult independently and think far outside the box, because all those who would brief him are deeply invested in the status quo. While fast-tracking procurement sounds good in a manifesto, the embarrassing truth is that our pockets are empty. Of this year's capital allocation of Rs 94,588 crore, over 90 per cent is pre-committed towards instalments for contracts concluded in previous years. Instead of grandstanding over unaffordable purchases like the $20-billion Rafale fighter, Mr Parrikar should initiate a project to increase the operational availability of the Sukhoi-30MKI fleet from the current 50 per cent, to a more respectable 80 per cent. That alone will put 80 Su-30MKIs into the sky, dramatically eroding the argument for the Rafale. Simultaneously, a strategic decision to promote the indigenous Tejas fighter would implement the "Make in India" directive, while also making up fleet numbers with cheap, utility fighters. Just as rejuvenating the Indian Railways network comes before expensive bullet train lines, existing weapons systems should be revitalised rather than buying expensive new kit.

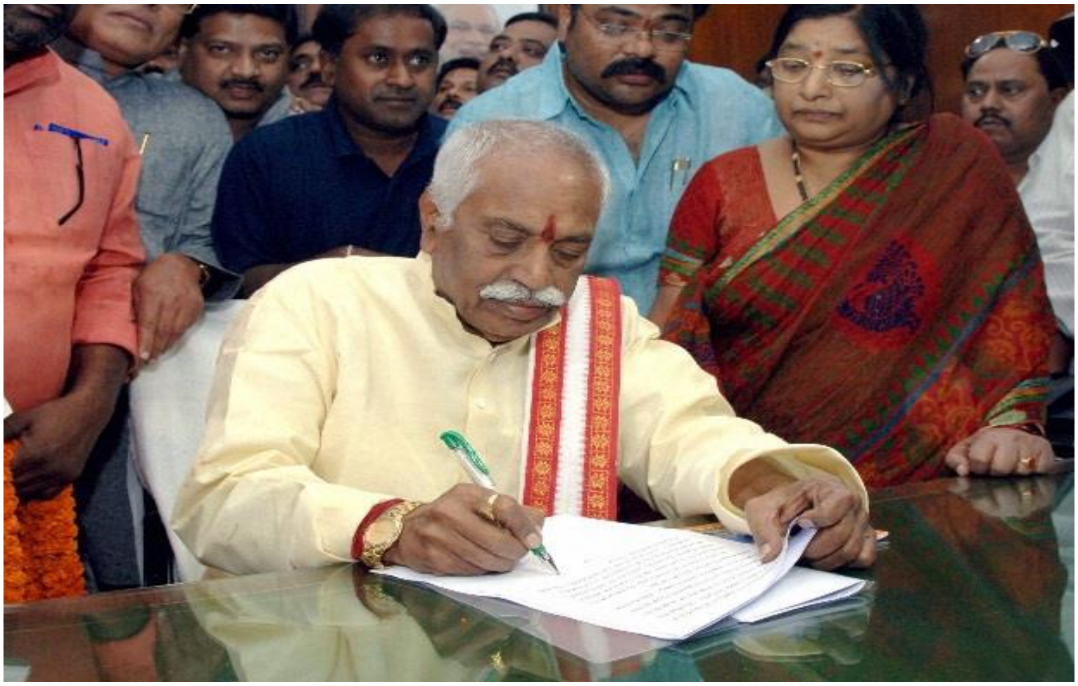
The new defence minister will surely ask how the army hopes to be a modern warfighting force while spending just one rupee out of five on equipment. With 82 per cent of the army's Rs 1,13,334-crore Budget going on revenue expenditure, of which Rs 65,808 crore goes on the payroll of 1.2 million soldiers, just Rs 20,665 crore is left for equipment modernisation. This is becoming even more lopsided with 80,000 more soldiers sanctioned for a new mountain strike corps, and the Seventh Pay Commission already considering wage enhancements. Contrast this with China, where 1.7 million soldiers were demobilised to free up funds for modern equipment.

Raising new divisions lets peacetime governments appear muscular and defence-oriented. Only during war - as in 1962 - does the folly of ill-equipped soldiers translate painfully into national humiliation. For too long, defence ministers and generals have served out their time, keeping their fingers crossed that the music does not stop while they are holding the parcel. Mr Parrikar has the opportunity to scorn populism and drive the fundamental restructuring that India needs.

4. Exuding optimism, new Ministers of State take charge

Business Standard: 11.11.2014

Jayant Sinha, MoS Finance, said job creation and inflation management were 'top priorities'



Jayant Sinha, who took charge on Monday as Union minister of state (Mos) for finance, said the country's gross domestic product (GDP) growth rate should cross 6-6.5 per cent in FY16. And, that job creation and inflation management were 'top priorities'.

"This year, as you know, we are expecting the growth to pick up and be on the accelerating trajectory. Hopefully...we will (after next year) be in the seven-eight per cent (annual) sustainable growth trajectory, which is essential for India," said the 51-year-old, a first-time MP and alumnus of Indian Institute of Technology, Delhi, and Harvard Business School.

GDP growth had slumped to 4.7 per cent in 2013-14 and is estimated to be 5.4-5.9 per cent this year.

Sinha, earlier a fund manager and partner in consultancy firm McKinsey, said the government was closely monitoring tax collections and would meet its fiscal targets for the year."We think we have the situation well in hand. And, we have been fortunate to have the tailwinds of lower oil prices, which are going to help on the expenditure side," he said.

Finance Minister Arun Jaitley had budgeted a fiscal deficit of 4.1 per cent of gross domestic product for FY15. However, with half the year already over, only a little more than 30 per cent of the total tax targets have been met. The disinvestment programme of Rs 58,425 crore has yet to start.

Sinha, son of former finance minister Yashwant Sinha, also hoped the government would be able to push the insurance Bill and the Constitutional amendment Bill on a national goods and services tax (GST) during the next session of Parliament, beginning November 24. On the former, which seeks to raise the FDI cap in the sector from 26 per cent to 49 per cent, he said, “When it comes to Parliament, we are confident we will get the support we require”. And, on GST: “With all of that hard work, with the involvement of all stakeholders, particularly for the states, we are sure will be able to show some positive results in this session.”

Sudarshan Bhagat, new MoS for rural development, said all defects in the land acquisition Bill would be addressed after he'd taken a thorough look at the law. And, similarly for the Mahatma Gandhi National Rural Employment Guarantee Act. “All the course corrections will be done keeping in mind the interest of the general public,” he said.

The government has defended the proposed alterations as aimed at making it more effective and cutting non-targeted expenditure. Critics say the changes go against the fundamental principles of the law, to provide some job guarantee in rural areas.

Bandaru Dattatreya, who is MoS for labour but with independent charge, said after taking charge that he'd bring changes in sectoral laws to benefit workers. “It is our duty to protect labour. I will look into all the laws carefully,” he said.

5. Powering through

Written by Yoginder K Alagh, Indian Express: November 11, 2014 12:26 am

The high-level advisory panel headed by Suresh Prabhu has correctly reiterated the need for reform in the transmission and distribution architecture of the power sector, which was designed two decades ago, before he was power minister. But we still need to address why the earlier reforms failed and how to remedy that. As far as transmission and distribution are concerned, India has the largest capacity in high-voltage DC lines in the world, as well as high capacity in conventional lines. Though there are some criticisms of the great technical achievements in augmenting grid capabilities and applying best-practice smart techniques, the key question is whether such practices can be replicated on a large scale.

With regards to investment to augment transmission capacity, five years ago, the **Planning Commission** said: "Although the power transmission segment has been opened to private investment in 1998, there has been only limited success in attracting private investment. The only public-private partnership project — the Tala transmission system — has been operational since May 2007." In 1998, when I was power minister, I got the contentious transmission bill unanimously approved by a parliamentary committee under Jagmohan. That same year, a bill on the central regulatory authority was also introduced in the Lok Sabha. This legislation clearly laid down the structure of smart grids and alternative distribution channels. The Prabhu committee correctly says that this must be done, a decade and a half later. The question is how.

In fact, Tala was not the first project to be approved and implemented. But the memory of the earlier investment, based on an abandoned reform, seems to have faded. In 1997, FDI approvals reached Rs 25 billion, from less than a tenth of that amount earlier, and actual inflows were around

Rs 10 billion, up from nil earlier. In "Thirteen Years of Power Sector Reform in India: Are we Still Groping in the Dark?", published by the University of Pennsylvania, journalist Kandula Subramaniam, a historian of India's power sector, writes: "The framework of this draft legislation [referring to the transmission bill, which was approved by the parliamentary committee] was used to approve the first major private sector transmission project in Mangalore in 1997." Subramaniam notes that "the National Grid of the UK, which was to execute the Mangalore transmission project, is the only foreign utility company in India maintaining operations to date", and that the legislation was "cleared only in 1998 and to date, there have been no private investments in the transmission sector". Between 1999 and 2005, FDI dried up. By 2001, it was already close to zero.

To the best of my knowledge, a study conducted for the Gujarat Electricity Board by my institute in the 1990s was one of the first to propose the unbundling of services such as metering, billing and revenue collection. Studying the Kheralu line, it was noted that the present system at the 11KVA level has to be supplemented, not replaced, with an efficient system that could deliver power continuously for a price. This became the reform mantra.

Some of the major cities where distribution has been privatised are Kolkata, Mumbai, Delhi, Greater Noida, Ahmedabad and Surat. There are more than 20 such cases. Transmission and distribution losses in the cities managed by private companies are noticeably lower than those managed by public utilities. By the last decade, the reported distribution loss levels in these cities were 14.3 per cent for Calcutta Electric Supply Corporation, 11 per cent for Ahmedabad Electricity Company and 18.5 per cent for North Delhi Power Limited. More recent experience of the results of the franchising process in difficult areas with large-scale power theft like Bhiwandi is encouraging. Smart techniques and real-time communication between customer and supplier are in use. Uttar Pradesh decided to hand over distribution in Agra and Kanpur to a private company on a franchise basis. The Ahmedabad-based company, Torrent, was awarded an input-based franchisee management contract of the kind implemented in Delhi. The breakpoint between describing these as best practices and a new trend was the Bhiwandi and Agra experience.

Some of the best practices adopted by various utilities in the distribution sector include IT-based applications designed to provide comprehensive and centralised records of billing and revenue recovery from various consumer segments and rural consumers being provided with quality supply and services through rural distribution franchisees operating on behalf of competing distribution companies. There are many interesting applications underway, despite the slow process of reform. Now, there is need for a sustained push at the political level to accelerate the reforms process.

The writer, chancellor, Central University of Gujarat, is a former Union minister of state (independent charge) for power (1996-98)

express@expressindia.com

PART B

NEWS AND VIEWS

Tuesday, 11th November 2014

Polity	: Sena escalates Maha battle, seeks LoP post
Economy	: Clarify Delay in Identifying Right to Food Act Beneficiaries: SC to Centre
Planning	: Govt sets ball rolling for its first full Budget; black money to be key focus
Editorial	: Addressing competing demands

Communication, IT Information Division
Phone # 2525

The Pioneer

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Sena escalates Maha battle, seeks LoP post

NCP reiterates outside support to Fadnavis Govt

TN RAGHUNATHA ■ MUMBAI

If we have staked claim to LoP's post, it is because we do not want to lose the post to the Congress and land ourselves in a *na ghar ka, na ghat ka* (neither here nor there) situation...

— UDDHAV THACKERAY

Battle lines were virtually drawn between the BJP and Opposition parties ahead of Wednesday's vote of confidence, as the NCP reiterated its outside support to the new ruling party in Maharashtra and the Shiv Sena staked claim for the post of Leader of Opposition (LoP) on the first day of a three-day Special Session of the State Assembly here on Monday.

With its relationship with the BJP having broken down irretrievably, the Shiv Sena — not wanting to lose out the LoP's post to the Congress in the most likely event of the party deciding not to join the BJP-led Government in the State — formally staked a claim for the post, by submitting a letter, written to that effect by its president Uddhav Thackeray, to Principal Secretary to the State Legislature Anant Namdeorao Kalse.

Sena's move to stake a claim for the LoP's post came within a couple of hours after the Congress staked a similar claim. Sena's predicament was aptly explained by party president Uddhav Thackeray who said: "If we have staked claim to LoP's post, it is because we do not want to lose the post to the Congress and land ourselves in a *na ghar ka, na ghat ka* (neither here nor there) situation... We are prepared for talks with the BJP if it chooses to do so. If talks materialise, it is okay. If they do not, we have already taken a stand that we are prepared to sit in the Opposition".

Though Uddhav has kept a window open for talks with its erstwhile saffron ally, it is unlikely that the BJP will initiate power-sharing negotiations with the Sena ahead of the confidence vote scheduled for Wednesday.

The Economic Times

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Clarify Delay in Identifying Right to Food Act Beneficiaries: SC to Centre

Court wants to know why govt has fallen behind in conducting a socio-economic caste census

Samanwaya.Rautray
@timesgroup.com

New Delhi: The Supreme Court has asked the Centre to explain why it has fallen behind on conducting a socio-economic caste census or the BPL census and identifying beneficiaries of the Right to Food Act.

A bench comprising Justices TS Thakur and FMI Kalifullah on Monday issued notices to the government after senior lawyer Colin Gonsalves raised the plea for NGO People's Union for Civil Liberties (PUCL).

The ambitious law pushed through at the last minute by the previous UPA government that aims to cover three-fourths of the country's population is yet to be implemented.

In a fresh application, PUCL has claimed that under Section 10 of the Act identification of eligible households was to be completed within 365 days of the enactment of the law, by July 2014.

The NGO alleged that the minister for food and civil supplies seemed to have extended the deadline by three to six months without informing the public. "The minister has acted illegally in issuing such a direction as it amounts to overriding the mandate of Parliament," PUCL said.

The Right to Food Act requires identification of "priority" and "Antodaya Annayojana" households for receipt of ration cards and grain at subsidised rates. It was to be preceded by a socio-economic and caste census or what was formerly known as the BPL census

The Act requires identification of "priority" and "Antodaya Annayojana" households for receipt of ration cards and grain at subsidised rates. It was to be preceded by a socio-economic and caste census (SECC) or what was formerly known as the BPL census.

Although the ministry of rural development initiated the process of identifying BPL households and learning their socio-economic characteristics in 2011, it is yet to finalise such lists. This has held up the implementation of the Act in poor states such as Jharkhand, Odisha, Uttar Pradesh and West Bengal. Chhattisgarh, MP, Maharashtra, Odisha, Rajasthan and Tamil Nadu do not even have a draft SECC list for any district, PUCL said in its public interest litigation.

According to the NGO, only a few states such as Bihar and Gujarat have a draft SECC list prepared for every district.

However, the final list has not been released for any state, the petition said, seeking to know the reasons for the delay.

The NGO also sought to enforce accountability on the ministry of rural development for spending over ₹3,000 crore of public money on the project without showing any tangible results even after three years.

The petition claimed that though the census was completed in 2012, the list is yet to be published and objections invited.

Wherever the draft lists have been published, they are incomplete and do not cover all districts such as in Andhra Pradesh, Jharkhand, Punjab, Himachal, UP and West Bengal. Of the 640 districts in the country, the lists have been published regarding 280 districts only, it said.

"This delay has serious consequences for food security for the poor in India. If government is not able to properly identify the beneficiaries, the disbursement of subsidised food grain gets delayed," the petition said.

The NGO urged the court to direct the ministry to publish within two weeks the entire lists for every panchayat, block and district while saying that the states should do so within three months.

The Indian Express

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Priorities: Growth, curbing deficit & definite time frame on Goods and Services Tax

Govt sets ball rolling for its first full Budget; black money to be key focus

SURABHI
NEW DELHI, NOVEMBER 10

DTC UNLIKELY TO BE TAKEN UP

- The finance ministry has already begun initial work on the annual financial exercise with discussions on the revised estimates for 2014-15 and the Budget estimates for 2015-16
- Final shape on policy announcements would be made closer to the Budget presentation in February
- But finance ministry officials are hopeful that the model and timeline of the GST would be worked out by then and a formal announcement on its roll out can be included in the next Budget
- However, the proposed Direct Taxes Code is unlikely to be taken up at present by the government

THE government has begun working on the blueprint for its first full-fledged Union Budget early next year, which includes steps for curbing black money and encouraging voluntary disclosure, a definite time frame for the roll out of the Goods and Services Tax (GST), measures to trim the fiscal deficit and incentives for the MSME and manufacturing sector that would help boost growth.

"There has been some discourse on what should be included in the Budget and reviving growth and curbing deficit are key priorities. Another top focus area is likely to be the issue of black money and how it can be curbed, but it is too early right now," said a person familiar with the development, adding that the Budget may also include some announcement on voluntary disclosure of unaccounted income.

The finance ministry has already begun initial work on the annual financial exercise with discussions on the revised estimates for 2014-15 and the Budget estimates for 2015-16 but a final shape on policy announcements would be made closer to the Budget presentation in February next year.

But finance ministry officials are hopeful that the model and timeline of the GST would be worked out by then and a formal announcement on its roll out can be included in the next Budget.

"It is on top of the agenda and we are hopeful of a consensus on the GST by then," said an official.

However, the other tax reform — the proposed Direct Taxes Code — is unlikely to be taken up at present by the government. "It is on the back burner right now. Even when the BJP was in the Opposition, it was not in favour of the proposed Code. So it will have to be reviewed again," said the first source.

The Union Budget 2015-16 is, however, expected to continue with the thrust on fiscal consolidation by focussing on trimming of subsidies as well as higher efficiency in government expenditure.

The first report of the Expenditure Management Commission is also expected by then and will provide key inputs for curbing the deficit.

The report of the Fourteenth Finance Commission will also be another key input for the Budget on not only devolution of taxes between the Centre and the states but also on fiscal consolidation. The commission, led by former RBI governor YV Reddy, is expected to submit its report by December.

Meanwhile, continuing with its focus on reviving economic growth, the Budget is also likely to include more measures for manufacturing, in particular micro, small and medium enterprises. "The basic idea is to carry on with the measures that have been started by the NDA government in this sector to boost manufacturing growth that in turn would revive the economy and create jobs," said the person.

Prime Minister Narendra Modi had in September this year unveiled the 'Make in India' campaign aimed at making India a global manufacturing hub. Since then, the government has also announced new initiatives on labour to attract more companies.

The Asian Age

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■ Low bond yield slashes fund costs without RBI rate cut

Rajan gets bond bonanza

Mumbai, Nov. 10: The rally in Indian bonds is providing the RBI governor Raghuram Rajan an unexpected gift: Falling borrowing costs are starting to provide the benefits of lower interest rates without him actually having to ease the monetary policy.

The bond rally — and the lower yields that result — comes as the consumer price index (CPI) eased to 6.46 per cent in September.

That was the lowest since the series was introduced in January 2012 — a major morale boost for the fixed-income market and its legendary fear of inflation.

Investors are also more confident on the economy after a sharp turnaround in the rupee, the best Asian performer so far in 2014, gaining about 0.7 per cent to 61.53 a dollar, and bucking a falling trend among its peers.

Despite no change in interest rates, India's largest lender, State Bank of India, last week became among the latest to lower deposit rates, often a precursor to lower lending rates, something some banks have already done for certain consumer loans.

Corporate bond yields have fallen sharply, making it 55 basis points (bps) cheaper for companies to issue bonds than a couple of months ago, bankers said.

A 10-year AAA corporate bond is trading at around 8.75 per cent compared with 9.30 per cent just a few months ago.

That is working in Dr Rajan's favour, easing pressure on the RBI to immediately cut rates and allowing him to uphold his hawkish reputation on inflation. "There is an anticipation of easing by RBI materialising earlier than later and that is triggering the rate cuts by banks and softening in market yields," said Siddhartha Sanyal, India economist at Barclays in Mumbai. *— Reuters*

CITI GROUP PREDICTS RBI WILL LOWER KEY RATE IN FISCAL '16

Mumbai, Nov. 10: After two years of a less than five per cent growth and double digit inflation, the country's growth inflation dynamics have improved with easing in prices faster than expected, leading to expectations of an up to 100 base points (one per cent) cut in interest rates next fiscal, says a report.

"We believe conditions conducive for easing are likely in coming months as base effect wears off, government efforts on food inflation continue and the Budget reinforces fiscal discipline. Accordingly, we now expect the RBI to cut repo rate by 100 basis points by FY16 with 75 basis points by the end of 2015," Citigroup India chief economist Rohini Malkani said in a note on Monday.

RBI governor Raghuram Rajan will announce the fourth bimonthly monetary policy on December 2, amidst a rising call for rate cut. *— PTI*

The Asian Age

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Job market finally hots up

Indian industry plans to recruit 23% more employees in fiscal 2016

AGE CORRESPONDENT
MUMBAI, NOV. 10

Indian employers across major sectors are expected to increase their hiring by 23 per cent in FY16.

According to India Skills Report 2015 launched at the 6th Global Summit on Skill Development organised by CII, the travel and hospitality sector would lead the way with over 50 per cent increase in hiring numbers in the coming year while in the core sectors such as oil and gas, power, steel and minerals, the fresh hiring is expected to increase by 38.3 per cent.

However, the report highlighted that out of about three lakh candidates who appeared for the Wheebox Employability skill test across domains, 62.78 per cent of them were found unemployable.

"Candidates should posses both soft skills and core skills. Soft skills are like better communication abilities, time management, team spirit and professionalism while core skills are the domain knowledge in their chosen areas. We have to address this challenge through targeted intervention, policy reforms and overhaul of our education system," said Nishant K Roa, managing director, LinkedIn

"There is no dearth of jobs, but a dearth of skills that the industry needs to focus," said Adi Godrej, the chairman of Godrej Group.

Out of the total hiring being planned in FY16, 29 per cent will be engineers, 23 per cent will be graduates, 22 per cent will be management graduates and 11.4 per cent will be diploma holders. "Engineering will continue to dominate the hiring. With the kind of growth expected in sectors like automobiles, IT and core sectors, this is hardly surprising," the report said.

BIG HURDLE

- Despite the pick up in employment, everyone may not get a job because of employability issues.
- A skill test conducted across domains found that 62.78 per cent of them were unemployable.

ACCORDING TO INDUSTRY, THERE IS NO DEARTH OF JOBS, BUT A DEARTH OF SKILLS THAT THE INDUSTRY NEEDS.

- **29% hiring in FY16 will be engineers, 23% graduates, 22 % management graduates and 11.4% will be diploma holders**

Good chance if you are below 30

AGE CORRESPONDENT
CHENNAI, NOV. 10

Over 72 per cent employers have expressed their preference to hire candidates in the age 30 years and below, has come as a good news at a time when 60 per cent of the country's population is pegged to reach working age by 2020.

According to a report released by CII and HR companies Wheebox, PeopleStrong and Linkedin, the top states with employable skill pool are Tamil Nadu, Andhra Pradesh, Rajasthan, Haryana, Kerala, Karnataka, UP, West Bengal and Orissa, though there is an overall upward hiring trend across 29 states and seven UTs.

However, what is more interesting is that employers are now scourging the social media to cherry pick their

candidates and give greater weightage to internal referrals followed by job portal and social media. The trend of choosing candidate with the use of social media has increased from six per cent last year to 12 per cent this year, revealed the report.

One of the notable highlight of the study has been the challenge of corporates in maintaining gender diversity. Though the numbers have improved from last year to 38 per cent females in overall workforce from 34 per cent, it is the males who still are in majority.

Jobs, prices top Centre list: Sinha

AGE CORRESPONDENT
NEW DELHI, NOV. 10

Jayant Sinha, who on Monday took up the charge as the new minister of state for finance, said that the priority of the government will be job creation and inflation management.

"First, creating jobs is very important for us and for the economy. The second area that we have emphasised and we have done well on is obviously managing inflation and price rise, which has been a major election issue and I think we have done remarkably well on that," he said.

Mr Sinha is the son of former finance minister Yashwant Sinha.

He also expressed hope that the economy will return to 7-8 per cent sustainable growth trajectory in the coming years.

He said fiscal situation is well in hand and the government is monitoring the situation very closely with respect to tax collections. "We have been fortunate to have tailwinds of lower oil prices which are going to help on the expenditure side. So when we are very confident that we will be able to achieve fiscal target," he said.

The Tribune

Date: 11/11/2014
Page No. 12, 14

Government mulls creation of Investment Promotion Board

Will tackle monthly monitoring of investments to various departments

PRATIBHA CHAUHAN
TRIBUNE NEWS SERVICE

SHIMLA, NOVEMBER 10

Happy over the positive response received from industry bigwigs during the investors' meet, the state government is considering creating a State Investment Promotion Board to ensure the proper monitoring and flow of funds to various sectors such as power, industry, tourism and IT.

Even as various departments, in which the prospective investors have evinced interest in investing, are getting down to preparing the documents for inviting bids and floating expression of interest, the Industries Department is already planning the second phase of the investors' meet, targeting Delhi, Chennai and Kolkata.

"We have been able to create keen interest among big industrial houses about Himachal through our 'Industry by Invitation' and 'Invest Himachal' campaigns, but now it is for respective departments to follow it up and facilitate setting up of units be it any sector," said Industries Minister Mukesh Agnihotri.

> "We have been able to create keen interest among big industrial houses about Himachal through our 'Industry by Invitation' and 'Invest Himachal' campaigns. But now it is for respective departments to follow it up and facilitate setting up of units be it any sector."
>
> Mukesh Agnihotri, INDUSTRIES MINISTER

He said the industry had been assured of cheap and reliable power and clearance within 90 days.

He said the CM was keen on forming a body such as a State Investment Promotion Board which could undertake monthly monitoring of investments pouring into various departments especially power, industry, tourism, information technology and horticulture.

"Though we already have an Industry Promotion Cell at Parwanoo, a state-level body can be constituted to streamline all these proposals in which the industrialists have shown interest," he said. He said various departments would now get down to the task of floating expression of interest and invite bids of some already prepared projects.

During the interaction with investors, the two biggest constraints cited by most industrial houses was the problem in acquiring land in Himachal and dealing with truckers' unions.

Though all industrial units have now been exempted from obtaining permission under Section 118 of the Tenancy and Land Reform Act, even then getting land was a cumbersome process.

The government which is in the process of setting up three new industrial estates at Kandrori, Pandoga and Dhanota is keen that some more big chunks of land are identified so that more industrial areas can be set up in the state. This in turn will ensure easy availability of land to investors.

Inter-ministerial panel to meet today to fix reserve price

TRIBUNE NEWS SERVICE

NEW DELHI, NOVEMBER 10

With the Coal Ministry set to get back a huge chunk of coal bank following the cancellation of the allocated blocks by the Supreme Court in September, the inter-ministerial committee on coal will meet tomorrow to discuss the methodology for fixing the floor and reserve price for auction and the re-allocation of coal blocks.

The apex court in its verdict of September 24, while ordering de-allocation of 204 coal blocks had given the government time till March 31, 2015 to carry out the e-auction of the returned coal blocks and their re-allocation.

This led to the government promulgating an ordinance to allow for e-auctions of coal blocks.

Now, the inter-ministerial committee would be meeting to work out the methodology as only after the floor and reserve prices have been set that the Ministry of Coal can move ahead with e-auction of coal blocks and allocations to State and Central Government public sector units.

The Ministry of Coal has prioritised 74 coal blocks – 42 producing and 32 ready to produce mines – for finding new developers to ensure continuity in production. The Ministry expects to be ready by the modalities of the e-auction by November 24.

Members of the committee are secretaries of Coal, Power, Steel, Law & Justice, Petroleum and Natural Gas, Mines, and Department of Economic Affairs. Apart from the Officials of the ministries, representatives from Coal India and Central Mine Planning and Design Institute are also expected to attend the meeting.

The Coal Ministry has said that state-owned CIL has signed 161 fuel supply agreements (FSAs) for a capacity of 73,675 MW.

The Times Of India

Dated: 11/11/2014
Page No. 15, 18

Guj makes voting in local body polls compulsory

TIMES NEWS NETWORK

Gandhinagar: The Gujarat Local Authorities Laws (Amendment) Bill-2009 which makes voting in local body elections compulsory has been approved by the state's governor O P Kohli. The same bill also provides for 50% reservation for women in all local body elections.

State assembly secretary D M Patel said the governor had signed the bill three days ago. Later, the state government issued a notification. With this, Gujarat has become the first state in the country where voting in local body polls has been made mandatory.

The controversial bill empowers the state to take punitive action against those who do not vote in local body polls. However, it does not specify the type of action that would be taken against a defaulter.

Earlier, the bill was passed twice by the state assembly, but previous governor,Kamla Beniwal had returned it for reconsideration. She had objected to the bill on the ground that it violates the "freedom which a citizen is entitled to enjoy under Article 21 of the Constitution."

"Government should not have entered into a controversy to compel voters to act against their conscience by means of coercion," she had stated in a letter in April 2010. Kamla had also asked the state government to separate the issue of women's reservation in local bodies.

In its current form, the bill is likely to be opposed again by Congress. The opposition party has been in favour of 50% reservation for women in local bodies but it is against the compulsory voting provision.

For the full report, log on to www.timesofindia.com

Govt sets PSU selloff ball rolling

Sidhartha & Surojit Gupta | TNN

New Delhi: The finance ministry on Monday swung into action, holding consultations with four companies — ONGC, Coal India, SAIL and NHPC — that are on the disinvestment list as the government is yet to receive a single paisa from stake sale during the current financial year.

Economic affairs secretary Rajiv Mehrishi and disinvestment secretary Aradhana Johri met senior executives from the four public sector companies, amid soaring stock market indices. Although officials termed it as a consultation in the wake of discussions to review the Budget estimates for the current financial year, there is nervousness, given the stiff targets.

At the end of the first half, fiscal deficit was estimated at 83% of the full year target as tax collections have not picked up due to slow economic recovery and high refunds.

The four companies, where stake sale has been cleared by the cabinet, can help the Centre mop up close to Rs 43,500 crore based on Monday's closing price on the Bombay Stock Exchange. Although there are several other power sector companies on the radar, the government has budgeted for disinvestment receipts of Rs 43,425 crore for the current financial year.

In addition, the finance ministry is working on an exchange-traded fund, comprising stocks such as L&T, ITC and Axis Bank, which can help it mop up at least 5,000 crore. Further, it has plans to offload its residual stake in Balco and Hindustan - Zinc, which can swell the collection by more than Rs 15,000 crore that it has budgeted for.

"We are on course to achieve the target. After all, the market is doing well and the sentiments are positive," said a government official, who did not wish to be identified.

The worry stems from the delay in kicking off the divestment exercise. While SAIL was to be first off the block with the stake sale in September, Coal India shares were to be offloaded before Diwali. But the government has strayed from the schedule, partly because it needs to set its house in order.

For instance, roadshows for ONGC stake sale are beginning but the government needs to appoint independent directors on its board after three independent directors resigned in late September. Similarly, Coal India and SAIL too have to fill up three vacancies each on their boards.

RAISING MONEY

PSU	Stake sale (%)	Receipt (₹ cr)*
CIL	10	22,060
ONGC	5	16,878
NHPC	11.3	2,926
SAIL	5	1,715

*Receipts based on m-cap on Monday (Source: BSE)

The Economic Times

Date: 11/11/2014
Page No. 07

Soon, Aadhaar to be Mandatory for Acquiring Passport

Process for validation of criminal antecedent also discussed by MEA, home ministry

Press Trust of India

New Delhi: The government is planning to make Aadhaar mandatory for issue of passports and is in the process of establishing a system for validation of criminal antecedents of the applicant. The issue was discussed threadbare at a meeting between the ministries of home and external affairs, official sources said on Monday.

The MEA is working with the Unique Identification Authority of India to implement it and the process is expected to be completed by this month's end.

In the new process, the applicant, if not in possession of an Aadhaar card, has to produce Aadhaar enrolment number.

The move has been taken up as per the directive of Prime Minister Narendra Modi who has favoured faster passport services in a transparent and simplified manner to the citizens.

A number of complaints are being received regularly by the government related to police verification for passports and consequent delay in issuance of the travel document.

The MEA had a meeting with the National Crime Record Bureau, under the Home Ministry, and the latter confirmed that they will be able to establish a system for validation of criminal antecedents of the applicant.

Without an Aadhaar card, the applicant has to produce an Aadhaar enrolment number

"NCRB has confirmed they will be able to set up the validation mechanism in two months. Criminal antecedents for all categories will be validated on NCRB database before passport issuance," an official note prepared on the issue said.

MEA feels an Aadhaar card holder's identity is established to a major extent — this needs to be confirmed by UIDAI.

The Statesman

Date: 11/11/2014
Page No. 11

INDIA WILL CROSS 6% GROWTH

PRIORITY OF GOVT WILL BE JOB CREATION AND INFLATION MANAGEMENT: JAYANT SINHA

PRESS TRUST OF INDIA
New Delhi, 10 November

Expressing confidence that India will cross 6 per cent GDP growth in 2015-16, the new minister of state for finance Jayant Sinha today said the priority of the government will be job creation and inflation management.

"We are expecting the growth to pick up and be on the accelerating trajectory. Hopefully we will cross 6-6.5 per cent next year," Mr Sinha told reporters soon after taking charge.

He further said the economy will return to 7-8 per cent sustainable growth trajectory in the coming years.

The economic growth slumped to 4.7 per cent in 2013-14 and is estimated to be between 5.4-5.9 per cent in the current fiscal.

The 51-year old Mr Sinha, an IIT-Delhi and Harvard alumnus, was inducted as the minister of state during the expansion of Union council of ministers of Prime Minister Narendra Modi yesterday.

Mr Sinha also expressed hope that the government will be able to push the Insurance Bill and the Constitutional Amendment Bill on Goods and Services Tax (GST) during the Winter session of Parliament beginning 24 November.

Referring to the Insurance Laws Amendment Bill, which seeks to raise FDI cap in the sector from 26 per cent to 49 per cent, he said: "When it comes to Parliament we are confident that we will get the support that we require".

As regards GST, Mr Sinha said: "That itself has gone through years and years of preparation and consensus building ... We are sure will be able to show some positive results in this session".

OFFICIAL OPTIMISM

1 The economy will return to 7-8 per cent sustainable growth trajectory in the coming years

2 The fiscal situation is well under control and the government is monitoring the situation very closely with respect to tax collection

We are expecting the growth to pick up and be on the accelerating trajectory. Hopefully we will cross 6-6.5 per cent next year

JAYANT SINHA
MINISTER OF STATE FOR FINANCE

On the fiscal situation, he said, it was well under control and the government is monitoring the situation very closely with respect to tax collections.

Referring to the priorities of the government, he said they have already been articulated by the Prime Minister and the finance minister.

"First, creating jobs is very important for us and for the economy. The second area that we have emphasised and we have done well on is obviously managing inflation and price rise, which has been a major election issue and I think we have done remarkably well on that," Mr Sinha said, adding it was necessary to get the investment cycle moving.

Earlier, he was briefed by senior officials in the ministry soon after taking charge. He assumes office at a time when the ministry is preparing the Budget for 2015-16.

"We have been fortunate to have tailwinds of lower oil prices which are going to help on the expenditure side. So when we take into account we are very confident that we will be able to achieve our fiscal targets," he said.

Mr Sinha was elected to the Lok Sabha in May this year from Hazaribagh in Jharkhand.

His career has seen him work as an investment fund manager and management consultant.

Business Line

Date 11/11/2014

Page No. 10

RBI tightens norms for NBFCs

Move aims to bridge regulatory gaps and arbitrage arising out of differential regulations

OUR BUREAU

Mumbai, November 10

The Reserve Bank of India has tightened the regulatory framework for non-banking finance companies (NBFCs). Like banks, they will be subject to 90-day overdue norms for identification of bad loans, will be required to make higher provisioning for non-standard assets and have to put in place 'fit and proper criteria' for directors.

The revised regulatory framework for NBFCs is aimed at addressing regulatory gaps and arbitrage arising from differential regulations, both within the non-banking finance sector as well as in relation to other financial institutions.

With the unveiling of the framework, the process of issuing Certificate of Registration (CoR), which was kept in abeyance for the last six months or so for conducting NBFC business, will start once again.

Net owned funds

Given the need for strengthening the financial sector and technology adoption, and in view of the increasing complexities of services offered by NBFCs, the RBI said it will be mandatory for all NBFCs to attain a minimum net owned fund (NOF) of ₹2 crore by the end of March 2017.

The limit for acceptance of deposits across the NBFC sector has been harmonised by reducing the same for rated asset finance companies from four times to 1.5 times of NOF, with immediate effect.

Hitherto, an unrated AFC having NOF of ₹25 lakh, complying with all the prudential norms and maintaining capital adequacy ratio of not less than 15 per cent, was allowed to accept or renew public deposits not exceeding one-and-a-half times its NOF or up to ₹10 crore, whichever is lower.

Further, AFCs which are rated and complying with all the prudential regulations were allowed to accept deposits up to four times their NOF.

The RBI pointed out that systemic risks posed by NBFCs functioning exclusively out of their

own funds and NBFCs accessing public funds cannot be equated and hence cannot be subjected to the same level of regulation.

Hence, as a principle, enhanced prudential regulations will be made applicable to NBFCs wherever public funds (includes funds raised directly or indirectly through public deposits, commercial papers, debentures, inter-corporate deposits and bank finance) are accepted and conduct of business regulations will be made applicable wherever customer interface is involved.

Systemic significance

In view of the overall increase in the growth of the NBFC sector, the threshold for defining systemic significance for NBFCs-Non-Deposit taking-Systemically Important (NBFC-ND-SI) has been revised to ₹500 crore from ₹100 crore.

With this revision in the threshold for systemic significance, NBFCs-ND will be categorised into two broad categories – NBFCs-ND (those with assets of less than ₹500 crore) and NBFCs-ND-SI (those with assets of ₹500 crore and above).

Consequent to the redefining of 'systemic significance' NBFCs-ND with asset size of less than ₹500 crore are exempted from the requirement of maintaining CRAR and complying with Credit Concentration Norms.

All NBFCs-ND which have an asset size of ₹500 crore and above, and all NBFCs-Deposit taking, will have to maintain minimum Tier 1 capital of 10 per cent in a phased manner by March-end 2017.

However, the minimum Tier 1 capital requirement for NBFCs primarily engaged in lending against gold jewellery remains unchanged at 12 per cent for the present.

NPA identification

In the interest of harmonisation, the asset classification norms for NBFCs-ND-SI and NBFCs-D are being brought in line with that of banks, which are subject to '90 days' overdue norms for identification of non-performing assets (NPAs), in a phased manner.

At present, an asset is classified as an NPA by an NBFC when it has remained overdue for a period of six months or more for loans; and overdue for 12 months or more in case of lease rental and hire purchase instalments, as compared to 90 days for banks.

The provision for standard assets for NBFCs-ND-SI and for all NBFCs-D, is being increased to 0.40 per cent in a phased manner.

Streamlining

- All NBFCS must attain minimum net owned fund of ₹2 crore by end-March 2017
- Limit for acceptance of deposits harmonised for both rated and unrated companies
- Threshold for defining systemic significance raised to ₹500 crore
- 90-day overdue criterion for identification of bad loans kicks in

Business Line

Date 11/11/2014
Page No. 14

Number of foreign official visits by Government officers capped at four

OUR BUREAU

New Delhi, November 10

Officials will now be able to make only four foreign official trips annually. Continuing with its austerity measures, the Finance Ministry on Monday clarified that number of official visits abroad by a Government official is now restricted to four.

It also said that foreign travel of Government officers at the cost of public sector undertakings will be discouraged. The Ministry has issued a clarification with regard to an office memorandum issued on October 29, which was silent on number of trips.

Cost cutting

The austerity measures included cut in non plan expenditure (barring certain items such as interest payment, salary and pension, defence etc.) by 10 per cent, no travel by first class, no creation of new posts besides others. These measures are aimed to check the fiscal deficit to budget target of 4.1 per cent of Gross Domestic Product.

"For visit exceeding four by an officer, detailed justification would need to be furnished and such visits would be allowed only in exceptional cases depending on the functional need," the circular said.

It also said that proposals for participation in any conferences, seminars, conventions, work shops, study tours or presentation of papers abroad at Government cost will not be entertained except those that are fully funded by sponsoring or inviting organisations. These may be "considered keeping in mind the public interest and Government business at home," it said.

Business class

The Ministry has instructed that only appropriate officer dealing with subject of the conference should travel and not the officers at higher level. "Visits at the level of Secretaries should be planned only if their presence is essential and officers of or the level of Additional Secretary or Joint Secretary cannot substitute them for the purpose of enunciating Government policies or standpoint," it said.

Business Standard

Date 11/11/2014
Page No. 06

GOOD NEWS FOR PENSIONERS

No need for physical presence for pension continuity

PRESS TRUST INDIA
New Delhi, 10 November

In a big relief to over 10 million retired employees of government and public sector undertakings (PSUs), a pensioner can now digitally provide proof of his existence to authorities for continuity of pension every year instead of requiring to present himself physically or through a life certificate issued by specified authorities.

The Jeevan Pramaan scheme, an Aadhaar-based digital life certificate for pensioners, launched by Prime Minister Narendra Modi on Wednesday, is one more enabling mechanism for the benefit of the common man after the push towards self-certification.

"The proposed digital certification will do away with the requirement of a pensioner having to submit a physical life certificate in November each year, in order to ensure continuity of pension being credited into his account," a PMO statement said.

The department of electronics and information technology has developed a software application which will enable the recording of the pensioner's Aadhar number and biometric details from his mobile device or computer, by plugging in a biometric reading device.

Key details of the pensioner, including date, time, and biometric information, will be uploaded to a central database on real-time basis, ultimately enabling the pension disbursing agency to access a digital life certificate.

This will conclusively establish that the pensioner was alive at the time of authentication, the statement said.

The earlier requirement entailed that a pensioner either personally present himself before the pension disbursing agency, or submit a life certificate issued by the authorities specified by the Central Pension Accounting Office.

At present, 5 million individuals draw pension from the central government alone. A similar number draw pension from state and Union territory governments. Several PSUs also provide pension benefits besides which over 2.5 million retired personnel draw pension from the Armed Forces.

The Aadhar-based digital life certificate will go a long way in reducing hardship which so many senior citizens have to go through to produce a Life Certificate every year, the PMO statement said.

The software application system will be made available to pensioners and other stakeholders on a large scale at no extra cost, it said.

Business Standard

Date 11/11/2014
Page No. 04

Exuding optimism, new ministers of state join office

BS REPORTERS
New Delhi, 10 November

Jayant Sinha, who took charge on Monday as Union minister of state (Mos) for finance, said the country's gross domestic product (GDP) growth rate should cross 6-6.5 per cent in FY16. And, that job creation and inflation management were 'top priorities'.

"This year, as you know, we are expecting the growth to pick up and be on the accelerating trajectory. Hopefully...we will (after next year) be in the seven-eight per cent (annual) sustainable growth trajectory, which is essential for India," said the 51-year-old, a first-time MP and alumnus of Indian Institute of Technology, Delhi, and Harvard Business School.

GDP growth had slumped to 4.7 per cent in 2013-14 and is estimated to be 5.4-5.9 per cent this year.

Sinha, earlier a fund manager and partner in consultancy firm McKinsey, said the government was closely monitoring tax collections and would meet its fiscal targets for the year."We think we have the situation well in hand. And, we have been fortunate to have the tailwinds of lower oil prices, which are going to help on the expenditure side," he said.

Finance Minister Arun Jaitley had budgeted a fiscal deficit of 4.1 per cent of gross domestic product for FY15. However, with half the year already over, only a little more than 30 per cent of the total tax targets have been met. The disinvestment programme of ₹58,425 crore has yet to start.

Sinha, son of former finance minister Yashwant Sinha, also hoped the government would be able to push the insurance Bill and the Constitutional amendment Bill on a national goods and services tax (GST) during the next session of Parliament, beginning November 24. On the former, which seeks to raise the FDI cap in the sector from 26 per cent to 49 per cent, he said, "When it comes to Parliament, we are confident we will get the support we require". And, on GST: "With all of that hard work, with the involvement of all stakeholders, particularly for the states, we are sure will be able to show some positive results in this session."

SOME WHO TOOK CHARGE

Name	Minister of state for
Jayant Sinha	Finance
Sudarshan Bhagat	Rural development
Bandaru Dattatreya	Labour & employment (independent charge)

Sudarshan Bhagat, new MoS for rural development, said all defects in the land acquisition Bill would be addressed after he'd taken a thorough look at the law. And, similarly for the Mahatma Gandhi National Rural Employment Guarantee Act. "All the course corrections will be done keeping in mind the interest of the general public," he said.

The government has defended the proposed alterations as aimed at making it more effective and cutting non-targeted expenditure. Critics say the changes go against the fundamental principles of the law, to provide some job guarantee in rural areas.

Bandaru Dattatreya, who is MoS for labour but with independent charge, said after taking charge that he'd bring changes in sectoral laws to benefit workers. "It is our duty to protect labour. I will look into all the laws carefully," he said.

Business Standard

Date 11/11/2014
Page No. 08

Eye on profit, IT firms likely to cut hiring

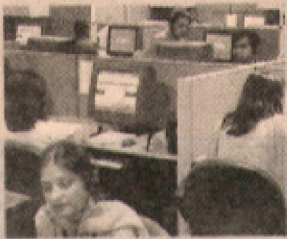
Job addition may fall 50% by FY18, as companies focus on skills and automation, says CRISIL

BS REPORTER
Bengaluru, 10 November

Soon, job creation will no more be a parameter for assessing the health of the information technology (IT) sector in the country, as companies struggle to increase profit and clients optimise spending.

According to a report published by the research and rating firm, CRISIL, incremental recruitment by the IT services industry will half by the financial year 2017-18, despite a 13 to 15 per cent estimated growth during this period. By the latest estimates, the $118-billion IT services sector employs 3.1 million professionals, which is nearly a quarter of the total organised private sector employment in India.

"We believe (that) despite a healthy revenue growth of 13-15 per cent for IT services foreseen in the medium term — aided by recovery in discretionary spending by clients — job additions will gradually shrink by about 50 per cent to 55,000 by the financial year 2018 from 1,05,000 in the financial year 2014, as companies opt for more-focused, higher-value initiatives," said Anuj Sethi, director, ratings, CRISIL. "This process has already been set in motion, as evidenced in the reduction in employee costs from 69 per cent of total costs in fiscal 2013 to 64 per cent in the last fiscal."



FUTURE TENSE
Phases of growth in recruitment across the IT services sector

FY03-FY07
Revenues grew exponentially; recruitments grew even faster

FY08-FY10
Stunted revenue growth amid global slowdown; Recruitment rates mirrored the trend

FY11-FY13
Revenue growth was 10%+; recruitment growth trailed moderately

FY14-FY18
Revenue growth seen around 13%; recruitments to fall 50%

Source: CRISIL report

Despite growing revenues, CRISIL expects IT services companies to "run very tight ships" and increasingly adopt just-in-time hiring. Also, IT services companies will look at a higher proportion of fixed-price contracts, in order to do away with the flab of maintaining a huge employee-bench.

Additionally, as IT services players look to move towards higher-value businesses such as consulting, intellectual property (IP)-based products and emerging technologies such as social media, mobiles, analytics and cloud, it will result in an increase in the revenue per employee at a compounded annual growth rate of seven per cent between financial year 2014-15 and financial year 2017-18, said Ramraj Pai, president and business head for ratings, large corporates, CRISIL.

"This, along with improvement in employee utilisation, will, over time, delink hiring from revenue growth," he added.

CRISIL also said it foresees a transformation in the recruitment pattern where IT services companies will become more "focused and picky" and would seek specific skills for hiring, which would lead to greater lateral hiring.

Over the past few years, hiring by Indian IT services companies slowed amid weak business momentum for some and adoption of automation by others.

The Economic Times

Date: 11/11/2014
Page No. 01

Higher Duty on Petro Goods on Cards to Boost Govt Finances

Deepshikha.Sikarwar
@timesgroup.com

New Delhi: The government is mulling higher duties on crude and petroleum products to try and ensure the recent sharp decline in international oil prices, apart from benefiting consumers by cutting fuel bills at the pump, also benefits the exchequer by helping it improve its stressed finances.

The first round of discussions on this issue was held last week in the finance ministry, which is grappling with ways to make up the likely shortfall in indirect tax collections. Finance Minister Arun Jaitley took stock of collections of indirect taxes on Saturday.

One thinking is govt can raise the duty without consumers feeling any pinch as crude may remain soft for some time

"There have been some preliminary discussions," said a senior official privy to the deliberations on the issue, adding that a decision would ultimately be a political one.

Apart from boosting revenue collections in the short term, another consideration in increasing levies — customs and excise — is to create a buffer of sorts that can be tapped into when international oil prices start rising again.

Ordinance Flavour of the Season as Govt Tries to Refashion India

Eyeing 8% economic growth, Modi Sarkar to quickly usher in big reforms

Deepshikha Sikarwar & Vinay Pandey

New Delhi: Having just completed a comprehensive round of ministerial and bureaucratic changes, the Narendra Modi government is set to embark on a series of economic reforms aimed at putting the country on track for 8% growth in the intermediate term and an even faster pace beyond that. This will include ironing out the kinks in land acquisition, implementing the long-awaited goods & services tax (GST), rapidly modernising the railway system to its fullest potential and fixing the seriously flawed agricultural produce marketing system.

And where it sees the need for drastic, immediate change, the government won't be averse to taking the ordinance route, particularly with respect to the land acquisition law, seen as one of the biggest stumbling blocks to infrastructure development in the country.

Focus Areas are Clear for Govt ▸▸ 16

Time For Action

Govt wants to capitalise on window of 6-9 months till Bihar elections

THREE CLEAR AREAS...

1. **Railways:** Can absorb a lot of investments without environment or land concerns
2. **Land acquisition law:** Emphasis on simplifying acquisition process

   Govt could even opt for ordinance if amendments get stuck in Rajya Sabha
3. **Digital India:** Telecom sector to be refocused on greater internet penetration

Gold to be Reserved for Small Players

To ensure availability of gold for small players, Centre is working to issue guidelines for banks, private trading houses and government agencies to reserve 20% bullion sale for them, reports **Dilasha Seth**.

The Hindu
Editorial

TUESDAY, NOVEMBER 11, 2014

Addressing competing demands

Prime Minister Narendra Modi's first expansion of his Council of Ministers has his unmistakable imprint, with some difficult allies firmly put in their place and immigrants from other parties rewarded. In his quest for as coalition-free a government as possible, Mr. Modi evidently intends to use the BJP's impressive electoral mandate to minimise the role of tantrum-throwing partners. And so, the Shiv Sena's demand for a second Cabinet berth at the Centre and key portfolios in the Maharashtra government in exchange for its support were brushed aside, even as Suresh Prabhu from that party, an administratively experienced if politically marginal leader, was inducted into the BJP on Sunday morning and sworn in as Railway Minister hours later. Ex-Congress veteran Birendra Singh, who joined the BJP before the Lok Sabha polls, has been given not just Cabinet status but the key portfolios of rural development, panchayati raj, drinking water and sanitation. Ram Kripal Yadav, who defeated RJD boss Lalu Prasad's daughter in Bihar on the BJP symbol – after being denied the RJD ticket – is now a Minister of State. Inderjit Singh Rao, who exchanged the hand for the lotus before the elections, had become an MoS with independent charge in the first round itself.

The expansion also reflects the fact that "minimum government" does not always produce "maximum governance": the government has acquired 21 fresh faces, taking the strength of the Ministry to 66, as some overburdened senior Ministers have been relieved of additional responsibilities. Finance Minister Arun Jaitley has shed defence, Communications Minister Ravi Shankar Prasad law, Shipping and Road Transport Minister Nitin Gadkari rural development, and Environment Minister Prakash Javadekar information and broadcasting. Of course, in acknowledgement of Mr. Jaitley's status as Modi confidant and his skills as a communicator, he will also steer the I&B Ministry. The choice of new entrants also points to competing demands of inducting talent, increasing geographical and caste representation, and addressing the BJP's core Hindutva constituency. If the entry of former Goa Chief Minister Manohar Parrikar as Defence Minister, the Harvard-educated Jayant Sinha as MoS for finance and Mr. Prabhu mark infusion of talent, the Ministry's social composition has been enhanced – four more Brahmins, three of whom are in the Cabinet, two Jats to compensate for a non-Jat Chief Minister in Haryana, and more OBCs and Dalits. The only woman to be included, Niranjan Jyoti, is a saffron-clad sadhvi. And the controversial Giriraj Singh, a Bhoomihar from Bihar, had endeared himself to the new dispensation when he declared that all those who did not like Mr. Modi should just go to Pakistan.