



Good public support for GST, demonetisation: PM

SPECIAL CORRESPONDENT

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'Soft economic policies aimed at winning polls will not help'

Prime Minister Narendra Modi on Monday told BJP MPs from Rajasthan that there was unprecedented public support for demonetisation and the Goods and Services Tax (GST) regime, adding that "soft economic policies aimed at winning elections" would not do the country any good.

The meeting with party MPs from Rajasthan was one in a series of interactions that the Prime Minister holds with BJP MPs, State wise, when Parliament is in session. He had met MPs from western and eastern Uttar Pradesh last week in the same series.

"We have received people's confidence and unprecedented support in historic decisions like demonetisation and GST. People want honesty and the country is moving towards honesty and the people have faith in this government's intentions," Mr. Modi told the MPs, according to an official release by the BJP.

"The 125 crore people of the country know that soft decisions in economic policies aimed at winning elections will not do the country any good," he is reported to have said.

What is the lowdown on minimum support price for crops?

Vikas Vasudeva

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What is it?

Amid farmers' unrest in many parts of the country, the demand for an increase in minimum support price (MSP) has been voiced regularly. A

part of the agricultural price policy, MSP is the price at which the government offers to procure farmers' produce during the season. While farmers are free to sell their produce to government agencies or in the open market, it is when market prices fall below the MSP that government agencies step in to buy the crop to protect the growers. Also, the aim is to safeguard the interest of the consumer by ensuring supplies at a reasonable price.

The Cabinet Committee of Economic Affairs announces the MSP at the start of each sowing season, taking into account the recommendations of the Commission for Agricultural Costs and Prices (CACP). The key considerations, while recommending the MSP for crops, are demand and supply, production cost, price trends in the domestic and international market and the likely implications of the price on consumers. The CACP's recommendations are in the form of price policy reports every year, separately for five groups of commodities: kharif crops, rabi crops, sugarcane, raw jute and copra. At present, agricultural commodities for which MSP is given include paddy, wheat, maize, sorghum, pearl millet, barley, ragi, gram, tur, moong, urad, lentil, groundnut, rapeseed-mustard, soyabean, sesamum, sunflower, safflower, nigerseed, copra, sugarcane, cotton and raw jute.

How did it come about?

Recognising the need to evolve a balanced and integrated price structure to serve the interests of both producers (farmers) and consumers, the Union government set up a committee on August 1, 1964 to advise the Agriculture Ministry to determine the prices of rice and wheat. The domain of coverage was expanded to coarse cereals. Later, the government decided to set up a permanent body, called the Agricultural Prices Commission, in 1965. This was renamed as the Commission for Agricultural Costs and Prices in 1985. To ensure remunerative price to farmers, the government procured 38.65 million tonnes of rice, 22.93 million tonnes of wheat and 1.3 million tonnes of pulses during 2016-17 in various States.

Why does it matter?

The key purpose of the government's price support policy is to provide a fair return to efficient farmers and to protect the interests of consumers by keeping the prices of food and other agriculture commodities at reasonable levels. Agricultural commodities are prone to price fluctuations: while a farmer may get a handsome return for his produce in a short supply scenario, the same commodity may fetch him a poor price

during years of bumper production. MSP ensures that farmers get a minimum price for their produce in unfavourable market conditions. Also with MSP, farmers are incentivised to grow crops, which are short in supply. In the absence of support price, farmers may not find certain crops lucrative, which would lead to poor production, resulting in high prices. The MSP works as a tool to stabilise production and control consumer prices and sounds good, but farmers across the country have been facing problems of selling their produce at the minimum support price.

What next?

Agricultural experts point out that there is hardly any dependable mechanism of government procurement for crops on the MSP in most parts of the country. Problems like delay in the setting up of procurement centres, exploitation by commission agents (*Arthiyas*), who most of the time buy the produce from farmers below MSP on one pretext or the other, defeat its purpose. Farming for a majority of small and marginal farmers has not been remunerative. Even though the long-term answer to farmers' indebtedness and distress is a rise in their income, the government till then should either purchase all major crops at the MSP, as is done in the case of wheat and rice in Punjab and Haryana, or subsidise the input costs. The concern that a rise in MSP would push up the prices seems unfounded. Taking advantage of the complexities in the supply chain, middlemen appear to be causing disparities in the price. There's a gap between the price of the produce got from the farmer and the price it is sold to the consumer.

Why a price increase alone won't help farmers

Elumalai Kannan
JUNE 13, 2017

Fundamental problems of crop and regional bias of MSP policy, govt. procurement and access to institutional credit need to be addressed.

Agricultural distress is often viewed as a short-term phenomenon in which farmers look for support from various quarters on account of being unable to get a gainful return due to price crash, poor marketing facilities, rising credit burden, increasing cost of inputs and frequent occurrence of natural calamities. A prolonged unrest in rural India — such as the decision of

Andhra Pradesh farmers not to sow in the 2011 kharif season and mark a 'crop holiday' protest — will have serious consequences for food security.

Agricultural distress has become a permanent feature due to the failure of not only elected governments to find a lasting solution but also local institutions such as community or social networks which are supposedly weakening because of increasing individualisation. The consequence is that helpless farmers are increasingly pushed to the brink of committing suicides.

A tipping point

The distress seems to have reached a tipping point, with scenes of dejected farmers throwing agricultural produce such as vegetables and milk on the roads becoming a routine feature in recent years. Rather than addressing the genuine problems of farmers, politicians are unfortunately busy scoring points over the deaths of innocent farmers.

Are demands of our farmers unjust? Not really. They want a reasonable price for their produce, better marketing facilities, institutional credit, irrigation, quality seeds and fertilisers, procurement during times of market glut and a social safety net during natural calamities. These are the basic inputs and services farmers need to continue to engage in agricultural production. Many committees and commissions constituted in the past have looked into India's farming conditions. Their recommendations have been shelved by successive governments.

The non-availability of remunerative prices to farmers on agricultural produce is a vexed issue and emerges as the prime issue in various research studies wherein farmers are asked to rank production constraints. Will a rise in the minimum support price (MSP) solve the problem? Some critics argue that a rise in the MSP will lead to increase in food inflation, while others that it will augment farmers' income. Both arguments rest on the mistaken notion that the MSP is a remunerative price. It is actually an insurance price, a floor price of sorts. Besides, a vast majority of the farming population is unaware of its existence.

The Government of India has an MSP for 23 crops, but official procurement at the MSP is effectively limited to rice and wheat, and that too concentrated in a few States only. Awareness about the MSP is limited to States such as Punjab, Haryana and Andhra Pradesh where such procurement takes place. According to the National Sample Survey's (NSS) Situation Assessment Survey of Agricultural Households 2013, even for paddy and wheat, less than one-third of farmers were aware of

the MSP; for other crops, such awareness was negligible. Further, a substantial proportion of crops are sold to local private traders and input dealers to whom the resource-poor marginal and small landholders are obligated to sell their crops due to tie-up with credit.

Since 2004, successive governments claimed to have increased institutional credit flow to the agricultural sector through increased budgetary allocation on crop loans. According to NSS data, over 40% of farmers still rely on non-institutional lenders, who mostly happen to be moneylenders-cum-traders and input dealers. Further, analysis of credit disbursement data from the Reserve Bank of India reveals that out of total advances to agriculture, the share of indirect finance has increased substantially over time, while that of direct finance to farmers has declined. This means that at the macro level, it would appear that there is an increase in credit flow to the agricultural sector but this has actually accrued to agro-business firms/corporations and not directly to the farmers. Consequently, marginal and small farmers continue to rely on traders and input dealers. Unless the fundamental problems of crop and regional bias of MSP policy, government procurement and access to institutional credit are addressed, mere increase in MSP will not benefit most farmers in the country.

Further, the response of various State governments to a glut in the market appears to be muted. There exist intervention schemes to undertake the procurement of commodities whose market prices go below the MSP, but on most occasions the marketing season of bumper crops gets over by the time a bureaucratic decision on procurement is taken. Ultimately, the farmers are left at the mercy of unscrupulous traders to sell at whatever price they offer, with resultant repercussions such as the burning of the entire crop or throwing the harvested produce on roads in protest.

Various studies show an increasing divergence between agricultural and non-agricultural income. And the rising aspirations among rural youth to emulate urban lifestyles put enormous pressure on them to find ways to increase income through various agricultural activities. Unfortunately, income from crop cultivation, which is a major segment of agriculture, is not growing enough to meet the expected level. On the contrary, the increasing market orientation and reforms in the input sector have resulted in a substantial rise in input costs.

Dipping income

Analysis of data from the Ministry of Agriculture and Farmers Welfare reveal that income from cultivation of many cereals and pulses has declined between 2004-05 and 2013-14 despite a considerable increase in MSP during this period. In the case of paddy, out of 18 major rice-growing States, net income has declined in five, and it is negative in six States. In seven States, it has increased only marginally. Income from the cultivation of even horticultural crops is uncertain due to the heavy investment involved and the high volatility in market prices. Most acute is the rise in prices of fertilisers: between 1991-92 and 2013-14, while the price of urea increased by 69%, that of DAP (diammonium phosphate) and potash rose by 300% and 600%, respectively.

Recent policy pronouncements have added to the woes of already beleaguered farmers. The promotion of traditional farming at this juncture of agricultural development will take the sector to where it was decades ago. Most existing modern crop varieties will not respond to these practices in the medium term; consequently, yield and income will decline. Further, facilities to produce adequate organic inputs have not been developed either. Animal husbandry has been practised as a supplementary activity since time immemorial. Livestock acts as a cushion against crop loss during times of drought. The new rules on animal markets will put poor farmers and landless labourers in a fix. These developments do not augur well for rural youth whose interest in farming is already dwindling. While other developing countries are moving towards modernisation of agriculture which would reduce dependence of labour force and enable a rise in productivity, Indian agriculture is cluelessly plodding ahead.

'I'm concerned about automation replacing jobs'

[Peerzada Abrar](#)

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THE  HINDU

We need to aggressively invest in education, continued education and invest new dollars into entrepreneurship

India needs to be very concerned about cyber security and fake news as the country heads for the next elections, says former U.S. chief data scientist D.J. Patil. He says that the democratic process in the U.S. as well as countries like France faced cyberattacks aimed at stealing information and propagating fake news on social

media to impact elections. At an event in Bengaluru, the first chief data scientist to the U.S. Government, appointed by the Obama Administration, says that there is going to be a massive shift in cyberattacks where they would be based on artificial intelligence (AI). In an interview, Mr.Patil talks about the impact of AI on economy, jobs and cyber security. Edited excerpts:

What would be the economic impact of artificial intelligence?

We published a report, it is called the White House Report on artificial intelligence. It highlights the challenges that are coming ahead and one of those big challenges is that if you look at many economic assessments, they are all saying the radical displacement of jobs due to automation. A big component of that automation is robotics, another big component is machine learning, deep learning, AI-based type of technologies. We have to ask ourselves, as we get better automation overall, what is going to happen to the society. Bank tellers, e-discovery for lawyers and also the role and jobs for other areas such as self-driving cars and other vehicles. Where is this going?

We have to ask. We are seeing reports out of Foxconn where they are automating tremendous amount of their product lines. They were one of the large employers. What does that mean? Here in India, we have these large IT players, those type of coding jobs specially developed towards testing or other things, I am very concerned that those are the jobs that are going to be replaced by automated processes.

Is this going to be a big concern in India? If so, how can it be addressed?

That is the conversation that needs to happen now. No one has an obvious answer. The one that we can all agree on is foundational, that we need to aggressively invest in education, continued education and the investment of new dollars into entrepreneurship. If we forget that some of these great companies didn't just come about because of the investment, Infosys came about because people had relentless drive not to give up. We need to make it easier for people to start new things and test those ideas, for those ideas to be acquired or combined with other ideas, new things to come about. We should celebrate the entrepreneurial spirit and

reward it and challenge those entrepreneurs to always work on societies and most pressing problems.

Amid this emergence of AI and data explosion, how can we uphold data security and privacy?

When I was (U.S.) chief data scientist, this is what I called on. For every training programme, ethics and security must be core part of the curriculum. It doesn't matter whether you are an economist, a computer scientist, data scientist, a statistician, a physicist. You must have ethics and security as part of the core curriculum. Because, if you design a database, you need to know how someone is going to attack it, you also need to understand what are the ethical implications of how it may be designed and is this good or bad. We have to develop a language to start asking ourselves are we comfortable with the choices we make, so it starts from there. The second part of it is really being much more comfortable with asking for help in understanding vulnerabilities, [for example] bug bounty programmes, idea of encouraging other people to attack our systems in a safe constructive way. Simultaneously, also investing more aggressively in research platforms for cybersecurity and also investment in replacing legacy systems because they have too many holes in them.

Is there any need for a policy for these new technologies in India?

(In the U.S) we have policy guidance on AI, it is guidance that helps to figure out how we should think about things. But it doesn't specifically say you can or can't do this. But it tries to provide the guidance in saying that the ark of technology is going so fast, that the policy is going to be needed to create guard rails for it rather than a very specific isolated process.

A lot of this data on social media platforms such as Twitter and Facebook is also leading to fake news and rumour-mongering, your comments?

I would encourage data scientists to play less with the social media data [and] play more with the local data. Have a direct impact on the people in the local community. I think that has a phenomenal opportunity to lift up problems and have a direct impact.

On the questions of other issues around news and the data that they are collecting, the question we should be asking more is how do we make sure that everyone has access to their data and what are the rights and make sure you understand the rights of that data. We also have to remind companies that if they are not holding up to their end of the social bargain, that's when the regulations come in. And the regulations would come in such a draconian way that I am fearful that it would eliminate a large portion of things that other entrepreneurs wouldn't be able to tackle. I think India needs to be very concerned about the next democratic process around cybersecurity as well as fake news.

Do you see huge opportunities for AI start-ups apart from companies such as Facebook and Google who are dominating this space?

In the U.S. it is phenomenal. If you look at the investments in the Silicon Valley (in California), Silicon Slopes (in Utah), Silicon Alley (in Manhattan). Silicon Prairie (a take on the Silicon Valley, refers to one of several places in the U.S).

This is phenomenal, we have all these investments. Many of those ideas would fail, that is okay, plant the next idea, try, try again, something would come out of it.

As long as people are trying and the youth are aggressively investing in the ideas, I am okay. I would encourage India to make it easier for people to invest, not just invest dollars but to invest time and energy in trying new things. Taking the risk, that is where it starts.

Payments bank: for the informal sector

[Manojit Saha](#) JULY 23, 2017

THE  HINDU

How is a payments bank different from a commercial bank?

There are two kinds of banking licences that are granted by the Reserve Bank of India - universal bank licence and differentiated bank licence. Payments bank comes under a differentiated bank licence since it cannot

offer all the services that a commercial bank offers. In particular, a payments bank cannot lend. It can take deposits upto Rs.1 lakh per account and it can issue debit cards but not credit cards. Commercial banks in India like State Bank of India or ICICI Bank, do not have any such restrictions.

What is the objective of a payments bank?

The main objective is to further financial inclusion by providing small savings accounts and payments/remittance services to migrant labour workforce, low income households, small businesses and other unorganised sector entities.

Besides remittance, can payments bank undertake any other activity?

A payments bank can work as a business correspondent (BC) of another bank. They can also distribute simple financial products like mutual fund units and insurance products.

How many payments banks have commenced operations?

Out of the 11 entities that received in-principle licence for opening payments bank, 7 entities received the final licence. Four payments banks have started operations — Airtel Payments Bank, India Post Payments Bank, Paytm Payments Bank and Fino Payments Bank.

What is the minimum capital requirement for a payments bank?

RBI has mandated the minimum paid-up equity capital for payments bank at Rs.100 crore.

Where can a payments bank deploy its deposits?

Apart from maintaining Cash Reserve Ratio (CRR), these entities have to invest a minimum 75% of demand deposit balances in Statutory Liquidity Ratio (SLR)-eligible government securities or treasury bills with maturity of up to one year and hold a maximum of 25% in current and time/fixed deposits with other commercial banks for operational purposes and liquidity management.

Who all are eligible to set up a payments bank?

RBI permits non-bank Prepaid Payment Instrument (PPI) issuers, individuals and professionals, non-banking finance companies (NBFCs), corporate business correspondents (BCs), mobile telephone companies, super market chains, companies, real sector cooperatives that are owned and controlled by residents and public sector entities to apply for a payments bank licence. Setting up of a joint venture by a promoter with an existing commercial bank is also allowed.

Can a promoter apply for a payments bank licence now?

No. However, RBI has said it intends to use the learning from the current licencing round to appropriately revise the guidelines and move to giving licences more regularly, that is, virtually "on tap".

AIBEA THIS DAY – 26 JULY	
1948	West Bengal Government issues orders on supplementary award applicable to Central Bank Employees as desired by Bank Management.
1992	Workman Directors' Training Camp organized by AIBEA at Bombay. Dr. Bandopadhaya NIBM Director inaugurates.
2002	One Day strike in Jammu & Kashmir Bank against unfair labour practices, victimization etc.,



ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: PRABHAT NIVAS

Singapore Plaza, 164, Linghi Chetty Street, Chennai-600001

Phone: 2535 1522 Fax: 2535 8853, 4500 2191

e mail ~ chv.aibea@gmail.com

Web: www.aibea.in