

Annual Monetary Policy for 2012-13

After a gap of three years, Reserve Bank Governor D Subbarao has slashed short term lending rate by 0.50 pc to 8 pc, a move that will reduce the cost of home, auto and corporate loans. The reduction in the repo rate at which RBI lends to banks, has been prompted by deceleration in growth and softening of inflation. The cut is aimed at spurring growth to 9



percent levels, seen before the global financial crisis that began in 2008, Subbarao said while unveiling the annual credit policy in Mumbai on April 17, 2012. "The reduction in the repo rate is based on an assessment of growth having slowed below its post-crisis trend rate, which, in turn, is contributing to the moderation in core inflation," the Governor said. RBI has pegged the GDP growth rate for 2012-13 at 7.3 percent. It is expected to be 6.9 percent in 2011-12.

After two consecutive cuts since January, the Governor, however, retained the cash reserve ratio at 4.75 percent.

Subbarao, however, ruled out further reduction in policy rate in the immediate future citing persistent upside risks to inflation and possible fiscal slip-pages driven by higher oil subsidies. It expects the inflation to be around 6.5 percent by March 2013.

"It must be emphasised that the deviation of growth from trend is modest. At the same time, upside risks to inflation persist. These considerations inher-

ently limit the space for further reduction in policy rates," he said. The decision is likely to prompt the banks to cut lending rates for home, auto and corporate loans, experts said. RBI has raised lending rates 13 times between March 2010 and October 2011 to contain inflation that had been hovering near double-digit.

This had led to clamour by industry to cut rates and spur industrial and economic growth that has slowed down considerably during the past few quarters. In order to ease tight liquidity situation, Subbarao announced doubling the borrowing under the Marginal Standing Facility for banks to 2 percent of their deposits with immediate effect.

It also permitted banks to borrow under the MSF even if they have excess government securities holdings. On the growth front, RBI expects FY'13 to be moderately better than the fiscal gone by. It has pegged GDP growth at 7.3 percent, which is 0.3 percent lower than the government projection for 2012-13. Growth in 2011-12 is seen at a 3-year low of 6.9 percent.

Even though spurring growth has taken the priority at the Mint Road, RBI continues to be worried about the inflation scenario, calling it as "challenging" due to the sharp spikes in crude prices and food articles in the recent months.

Noting the moderation in manufacturing inflation, the Governor pegged the annual overall inflation target at 6.5 percent for FY'13 (which is 0.5 percent lower than its projection for FY'12), saying the price rise will be range- bound through the year. Inflation was the key driver that guided the Reserve Bank to tighten money supply, and later hold rates during the past 36 months.

The period also saw it inflicting 13 simultaneous hikes, by 3.75 percent in repo rates over the 19-month period, making it one of the most aggressive central banks in the world.

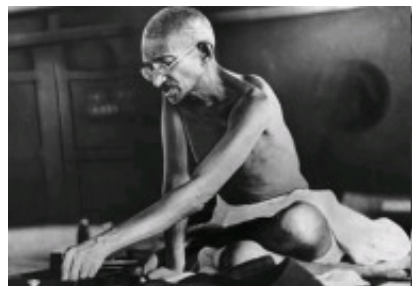
Apart from hurting investment activity, the rate hikes severely hurt the retail borrowers as higher loan repayments put household budgets for a toss.

RBI made a conscious effort at placating this class by reiterating that banks should not charge prepayment penalties from home loan borrowers.

It also announced to set up a working group to assess the possibility of having long-term fixed interest products which will not be exposed to interest rate changes. As for the bank non-food bank credit, the apex bank sees it growing at 17 percent this fiscal, (marginally higher than that of FY'12), and deposits at 16 percent. Besides, RBI has set-up a working group under K U B Rao to look into all aspects relating to gold loan by NBFCs.

Grass with Gandhi blood sold for 10,000 pounds

A pinch of soil and blood-stained blades of grass from the place where Mahatma Gandhi was assassinated in 1948 was sold on Tuesday for 10,000 pounds at an auction in London. The auction also saw many other Gandhi memorabilia going under the hammer including his iconic round-rimmed glasses that fetched far more than the estimated price. In all, the



Gandhi-related items fetched over 100,000 pounds in the auction by the Shropshire-based auctioneer, Mullock's. The memorabilia included a pair of Gandhi's round-rimmed glasses, 'charkha', a 10 inch 78 rpm Columbia disc of Gandhi giving his spiritual message signed by him, and original photographs of Gandhi visiting London in 1931. Also in the collection sold were letters in English by Gandhi to Raghavan, Sgt N E R Poduwal in Rangoon, letters by Gandhi in Gujarati and a prayer book in Gujarati.

The pair of Gandhi's glasses had a guide price of 10,000 pounds but sold for 34,000 pounds. Kevin Bland, financial controller at Mullock's, said the unnamed telephone bidder who bought the spectacles also spent 26,500 pounds on a wooden "charkha". The same

bidder bought his prayer book for 10,500 pounds. "We are not surprised that the collection sold. We were confident because there was a lot of interest in the items, but it is always a pleasure, on behalf of the vendor, to exceed the guide prices," Bland said. He said that after adding fees and VAT, the collection went for a total of 128,000 pounds. The soil and blades of grass were reported to have been collected by one P P Nambiar, who describes the samples in a provenance, and are placed in a small wooden casket containing a small glass topped box. The description of the item says: "The casket comes with a letter of provenance by P P Nambiar dated 24th September 1996, saying that the recipient: has today received the most sacred of all relics a fraction of the pinch of soil I collected on 30th January 1948 from the spot where the Father of our nation M K Gandhi fell to the bullets of his assassin...." Gandhi's glasses were bought in London around 1890 when he studied Law. The item is described as "corroded with age", and comes with the original felt bearing the name of H Cannam Optician 23 St Aldate Street Gloucester.



Agni-V

India tests inter-continental ballistic missile Agni-V

India on April 19, 2012 took a giant leap in fortifying its strategic capability by successfully test-firing its nuclear capable Agni-V Inter-Continental Ballistic Missile (ICBM) with a strike range of 5,000 km, bringing China and the neighbouring region under its cover. With this, India joined the elite missile club of the US, Russia, France and China. The surface-to-surface Agni-V is capable of striking a target more than 5,000 km away. It is about 17-metres-long and two-metres-wide with launch weight of around 50 tonnes. The sophisticated missile can carry a nuclear warhead of more than one tonne. "We had a successful launch of Agni-V. The missile lifted off at 8.07 hours today," Defence Research and Development Organisation chief V K Saraswat said after the three-stage solid propellant missile was test fired from launch complex-4 of Integrated Test Range (ITR) in Wheeler Island off the Odisha coast.



Agni-V had a smooth and perfect vertical lift-off from the launcher and a thorough analysis was done to assess its health parameters after retrieval of data from the wide range of sophisticated communication network systems, Saraswat said. "The sleek missile, within a few seconds of its blast-off from the Island launch pad roared majestically into the sky leaving behind it a trajectory a trail of thin orange and white smoke before disappearing," a defence official said.

The test-fire, which was originally scheduled to be held on Wednesday, had to be deferred at the last moment for safety reasons due to bad weather marked by rains and heavy lightning.

New Delhi's deterrence capability will now be further strengthened and it will push its case for having a greater say at multilateral fora. India has at present in its armoury of Agni series, Agni 1 with 700 km range, Agni 2 with 2,000 km range, Agni 3 and Agni 4 with 2,500 km to more than 3,500 km range.

Hailing the successful launch of the indigenously developed missile, Prime Minister Manmohan Singh said it represents another milestone in India's quest to add to its security preparedness.

Defence Minister A K Antony described the maiden test flight of Agni-V as an "immaculate success" and a "major milestone". "The nation stands tall today. We have joined the elite club of nations (to possess the ICBM capability)," Antony told Saraswat on phone after the test flight of the missile was declared successful.

ITR Director S P Dass said, "It was a perfect launch and the missile hit the pre-determined target and the mission met all its parameters. "We can call it an ICBM as it has the capability to travel from one continent to another," Dass said.

"The missile achieved exactly what we wanted to achieve in this mission. This missile from the prime board to launch pad has happened in about three years," the missile's Programme Director Avinash Chandra said.

The test-firing of Agni-V demonstrated giant strides taken by India in its integrated missile development programme, he said. Preparation for Agni-V test had gathered momentum after India achieved successful results from the first development trial of Agni IV, which has a strike range of more than 3,500 km, from the same launch pad on November 15, 2011.

Apart from Saraswat, who is also the scientific advisor to the Defence Minister, a host of top defence scientists, military officials and functionaries of concerned agencies were present at the site to monitor, supervise and witness the maiden test of the new generation missile.

Top scientists present at the test site said at least 20 laboratories of the DRDO were engaged for several months to prepare the state-of-the-art missile.

About 800 scientists, staff and support personnel had been engaged to make the first ever launch of the Agni-V a success, they said.

Unlike other missiles of indigenously built Agni series, the latest one - Agni V - is the most advanced version having several new technologies incorporated in it in terms of navigation and guidance, warhead and engine, said a scientist associated with the project.

Satish Reddy, architect of the missile navigation systems, said, "The systems have worked with high accuracy... We don't require any more technology from anybody else.

DRDO plans to conduct more such tests of the missile over the next one year after studying and analysing the parameters achieved in each subsequent trial, defence sources said.

Regarding the timeline fixed for fully developing the Agni V, Saraswat had earlier said another year of testing would be required.

Known as 'Agni Lady', an elated Katy Thomas, who has been involved with the Agni project, said, "Today we have done a great event for the country. The mission was perfect with all the events being recorded and we had a perfect separation. The stages of guidance system worked wonderfully. "All the teamwork which has gone in for the last three years has given fruitful result today," she added.

Agni-V is a solid fueled intercontinental ballistic missile under development by DRDO of India. It will greatly expand India's reach to strike targets well beyond 5,500 km away. Missile trial is likely to be held from Wheeler Island off Orissa coast on 19 April 2012. The Agni-V is a three stage solid fueled missile with composite motor casing in the third stage. In many aspects, the Agni-5 carries forward the Agni-3 pedigree. With composites used extensively to reduce weight, and a third stage added on (the Agni-3 was a two-stage missile), the Agni-5 can fly 1,500 km further than the 3,500 km range Agni-III. Two stages of this missile will be made of composite material. Advanced technologies like ring laser gyroscope and accelerometer will be used in the new missile. "You can reduce the payload and (further) increase the range of Agni-V" Saraswat told the Reuters in Feb 2010.

India has an active ABM development effort using indigenously developed and integrated radars and locally designed missiles. In November 2006, India successfully conducted the PADE (Prithvi Air Defence Exercise) in which an Anti-ballistic missile, called the Prithvi Air Defense (PAD) an Exoatmospheric (outside the atmosphere) interceptor system intercepted a Prithvi-II ballistic missile. The PAD missile has the secondary stage of the Prithvi missile and can reach altitude of 80 km. During the test the target missile was intercepted at an 50 km altitude. India became the fourth nation in the world to acquire such a capability and the third nation to develop it through indigenous effort. On 6 December 2007 the Advanced Air Defence (AAD) missile system was tested successfully. This missile is an Endo atmospheric interceptor with an altitude of 30 km. According to scientist V K Saraswat of DRDO the missiles will work in tandem to ensure a hit probability of 99.8 percent. Induction of the system into services is expected to be in 2010. Two new anti ballistic missiles that can intercept IRBM/ICBMs are being developed. These high speed missiles (AD-1 and AD-2) are being developed to intercept ballistic missiles with the range of 5,000 km.

India also has Russian S300 PMU-2 and it is used as an interceptor for ballistic missiles. An indigenous nuclear tipped surface to air missile, Akash Missile is used to destroy low range missiles and is capable of destroying various targets and is one of the few of its kind systems in the world. India has also shown interest in the Russian S-400, the most advanced anti-ballistic missile.

Monetary Policy Statement 2012-13

Introduction

1. This Annual Policy for 2012-13 is set in a challenging macroeconomic environment. At the global level, concerns about a crisis have abated somewhat since the Third Quarter Review (TQR) in January 2012. The US economy continues to show signs of modest recovery. Large scale liquidity infusions by the European Central Bank (ECB) have significantly reduced stress in the global financial markets. However, recent developments, for example in Spain, indicate that the euro area sovereign debt problem will continue to weigh on the global economy. Growth risks have emerged in emerging and developing economies (EDEs). And, amidst all these, crude oil prices have risen by about 10 per cent since January and show signs of persisting at current levels.

2. Domestically, the state of the economy is a matter of growing concern. Though inflation has moderated in recent months, it remains sticky and above the tolerance level, even as growth has slowed. Significantly, these trends are occurring in a situation in which concerns over the fiscal deficit, the current account deficit and deteriorating asset quality loom large. In this context, the challenge for monetary policy is to maintain its vigil on controlling inflation while being sensitive to risks to growth and other vulnerabilities.

3. In the above context, this Statement should be read and understood together with the detailed review in Macroeconomic and Monetary Developments released yesterday by the Reserve Bank.

4. This Statement is organised in two parts. Part A covers Monetary Policy and is divided into four Sections: Section I provides an overview of global and domestic macroeconomic developments; Section II sets out the outlook and projections for domestic growth, inflation and monetary aggregates; Section III explains the stance of monetary policy; and Section IV specifies the monetary and liquidity measures. Part B covers developmental and regulatory policies and is organised into five sections: Financial Stability (Section I), Financial Markets (Section II), Credit Delivery and Financial Inclusion (Section III), Regulatory and Supervisory Measures for Commercial Banks (Section IV) and Institutional Developments (Section V).

Part A. Monetary Policy

I. The State of the Economy

Global Economy

5. Global macroeconomic conditions have shown signs of modest improvement. In the US, the GDP growth [quarter-on-quarter (q-o-q), seasonally adjusted annualised rate (saar)] accelerated to 3.0 per cent in Q4 of 2011. Consumer spending has been improving. While the unemployment rate has been trending down, concerns remain about the sustainability of this trend.

6. The immediate pressures on the financial markets in the euro area have been alleviated to a large extent by the ECB injecting liquidity of more than one trillion euro through two long-term refinancing operations. However, a sustainable solution to the euro area debt problem is yet to emerge. GDP growth (q-o-q, saar) in the euro area declined by 1.2 per cent in Q4 of 2011. The fiscal correction necessitated by the large public debt levels, tightening

of credit conditions and persistently high unemployment have added to the downward pressure on the economic activity in the euro area.

7. Growth also slowed down in EDEs reflecting the combined impact of monetary tightening and slowdown in global growth. As regards BRICS, GDP growth [year-on-year (y-o-y)] in China declined from an average of 9.6 per cent in the first half of 2011 to 8.1 per cent in Q1 of 2012. The slowdown in growth was also sharp in Brazil in Q4 of 2011, but relatively modest in Russia and South Africa.

8. Headline measures of inflation in major advanced economies continued to soften in March 2012. Amongst the BRICS, while headline inflation moderated in Brazil and Russia in March, it edged up in China.

9. International crude oil prices have surged since the beginning of 2012 reflecting both geo-political concerns and abundant global liquidity. The price of Brent variety of crude rose from US\$ 111 per barrel in January to over US\$ 120 per barrel by mid-April. Similarly, the price of the average Indian basket of crude increased from US\$ 110 per barrel to US\$ 119 per barrel during the same period.

Domestic Economy

10. GDP growth moderated to 6.1 per cent during Q3 of 2011-12 from 6.9 per cent in Q2 and 8.3 per cent in the corresponding quarter of 2010-11. This was mainly due to moderation in industrial growth from 2.8 per cent in Q2 to 0.8 per cent in Q3. The services sector held up relatively well (with growth being 8.7 per cent in both Q2 and Q3 of 2011-12). Overall, GDP growth during April-December 2011 slowed significantly to 6.9 per cent from 8.1 per cent in the corresponding period of the previous year.

11. On the demand side, gross fixed capital formation contracted in Q2 (-4.0 per cent) and Q3 (-1.2 per cent) of 2011-12. The government final consumption expenditure increased by 6.1 per cent in Q2 and 4.4 per cent in Q3. Private final consumption increased by 2.9 per cent in Q2 and 6.2 per cent in Q3.

12. Growth in the index of industrial production (IIP) decelerated to 3.5 per cent during 2011-12 (April-February) from 8.1 per cent in the corresponding period of the previous year. In terms of use-based classification, while capital goods and intermediate goods sectors registered negative growth of 1.8 per cent and 0.9 per cent, respectively, the growth of the consumer durables sector decelerated to 2.7 per cent. These trends suggest that activity may have expanded slower than 6.9 per cent in Q4 implied in the advance estimates of GDP.

13. For the month of March 2012, the manufacturing purchasing managers' index (PMI) moderated to 54.7 from 56.6 in February reflecting lower new orders. The composite (both manufacturing and services) PMI also moderated to 53.6 in March from 57.8 in February.

14. According to the Reserve Bank's order books, inventories and capacity utilisation survey (OBICUS), new orders and capacity utilisation of the manufacturing sector increased in Q3 of 2011-12 as compared with the previous quarter. Business confidence, as measured by the business expectations indices of the Reserve Bank's industrial outlook survey, showed a pick-up in the business sentiment in Q4 of 2011-12, but a marginal moderation in Q1 of 2012-13.

15. Headline wholesale price index

(WPI) inflation, which remained above 9 per cent during April-November 2011, moderated to 6.9 per cent by end-March 2012, consistent with the Reserve Bank's indicative projection of 7 per cent. However, while the moderation in inflation in December-January owed largely to softening of food prices, the moderation in February-March was largely driven by core non-food manufactured products inflation, which fell below 5 per cent for the first time after two years.

16. Food articles inflation, which was 8.1 per cent during April-December 2011, briefly turned negative in January 2012 reflecting the seasonal decline in food prices, particularly of vegetables, combined with a high base effect. However, it increased sharply to 6.1 per cent in February and further to 9.9 per cent in March 2012 with the wearing-off of the base effect and rise in vegetables prices. Inflation in protein-based items – eggs, fish and meat, milk and pulses remained high, reflecting persistent structural demand-supply imbalances.

17. Fuel inflation moderated from over 15 per cent in November-December 2011 to 10.4 per cent in March 2012 even as global crude oil prices rose sharply, reflecting the absence of commensurate pass-through to domestic consumers. However, mirroring the high international crude oil prices, inflation in respect of non-administered mineral oils remained elevated at 19.8 per cent in March.

18. Non-food manufactured products inflation, which was 8.4 per cent in November 2011, decelerated significantly to 5.8 per cent in February and further to 4.7 per cent in March 2012. This reflected both a slowdown in domestic demand and softening of global non-oil commodity prices. The momentum indicator of non-food manufactured products inflation (seasonally adjusted 3-month moving average inflation rate) also showed a declining trend.

19. Notably, consumer price index (CPI) inflation (as measured by the new series, base year: 2010) increased sharply from 7.7 per cent in January to 8.8 per cent in February reflecting a reversal in food inflation. CPI, excluding food and fuel, was in double digits, suggesting that price pressures were still high at the retail level. Driven by food prices, inflation based on other CPIs reversed its declining trend of previous four months to increase in February. According to the latest round of household survey conducted by the Reserve Bank, inflation expectations, although still elevated, have moderated after rising for the previous three quarters.

20. An analysis of corporate performance during Q3 of 2011-12, based on a common sample of 2,352 non-government, non-financial companies, indicates that sales growth was relatively robust even after adjusting for inflation. However, earnings before depreciation, interest and tax (EBDITA) and profit after tax (PAT) margins continued on the downward trajectory that began earlier in the year. These patterns suggest a steady decline in the pricing power, as producers found it increasingly difficult to pass on rising input costs to their customers.

21. Money supply (M3) growth, which was 17 per cent at the beginning of the financial year 2011-12, reflecting strong growth in time deposits, moderated during the course of the year to about 13 per cent by end-March 2012, lower than the Reserve Bank's indicative trajectory of 15.5 per cent, mirror-

ing both tightness in primary liquidity and lower credit demand during most part of the year.

22. Non-food credit growth decelerated from 22.1 per cent at the beginning of 2011-12 to 15.4 per cent by February 2012 reflecting slower economic activity. However, it picked up to 16.8 per cent in March, higher than the indicative projection of 16 per cent. Disaggregated data up to February 2012 showed that the deceleration in credit growth was broad-based across agriculture, industry, services and personal loans. The pick-up in non-food bank credit towards the year-end was on account of increased credit flow to agriculture and industry. Net bank credit to the Central Government increased at a significantly higher rate of 15.7 per cent in 2011-12 as compared with 8.4 per cent in the previous year reflecting higher borrowings.

23. Mirroring tight liquidity conditions and higher cost of borrowings from banks, corporates increased their recourse to non-bank sources, especially foreign direct investment (FDI) and commercial paper. Consequently, despite lower bank credit expansion (in absolute terms), the total flow of financial resources to the commercial sector was higher at `12.7 trillion during 2011-12 as compared with `12.4 trillion during the previous year.

24. During 2011-12, modal deposit rates of major scheduled commercial banks (SCBs) increased by 45 basis points (bps), and their modal base rates by 125 bps. Weighted average lending rates of five major public sector banks increased from 11.0 per cent in March 2011 to 12.8 per cent by September 2011 and remained broadly at that level in February 2012, suggesting that bank lending rates were broadly following the policy rate signal.

25. Liquidity conditions remained in a deficit mode throughout 2011-12. However, beginning November 2011, the liquidity deficit went beyond the comfort level of (+)/(-) one per cent of net demand and time liabilities (NDTL) of banks. Average net injection of liquidity under the daily liquidity adjustment facility (LAF) increased from around `0.5 trillion during April-September 2011 to around `1.4 trillion during February 2012 and further to `1.6 trillion during March 2012, partly reflecting a build-up in government cash balances. In order to mitigate the liquidity tightness, the Reserve Bank took steps to inject primary liquidity of a more durable nature. It conducted open market operations (OMOs) aggregating around `1.3 trillion between November 2011 and March 2012. Further, the cash reserve ratio (CRR) was reduced by 125 basis points (50 basis points effective January 28, 2012 and 75 basis points effective March 10, 2012), injecting primary liquidity of about `0.8 trillion. Reflecting these measures, combined with decline in government cash balances, the net injection of liquidity under the LAF, which peaked at `2.0 trillion on March 30, 2012, declined sharply to `0.7 trillion on April 13, 2012.

26. The revised estimates of Central Government finances for 2011-12 showed that key deficit indicators deviated significantly from the budget estimates (BE). The Union Budget for 2012-13 initiated a return to a fiscal consolidation path by committing to amend the Fiscal Responsibility and Budget Management (FRBM) Act, 2003. Significantly, it also signalled an intention to restrict the expenditure on subsidies to under 2 per cent of GDP in 2012-13. These measures will go a long way in helping to achieve credible medium-term fiscal consolidation. In the current year, the targeted 0.8 percentage point decline in the fiscal deficit-GDP ratio, however, will hinge critically on substantive actions on fuel and fertiliser subsidies.

27. The 10-year benchmark government security yield remained range-bound during the first half of 2011-12. It firmed up in October 2011 on account of increased market borrowing, policy rate hikes and persistent liquidity tightness. The yield hardened again somewhat towards end of March 2012 reflecting concerns about government borrowing programme in 2012-13, which is significantly larger than even the expanded programme of 2011-12. The 10-year benchmark yield was at 8.6 per cent on April 13, 2012 as compared with 8.0 per cent at end-March 2011.

28. During April-December 2011, India's current account deficit (CAD)

widened to US\$ 53.7 billion (4.0 per cent of GDP) from US\$ 39.6 billion (3.3 per cent of GDP) in April-December 2010, largely reflecting a higher trade deficit. Even though net FDI inflows were higher in April-December 2011 than in the comparable period of the previous year, portfolio flows were lower, resulting in a decline in overall capital inflows as compared with the previous year. Consequently, there was a drawdown of reserves to the extent of US\$ 7.1 billion during April-December 2011 in contrast to an accretion of US\$ 11.0 billion in the corresponding period of the previous year.

29. The currency market was under pressure during August-December 2011 due to a slowdown in capital inflows reflecting global uncertainty. However, conditions eased in Q4 of 2011-12 reflecting a pick up in capital inflows as well as the impact of policy measures undertaken to improve dollar supply and contain speculation. During 2011-12, the 6, 30 and 36-currency trade weighted real effective exchange rates (REER) depreciated in the range of 8-9 per cent, primarily reflecting the nominal depreciation of rupee against the US dollar by about 13 per cent.

II. Domestic Outlook and Projections

Growth

30. The advance estimate of the GDP growth of 6.9 per cent for 2011-12 by the Central Statistics Office (CSO) is close to the Reserve Bank's baseline projection of 7.0 per cent.

31. Going forward into 2012-13, assuming a normal monsoon, agricultural growth could stay close to the trend level. Industry is expected to perform better than in last year as leading indicators of industry suggest a turnaround in IIP growth. The global outlook also looks slightly better than expected earlier. Overall, the domestic growth outlook for 2012-13 looks a little better than in 2011-12. Accordingly, the baseline GDP growth for 2012-13 is projected at 7.3 per cent (Chart 1).

32. An important issue in this regard is the economy's trend rate of growth, i.e., the rate that can be sustained over longer periods without engendering demand-side inflationary pressures. Recent growth and inflation patterns suggest that the trend rate of growth has declined from its pre-crisis peak. Even though growth has fallen significantly in the past three quarters, our projections suggest that the economy will revert close to its post-crisis trend growth in 2012-13, which does not leave much room for monetary policy easing without aggravating inflation risks.

33. It must be emphasised that the main reason for the apparent decline in the trend rate of growth relative to the pre-crisis period is the emergence of significant supply bottlenecks on a variety of fronts – infrastructure, energy, minerals and labour. A strategy to increase the economy's potential by focussing on these constraints is an imperative.

Inflation

34. Inflation in 2011-12 evolved broadly along the trajectory projected by the Reserve Bank. The March 2012 inflation at 6.9 per cent was close to the Reserve Bank's indicative projection of 7.0 per cent.

35. Going forward, the inflation scenario remains challenging. Food inflation, after a seasonal decline, has risen again. Inflation in respect of protein-based items remains in double digits. Crude oil prices are expected to remain high and the pass-through of past price increases in the international market to domestic petroleum product prices remains significantly incomplete. There also remains an element of suppressed inflation in respect of coal and electricity. However, non-food manufactured products inflation is expected to remain contained reflecting the lagged effect of past monetary policy tightening on aggregate demand. Corporate performance numbers also indicate that the pricing power has reduced. Consequently, the risk of adjustments in administered prices translating into generalised inflationary pressures remains limited, though there is no room for complacency.

36. Keeping in view the domestic demand-supply balance, the global

trends in commodity prices and the likely demand scenario, the baseline projection for WPI inflation for March 2013 is placed at 6.5 per cent. Inflation is expected to remain range bound during the year.

37. It is important to re-emphasise that although inflation has remained persistently high over the past two years, during the 2000s, it averaged around 5.5 per cent, both in terms of WPI and CPI, down from its earlier trend rate of about 7.5 per cent. Given this record, the conduct of monetary policy will continue to condition and contain perception of inflation in the range of 4.0-4.5 per cent. This is in line with the medium-term objective of 3.0 per cent inflation consistent with India's broader integration into the global economy.

Monetary Aggregates

38. Consistent with growth and inflation projections, M3 growth for 2012-13, for policy purposes, is projected at 15 per cent. Consequently, aggregate deposits of SCBs are projected to grow by 16 per cent. Keeping in view the need to balance the resource requirements of the private sector and the public sector, growth in non-food credit of SCBs is projected at 17 per cent. As always, these numbers are indicative projections and not targets.

Risk Factors

39. The indicative projections of growth and inflation for 2012-13 are subject to a number of risks as indicated below:

i) The outlook for global commodity prices, especially of crude oil, is uncertain. Global crude and petroleum product prices have increased sharply since the TQR in January 2012. While global demand-supply imbalances, tight inventories and abundant global liquidity have contributed to this, price pressures have been recently accentuated by geo-political developments. Although upside risks to oil prices from the demand side are limited, geo-political tensions are a concern, and any disruption in supplies may lead to further increase in crude oil prices. This will have implications for domestic growth, inflation and the fiscal and current account deficits.

ii) The fiscal deficit of the Central Government has remained elevated since 2008-09. The fiscal slippage in 2011-12 was also significantly high. Even though the Union Budget envisages a reduction in the fiscal deficit in 2012-13, several upside risks to the budgeted fiscal deficit remain. In particular, containment of non-plan expenditure within the budget estimates for 2012-13 is contingent upon the Government's ability to adhere to its commitment of capping subsidies. Going by the recent burden-sharing arrangements with the oil marketing companies (OMCs), the budget estimate of compensation for under-recoveries of OMCs at the present level of international crude prices is likely to fall significantly short of the required amount. Any slippage in the fiscal deficit will have implications for inflation.

iii) Further, the large fiscal deficit also has led to large borrowing requirements by the Government. The budgeted net market borrowings through dated securities for 2012-13 at `4.8 trillion were even higher than the expanded borrowings of `4.4 trillion last year. Such large borrowings have the potential to crowd out credit to the private sector. Crowding out of the more productive private credit demand will become more critical if there is fiscal slippage.

iv) For the quarter ended December 2011, the CAD was very high at 4.3 per cent of GDP. This level is unsustainable and needs to be contained. With global capital flows to emerging markets projected at lower levels in 2012, financing of the CAD will continue to pose a major challenge.

v) Inflation in protein-based items continues to be in double digits with little sign of trend reversal. This is mainly because of structural imbalances in such commodities. The Government has announced some supply-side measures to redress protein-inflation in the medium to long term. In the near future, however, the pressure on prices of protein-rich items will continue to be a risk factor for food inflation.

III. The Policy Stance

40. After raising the policy rate by 375 basis points during March 2010-

Jim Yong Kim new president of World Bank

Korean-American physician Jim Yong Kim, who has been selected as new President of the World Bank, has said he will seek a new alignment of the body with a rapidly changing world. "As President, I will seek a new alignment of the World Bank Group with a rapidly changing world," Kim said in a statement after the World Bank announced that he has been selected to replace Robert Zoellick on July 1. "Together, with partners old and new, we will foster an institution that responds effectively to the needs of its diverse clients and donors; delivers more powerful results to support sustained growth ... amplifies the voices of developing countries ...," he said.

The World Bank picked Seoul-born Kim over Nigerian Finance Minister Ngozi Okonjo-Iweala.

Kim is currently president of Dartmouth College. The US national, Kim is a co-founder of Partners in Health (PIH) and a former director of the Department of HIV/AIDS at the World Health Organization (WHO). Kim, 52, will take over at the beginning of July, after the current president, Robert B Zoellick, steps down at the end of his five-year term. "I am delighted to succeed Robert Zoellick, who has served with excellence and distinction during the last five years, and I am grateful to the Banks member countries for the broad support I have received, he said. Kim said his discussions with the Board and member countries point to a global consensus around the importance of inclusive growth. "We are closer than ever to achieving the mission inscribed at the entrance of the World Bank - Our Dream is a World Free of Poverty," he said.



Policies

51. The Bank Rate stands adjusted to 9.0 per cent with immediate effect. Cash Reserve Ratio 52. The cash reserve ratio (CRR) of scheduled banks has been retained at 4.75 per cent of their NDTL. Guidance 53. The reduction in the repo rate is based on an assessment of growth having slowed below its post-crisis trend rate which, in turn, is contributing to a moderation in core inflation. However, it must be emphasised that the deviation of growth from its trend is modest. At the same time, upside risks to inflation persist. These considerations inherently limit the space for further reduction in policy rates. 54. Moreover, persistent demand pressures emerging from inadequate steps to contain subsidies as indicated in the recent Union Budget will further reduce whatever space there is. In this context, it must be pointed out that, while revisions in administered prices may adversely impact headline inflation, the appropriate monetary policy response to this should be based on whether the higher prices translate into generalised inflationary pressures. Although the likelihood of a pass-through depends on the strength of the pricing power in the economy, which is currently abating, the risk of a pass-through cannot be ignored altogether. Overall, from the perspective of vulnerabilities emerging from the fiscal and current account deficits, it is imperative for macroeconomic stability that administered prices of petroleum products are increased to reflect their true costs of production. 55. On liquidity, conditions are steadily moving towards the comfort zone of the Reserve Bank, as reflected in the decline in banks' borrowings from the LAF and the behaviour of money market rates. The increase in the MSF limit will provide additional liquidity comfort. However, should the situation change, appropriate and proactive steps will be taken with the objective of restoring comfort zone conditions. Expected Outcomes 56. The policy actions taken are expected to: ● stabilise growth around its current post-crisis trend; ● contain risks of inflation and inflation expectations re-surfing; and ● enhance the liquidity cushion available to the system. Mid-Quarter Review of Monetary Policy 2012-13 57. The next mid-quarter review of Monetary Policy for 2012-13 will be announced through a press release on Monday, June 18, 2012. First Quarter Review of Monetary Policy 2012-13 58. The First Quarter Review of Monetary Policy for 2012-13 is scheduled on Tuesday, July 31, 2012.

Part B. Developmental & Regulatory

59. This part of the Statement reviews the progress in various developmental and regulatory policy measures announced by the Reserve Bank in the recent policy statements and also sets out new measures. 60. Financial institutions and markets continue to operate in an uncertain global environment. Efforts are underway globally to reform the regulatory and supervisory frameworks; augment capital and liquidity buffers; improve risk management practices; adopt prudential compensation models; institute sound information technology (IT) governance and security systems; and bring about transparency in operations as well as reporting. These and a host of other measures are intended to enhance the resilience and risk bearing capacity of financial institutions and markets so as to safeguard the financial system from recurrent crises. 61. In India, reforms have continued with a view to building a robust and resilient financial system. More stringent capital and liquidity measures for commercial banks have been implemented and steps have been taken to build provision buffers. Basel III capital and liquidity standards for banks are in the process of being prescribed. New prudential compensation practices have been adopted. Various institutional mechanisms and tools for monitoring systemic risks have been put in place. Efforts are being made to develop effective macroprudential supervision. 62. Apart from commercial banks, measures have been taken to strengthen urban co-operative banks (UCBs), non-banking financial companies (NBFCs) and micro-finance institutions (MFIs). Alongside reforms in various segments of financial system, the focus on financial inclusion continues. The Reserve Bank has also engaged with banks to improve customer service.

I. Financial Stability

Assessment of Financial Stability 63. The fourth Financial Stability Report (FSR) was released in December 2011. According to the assessment made in the report, the domestic financial system remained robust, though risks to stability increased in the recent period. That the financial system remained robust was evidenced by a series of macro-financial stress tests, which assessed the resilience of the banking system to adverse macroeconomic developments. Stress tests also revealed that banks' capital adequacy remained above regulatory requirements, even under severe stress scenarios. 64. The Reserve Bank instituted a systemic risk survey (SRS) to supplement its assessment of systemic risks through wider consultation. The findings of the SRS also reaffirmed the stability of the system. Over half the respondents were 'confident' or 'very confident' about the stability of the Indian financial system. However, according to the survey, deterioration in asset quality was identified as one of the major risks faced by banks.

II. Financial Markets

Working Group on G-Sec and Interest Rate Derivatives Market 65. As announced in the Second Quarter Review (SQR) of October 2011, a Working Group (Chairman: Shri R. Gandhi) was constituted to examine ways to enhance liquidity in the G-Sec and interest rate derivatives markets. The Working Group is in the process of finalising its draft report, which will be placed on the Reserve Bank's website by end-May 2012 for wider feedback. Based on the feedback/comments received from market participants, the Group will finalise its report. Introduction of a Web-based System for Access to NDS-Auction and NDS-OM 66. To facilitate direct participation of retail and mid-segment investors in G-Sec auctions, the Reserve Bank has allowed web-based access to negotiated dealing system (NDS)-auction system developed by the Clearing Corporation of India Ltd. (CCIL). The system allows gilt account holders to directly place their bids in the auction system through a primary member's portal, as against the earlier practice wherein the primary member used to combine bids of all constituents and bid in the market on their behalf. A

similar web-based access to NDS-order matching (OM) system for secondary market transaction is under development and is expected to be implemented by end-June 2012.

III. Credit Delivery and Financial Inclusion

Financial Inclusion Plan for Banks 67. It was indicated in the Monetary Policy Statement of May 2011 that all public and private sector banks had prepared and submitted their board approved three-year financial inclusion plans (FIPs). These contained self-set targets in respect of opening of rural brick and mortar branches; deployment of business correspondents (BCs); coverage of unbanked villages with population above 2,000 as also other unbanked villages with population below 2,000 through branches/BCs/other modes; opening of no-frills accounts; kisan credit cards (KCCs) and general credit cards (GCCs) issued; and other specific products designed by them to cater to the financially excluded segments. 68. A brief analysis of the progress made under FIPs of banks shows that penetration of banks in rural areas has increased manifold. As against 21,475 brick and mortar branches of these banks in rural areas as in early March 2010, banks are now providing banking services in rural areas through 1,38,502 outlets comprising 24,085 rural branches, 1,11,948 BC outlets and 2,469 outlets through other modes. No-frills accounts have increased to around 99 million with an outstanding balance of above `87 billion with the addition of about 50 million new no-frills accounts since April 2010. 69. Going forward, the focus will be more on the number and value of transactions in no-frills accounts and credit disbursed through information and communication technology (ICT) based BC outlets. For the purpose, banks have been advised that FIPs prepared by their head offices are disaggregated at respective controlling offices and further at branch levels. They were also advised to put in place a mechanism to monitor the progress at these levels periodically. Roadmap for Provision of Banking Services in Villages with Population below 2,000 70. In pursuance of the announcement made in the Monetary Policy Statement of April 2010, the roadmap to provide banking services in every village with a population above 2,000 was finalised by state level bankers' committees (SLBCs). Under the roadmap, 74,414 villages with population above 2,000 were identified as unbanked, which were allocated to various banks, including regional rural banks (RRBs) for providing banking services by March 2012. Banks have covered 74,199 (99.7 per cent) of these unbanked villages. Now the challenge is to cover all the unbanked villages of the country. Accordingly, it is proposed: ● to mandate SLBCs to prepare a roadmap covering all unbanked villages of population less than 2,000 and notionally allot these villages to banks for providing banking services in a time-bound manner. 71. Detailed guidelines in this regard will be issued separately. 72. While all the efforts made for financial inclusion have expanded the access to banking services, it is also important that quality services are provided through newly set up ICT based BC delivery model. It is, therefore, necessary to have an intermediate brick and mortar structure between the present base branch and BC locations so as to provide support to about 8-10 BC units at a reasonable distance of 3-4 kilometres. This could be in the form of a low cost simple brick and mortar structure consisting of minimum infrastructure such as a core banking solution (CBS) terminal linked to a pass book printer and a safe for cash retention for operating larger customer transactions. This will lead to efficiency in cash management, documentation, redressal of customer grievances and close supervision of BC operations. These BC outlets will be treated as bank branches only when managed by full time authorised employees of banks, in which case they will be subject to regulatory reporting. Redefining the Priority Sector 73. As indicated in the SQR of October 2011, the Reserve Bank had constituted a Committee (Chairman: Shri M.

Indian Forest Service Examination, 2012.

The Union Public Service Commission (UPSC) will hold the Indian forest Service Examination, 2012 commencing from 14th July, 2012. The examination will be held at various centres across the country. Candidates are required to apply only through online mode. No other mode is allowed for submission of application. For details regarding eligibility conditions, the Syllabus and Scheme of the examination, Centres of examination, Guidelines for filling up application form etc. aspirants must consult the Detailed Notice of the examination published in the Employment News/Rozgar Samachar dated 14th April, 2012 or the UPSC website www.upsc.gov.in.

V. Nair) to re-examine the existing classification and suggest revised guidelines with regard to priority sector lending classification and related issues. The Committee submitted its report in February 2012. It made the following major recommendations: (i) the existing target of the domestic scheduled commercial banks for lending to the priority sector be retained; (ii) the sector 'agriculture and allied activities' be a composite sector within priority sector; (iii) a sub-target for small and marginal farmers within agriculture and allied activities be segregated; (iv) a sub-target for micro enterprises under the micro and small enterprises (MSE) category be stipulated; (v) the priority sector target for foreign banks be increased to 40 per cent of adjusted net bank credit (ANBC) or credit equivalent of off-balance sheet exposure (CEOBE), whichever is higher with sub-targets of 15 per cent for exports and 15 per cent for the MSE sector; (vi) non-tradable priority sector lending certificates (PSLCs) be allowed on a pilot basis; (vii) bank loans to non-bank financial intermediaries for on-lending to specified segments be allowed to be reckoned for classification under priority sector, up to a maximum of 5 per cent of ANBC or CEOBE, whichever is higher; and (viii) the present system of report-based reporting may be improved through data-based reporting. The report has been placed on the Reserve Bank's website for inviting comments/suggestions. The Reserve Bank will take a view on the recommendations in the light of feedback received.

Rural Co-operatives

Licensing of Co-operatives 74. The Committee on Financial Sector Assessment (Chairman: Dr. Rakesh Mohan and Co-Chairman: Shri Ashok Chawla) had recommended that rural co-operative banks, which failed to obtain a licence by end-March 2012, should not be allowed to operate. The Reserve Bank, along with the National Bank for Agriculture and Rural Development (NABARD) implemented a roadmap for issuing licences to unlicensed state co-operative banks (StCBs) and district central co-operative banks (DCCBs) in a non-disruptive manner, to ensure the completion of licensing work by end-March 2012. After considering the NABARD's recommendations for issuance of licences based on inspection/quick scrutiny, one out of 31 StCBs and 41 out of 371 DCCBs were found to be unable to meet the licensing criteria by end-March 2012. In this regard, suitable action will be initiated in due course. Streamlining of Short-Term Co-operative Credit Structure 75. After recapitalisation of the three-tier short-term co-operative credit structure (STCCS), 41 DCCBs having high level of financial impairment as of end-March 2012 were unable to meet the licensing criteria. In order to examine issues of structural constraints and explore strengthening of the rural co-operative credit architecture with appropriate institutions and instruments of credit to fulfil credit needs, it is proposed: ● to constitute a Working Group to review the STCCS, which will undertake an in-depth analysis of the STCCS and examine various alternatives with a view to reducing the cost of credit, including feasibility of setting up of a two-tier STCCS as against the existing three-tier structure.

Urban Co-operative Banks

Exposure of UCBs to Housing, Real Estate and Commercial Real Estate 76. At present, UCBs are permitted to assume aggregate exposure on real estate, commercial real estate and housing loans up to a maximum of 10 per cent of their total assets with an additional limit of 5 per cent of their

total assets for housing loans up to `1.5 million. In order to facilitate enhanced priority sector lending, it is decided: ● to permit UCBs to utilise the additional limit of 5 per cent of their total assets for granting housing loans up to `2.5 million, which is covered under the priority sector. 77. Detailed guidelines in this regard will be issued separately. Licences for Setting up New Urban Co-operative Banks 78. As announced in the Monetary Policy Statement of April 2010, an Expert Committee (Chairman: Shri Y. H. Malegam) was constituted in October 2010 for studying the advisability of granting licences for setting up new UCBs. The Committee was also mandated to look into the feasibility of an umbrella organisation for the UCB sector. The Committee submitted its report in August 2011. The report was placed in public domain in September 2011 for comments and suggestions from stakeholders. In the light of the feedback received, it is proposed: ● to issue the guidelines on licensing for setting up new UCBs by end-June 2012.

Customer Service

Implementation of the Damodaran Committee Report 79. It was announced in the SQR of October 2011 to implement the recommendations of the Committee on Customer Service in Banks (Chairman: Shri M. Damodaran), on which a broad consensus had emerged, as also the action points which were identified by the Indian Banks' Association (IBA) and the Banking Codes and Standards Board of India (BCSBI) in the Annual Conference of Banking Ombudsmen held in September 2011. Further, it was indicated that the matter would be pursued with the stakeholders in respect of remaining recommendations of the Damodaran Committee. 80. The Damodaran Committee had made a total of 232 recommendations. Of these, 107 recommendations have since been implemented and the IBA has issued operating guidelines to the member banks in this regard. There are another 19 recommendations that are under the accepted category where appropriate guidelines are expected to be issued by the IBA shortly. The Reserve Bank held discussions with the IBA, the BCSBI, the Institute for Development & Research in Banking Technology (IDRBT) and the National Payment Corporation of India (NPCI) to work out the modalities for taking forward the implementation task of the remaining recommendations made by the Damodaran Committee. The IBA has now constituted a sub-group to examine the implementation of the remaining recommendations after studying the relevant international standards and best practices. Home Loans on a Floating Interest Rate Basis – Abolition of Foreclosure Charges/Prepayment Penalty 81. The Damodaran Committee had observed that foreclosure charges levied by banks on prepayment of home loans were resented upon by home loan borrowers across the board, especially since banks were found to be hesitant in passing on the benefits of lower interest rates to the existing borrowers in a falling interest rate scenario. As such, foreclosure charges are seen as a restrictive practice deterring the borrowers from switching over to cheaper available source. 82. It is felt that the removal of foreclosure charges/prepayment penalty on home loans will lead to a reduction in the discrimination between existing and new borrowers and the competition among banks will result in finer pricing of home loans with the floating rate. Though many banks have, in the recent past, voluntarily abolished the pre-payment penalties on their floating rate home loans, there is a need for ensuring uniformity across the banking system in this regard. Accordingly, it is proposed: ● not to permit banks to levy foreclo-

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sure charges/pre-payment penalties on home loans on a floating interest rate basis.

83. Detailed guidelines in this regard will be issued separately.

Variation in Interest Rates on Deposits to be Minimal

84. The Reserve Bank has stipulated, inter alia, that banks should not discriminate in the matter of interest rate paid on deposits, except in respect of fixed deposit schemes specifically meant for resident Indian senior citizens and single term deposits of `1.5 million and above. However, it is observed that there are wide variations in banks' retail and bulk deposits rates, making it unfair to retail depositors. Further, banks are offering significantly different rates on deposits with very little difference in maturities. This suggests inadequate liquidity management system and inadequate pricing methodologies. It is, therefore, advised that:

● banks should have a board approved transparent policy on pricing of liabilities and they should also ensure that variation in interest rates on single term deposits of `1.5 million and above and other term deposits is minimal.

85. Detailed guidelines in this regard will be issued separately.

Unique Customer Identification Code for Banks' Customers in India

86. Availability of a unique customer identification code (UCIC) will help banks to identify a customer, track the facilities availed, monitor financial transactions in various accounts, improve risk profiling, take a holistic view of customer profile and smoothen banking operations for the customer. While some of the Indian banks have already developed UCIC, there is no unique number to identify a single customer across the organisation in many banks. In this regard, the Government of India has already initiated some measures as a working group constituted by them has proposed the introduction of unique identifiers for customers across different banks and financial institutions. While such a system for the entire financial system is desirable, it is likely to take quite some time for a complete roll out. As a first step, banks are advised:

● to initiate steps to allot UCIC number to all their customers while entering into any new relationships in the case of all individual customers to begin with. Similarly, existing individual customers may also be allotted unique customer identification code by end-April 2013.

87. Detailed guidelines in this regard will be issued separately.

Access to Banking Services - Basic Bank Deposit Account

88. Financial inclusion has been high on the agenda of the Reserve Bank. With a view to providing fillip to this concept, banks were advised, in November 2005, to make available a basic banking 'no-frills' account with either 'nil' or very low minimum balance as well as charges that would make

such accounts accessible to vast sections of the population. The nomenclature of the account in this manner has tended to signify that these accounts are opened more with a view to indicating achievement of numerical targets under the financial inclusion plans. On a review, it has been decided to modify the guidelines on opening of basic banking 'no-frills' accounts with a view to doing away with the stigma associated with the nomenclature and making the basic banking facilities available in a more uniform manner across the banking system. Accordingly, it is proposed that:

● banks should offer a 'basic savings bank deposit account' with certain minimum common facilities and without the requirement of minimum balance to all their customers.

89. Detailed guidelines in this regard will be issued separately.

IV. Regulatory & Supervisory Measures for Commercial Banks

Strengthening the Resilience of the Banking Sector

Implementation of Basel III Capital Regulations

90. As indicated in the SQR of October 2011, the Reserve Bank prepared the draft guidelines on **Basel III** – Implementation of Capital Regulations in India, which were placed on its website in December 2011, for comments/suggestions from various stakeholders. The draft guidelines provide for a roadmap for smooth implementation of Basel III capital regulations in terms of the transitional arrangements (phase-in) of capital ratios and grandfathering (phase-out) of ineligible capital instruments. The Reserve Bank is also in the process of estimating, on the basis of data collected from banks, the likely impact of the proposed Basel III norms on banks' capital position and leverage. The estimation exercise, as also the comments/suggestions from various stakeholders, will form the basis for finalising the guidelines on capital regulations. It is proposed:

● to issue the final guidelines on the implementation of Basel III capital regulations by end-April 2012.

Implementation of Liquidity Risk Management and Basel III Framework on Liquidity Standards

91. Based on the documents Principles for Sound Liquidity Risk Management and Supervision as well as Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring published by the Basel Committee on Banking Supervision (BCBS) in September 2008 and December 2010 respectively, the Reserve Bank prepared draft guidelines on Liquidity Risk Management and Basel III Framework on Liquidity Standards,

which were placed on its website in February 2012 for comments and feedback.

92. The draft guidelines consolidate the various instructions/guidance on liquidity risk management that the Reserve Bank has issued from time to time in the past, and where appropriate, harmonises and enhances these instructions/guidance in line with the BCBS's Principles for Sound Liquidity Risk Management and Supervision. They include enhanced guidance on liquidity risk governance, measurement, monitoring and the reporting to the Reserve Bank on liquidity positions. The draft guidelines also cover two minimum global regulatory standards, viz., liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) as set out in the Basel III rules text.

93. While the enhanced liquidity risk management measures are to be implemented by banks immediately after finalisation of the draft guidelines, the Basel III regulatory standards, viz., LCR and NSFR, will be binding on banks from January 1, 2015 and January 1, 2018, respectively. Till then, banks will have to comply with Basel III guidelines on a best effort basis. This will prepare banks for transition to the Basel III requirements. It is proposed:

● to issue the final guidelines on liquidity risk management and Basel III framework on liquidity standards by end-May 2012, after taking into account the suggestions/ feedback received.

Bank Finance to NBFCs Predominantly Engaged in Lending against Gold

94. NBFCs that are predominantly engaged in lending against collateral of gold jewellery have recorded significant growth in recent years, both in terms of their balance sheet size and physical presence. Certain prudential measures have been taken on account of regulatory concerns, given the rapid pace of their business growth and the nature of their business model which has inherent concentration risk. The measures include a loan-to-value (LTV) ratio not exceeding 60 per cent for loans against collateral of gold jewellery and a minimum Tier 1 capital of 12 per cent by April 1, 2014. It has also been stipulated that NBFCs should not grant any advance against bullion/primary gold and gold coins.

95. The rapid expansion of such NBFCs has led to their increased dependence on public funds, including bank finance. To supplement the prudential measures mentioned above, it is proposed that:

● banks should reduce their regulatory exposure ceiling in a single NBFC, having gold loans to the extent of 50 per cent or more of its total financial assets, from the existing 10 per cent to 7.5 per cent of bank's capital funds. However, exposure ceiling may go up by 5 per cent, i.e., up to 12.5 per cent of bank's capital funds if the additional exposure is on account of funds on-lent by NBFCs to the infrastructure sector; and

● banks should have an internal sub-limit on their aggregate exposure to all such NBFCs, having gold loans to the extent of 50 per cent or more of their total financial assets, taken together.

96. Detailed guidelines in this regard will be issued separately.

Lending by NBFCs against Gold: Constitution of a Working Group

97. There has been significant increase in loans by NBFCs against gold in the recent period. There are also complaints against some NBFCs that they are not scrupulously following proper documentation process and know your customer (KYC) norms, among others, in order to quickly dispose off the cases relating to gold loans. Gold imports have also increased sharply, raising macroeconomic concerns. To undertake a detailed study of all these aspects, a Working Group (Convenor: Shri K. U. B. Rao) has been constituted. The major terms of reference of the Group include: (i) to assess the trends in demand for gold loans and to study how it has influenced gold imports; (ii) to analyse the implication of gold imports for external and financial stability; (iii) to study the trends in gold price and to examine whether NBFCs extending gold loans have any role in influencing the gold price; (iv) to examine the sources of funds of NBFCs for gold loans, especially their borrowings from the banking system; and (v) to examine the current practices of NBFCs involved in lending against the collateral of gold. The Working Group is expected to submit the report by end-July 2012.

Implementation of KYC/AML Guidelines

98. Risk categorisation of customers as also compilation, periodic updation of customer profiles and monitoring and closure of alerts in accounts by banks are very important for effective implementation of KYC, anti-money laundering (AML) and combating of financing of terrorism (CFT) measures apart from helping their business development. It is, however, observed that there are laxities in effective implementation of the Reserve Bank's guidelines on KYC/AML measures. Any weakness in the KYC/AML process would leave banks vulnerable to operational risk. Banks should, therefore, ensure compliance with the regulatory guidelines on KYC/AML in both letter and spirit. Accordingly, it is proposed:

● to mandate banks to complete the process of risk categorisation and compiling/updating profiles of all of their existing customers in a time-bound manner, and in any case not later than end-March 2013.

99. Detailed guidelines in this regard will be issued separately.

NPA Management – Requirement of a Strong Mechanism and Granular Data

100. The asset quality of banks is one of the most important indicators of their financial health. It also reflects the efficacy of banks' credit risk management and the recovery environment. It is important that the signs of distress in all stressed accounts are detected early and those which are viable are also extended restructuring facilities expeditiously to preserve their economic value. During annual financial inspection (AFIs), it has been observed that the restructuring facilities are not readily extended to small accounts. To improve the banks' ability to manage their non-performing assets (NPAs) and restructured accounts in an effective manner and considering that almost all branches of banks have been fully computerised, it is proposed:

● to mandate banks to put in place a robust mechanism for early detection of signs of distress, and measures, including prompt restructuring in the case of all viable accounts wherever required, with a view to preserving the economic value of such accounts; and

● to mandate banks to have proper system generated segment-wise data on their NPA accounts, write-offs, compromise settlements, recovery and restructured accounts.

101. Detailed guidelines in this regard will be issued separately.

Strengthening the Regulatory Framework for Unclaimed Deposits

102. Banks were advised from time to time to strengthen their machinery and play an active role in finding the whereabouts of the account holders of unclaimed deposits or whose accounts have remained inoperative. Despite such instructions, banks have not been pro-active in tracing customers linked with unclaimed deposits/inoperative accounts. Also, the need to identify the owners of these unclaimed deposits/inoperative accounts is closely linked to KYC due diligence. It is, therefore, imperative to further strengthen the regulatory framework for inoperative accounts and unclaimed deposits. Accordingly, it is proposed:

● to mandate banks to have a board approved policy on classification of unclaimed deposits; grievance redressal mechanism for quick resolution of complaints; record keeping; and periodic review of such accounts.

103. Detailed guidelines in this regard will be issued separately.

Fixed Interest Rate Products

104. Banks have the freedom to offer all categories of loans on a fixed or floating interest rate basis, subject to conformity with their asset liability management (ALM) frameworks. They also have the freedom to offer floating rate on domestic term deposits clearly linked to a market determined external anchor rate, in addition to fixed rate deposits. It is observed that while interest rates on deposits are predominantly fixed, most of the retail loan products, especially home loans, have been sanctioned on a floating interest rate basis, thereby exposing the borrowers to uncertain interest rate movements. On the other hand, banks have the wherewithal to manage such interest rate risk. In order to examine the issue, it is proposed:

● to set up a Working Group to assess the feasibility of introducing more long-term fixed interest rate loan products by banks.

Bank Resolution Mechanism: Strengthening Regulatory Framework

105. The Financial Stability Board (FSB) has proposed a set of twelve

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core elements, viz., 'the key attributes', as essential components that would allow the resolution authorities to resolve financial institutions in an orderly manner without severe systemic disruption and without exposing taxpayers to loss, while maintaining continuity of vital economic functions of the non-viable firms through absorption of losses by the shareholders and unsecured and uninsured creditors. The 'key attributes' call for an effective 'resolution regime' to be in place in all jurisdictions (member countries) that provides the resolution authority with a broad range of powers/tools and options to resolve a firm that is no longer viable and has no reasonable prospect of becoming so.

106. In order to examine the current gaps, vis-à-vis the 'key attributes', in the Indian resolution regime for the banking system in particular and to suggest the nature and extent of the legislative and regulatory changes needed to address such gaps, an internal Working Group (Chairman: Shri B. Mahapatra) on resolution regime was constituted in March 2012.

Guidelines on Securitisation

107. With a view to developing an orderly and healthy securitisation market and ensuring greater alignment of the interests of the originators and the investors, it was considered necessary to prescribe a minimum lock-in period and minimum retention criteria for securitised loans originated and purchased by banks and NBFCs. Accordingly, a discussion paper and draft guidelines on securitisation transactions were issued in April 2010 for public comments. After considering the feedback received and international developments during the intervening period, revised draft guidelines were issued for public comments in September 2011. Taking into account comments received from various stakeholders, it is proposed:

● to issue the final guidelines on securitisation by end-April 2012.

Dynamic Provisioning

108. Pursuant to the announcement in the SQR of October 2011, a discussion paper on Introduction of Dynamic Loan Loss Provisioning Framework for Banks in India was placed on the Reserve Bank's website in March 2012, soliciting views/comments from banks and other stakeholders. The guidelines on dynamic provisioning would be finalised after taking into consideration the views/comments on the discussion paper.

Compensation Practices

109. It was announced in the SQR of October 2011 that the Reserve Bank was in the process of issuing the final guidelines on compensation based on the FSB's Principles on Sound Compensation Practices. Taking into account feedback/comments received, final guidelines on compensation were issued to all private sector banks and foreign banks in India in January 2012. The guidelines cover effective governance of compensation, alignment of compensation with prudent risk-taking, and disclosures. These guidelines supersede the Reserve Bank's extant guidelines relating to compensation. The policy will come into effect from the financial year 2012-13.

Working Group on Pricing of Credit

110. As indicated in the SQR of October 2011, a Working Group on Pricing of Credit (Chairman: Shri Anand Sinha) was constituted in January 2012 to review the current practice regarding pricing of floating rate loan products in India vis-à-vis the international practices. The Group will also study the methodology of determination of credit spreads and its components and suggest measures for appropriate pricing of floating rate loan products to improve transparency in pricing and loan documentations. The Working Group, which is required to submit its report by end-July 2012, held its first meeting in February 2012.

Working Group on Restructuring of Advances by Banks

111. As indicated in the SQR of October 2011, a Working Group (Chairman: Shri B. Mahapatra) was constituted in January 2012 to review the existing prudential guidelines on restructuring of advances by banks/financial institutions and suggest revisions taking into account the best international practices and accounting standards. The Group has representation from select banks, the IBA, the Government of India, corporate debt restructuring cell and regulatory/supervisory departments of the Reserve Bank. The Group is expected to submit its report by end-July 2012.

Supervisory Policies, Procedures and Processes: A Comprehensive Review

112. A High Level Steering Committee (Chairman: Dr. K. C. Chakrabarty) was set up by the Reserve Bank to review the existing supervisory processes in respect of commercial banks in India. A Technical Committee, comprising officers from the Reserve Bank and representatives from a few banks, has also been constituted to aid and assist the Steering Committee. The Committee, among others, has taken up the work with regard to (i) moving supervisory approach from examining the past performance through capital adequacy, asset quality, management, earning, liquidity and system and control (CAMELS) model to predicting the path and passage of risks; (ii) preparing the supervisory apparatus to focus not just on regulatory compliance and solvency of a bank but also on finding out riskiness of a bank, its business preparedness to adopt risk lines irrespective of the size and delineate the impact of a failure; (iii) prescribing necessary ingredients for adapting risk based business conduct with indicative time lines; and (iv) devising rating methods which also capture fair, transparent and non-discriminatory pricing to customers. The Committee is expected to submit its report by end-July 2012.

V. Institutional Developments

Non-Banking Financial Companies Overseas Investment by Core Investment Companies

113. As indicated in the SQR of October 2011, core investment companies (CICs) have, as their primary activity, investment in equity shares of group entities for the sake of holding stake in

Guinea-Bissau suspended from African Union

The African Union has suspended Guinea-Bissau's membership after a coup last week by the West African state's military chiefs. "The African Union (AU) Peace and Security Council decides to suspend with immediate effect Guinea-Bissau from all activities ... until restoration of constitutional order," Ramtane Lamamra said after a meeting in the bloc's headquarters in the Ethiopian capital on April 17, 2012. The AU's suspension comes as leaders of the Economic Community of West African States (ECOWAS) said that military leaders in Guinea-Bissau agreed to hand back power and return the country to constitutional rule soon, after talks on April 16, 2012. "After in-depth discussions, we agreed on the fact that the military accept the decision of ECOWAS to return to constitutional order," Desire Kadre Ouedraogo, president of the ECOWAS commission, told journalists after the meeting.

Ouedraogo said Ivory Coast President Alassane Ouattara, who chairs the regional bloc, would take steps with other parties, to return the country to constitutional rule in the coming days, but gave no specific timeline. The second-place finisher in Guinea-Bissau's first round presidential vote held on March 18 denounced the military coup, when soldiers attacked his opponent's home with grenades and arrested him weeks before a runoff vote. Kumba Yala, a former president who was himself overthrown in a 2003 coup, issued a statement along with four other ex-candidates, saying they all "strongly condemn all forms of taking power by force".

Prime Minister Carlos Gomes Jr, the favourite to win the runoff vote set for April 29, remains in military custody along with interim President Raimundo Pereira, who took power after Guinea-Bissau's president died in January. A Portuguese government official, speaking on condition of anonymity because he was not authorised to speak to reporters, said Portugal had received information that both men were doing well. The prime minister needed insulin and the Portuguese Embassy organised for the Red Cross to get it to him on Saturday, the official said.

Guinea-Bissau has weathered successive coups, attempted coups and a civil war since winning independence from Portugal in 1974. The country has been further destabilised by a booming drug trade. Cocaine is smuggled across the Atlantic Ocean from South America in boats and planes which dock on Guinea-Bissau's archipelago of Virgin Islands. The drugs are carried north to Europe. The unrest in Guinea-Bissau takes place just weeks after mutinous soldiers overthrew the democratically elected president of Mali, who was about to retire after an April election. The country's coup leader handed over power to an interim civilian president last week. Guinea-Bissau's upheaval presents another dilemma for the regional ECOWAS bloc, which is already considering military force to topple rebels who declared independence in northern Mali.



OPINION - EDITORIAL

INDIA AND WEAPONS OF MASS DESTRUCTION

C.S. Rajput

India possesses nuclear weapons and maintains short- and intermediate-range ballistic missiles, nuclear-capable aircraft, surface ships, and submarines under development as possible delivery systems and platforms. Although it lacks an operational ballistic missile submarine, India has ambitions of possessing a nuclear triad in the near future when INS Arihant the lead ship of India's Arihant class of nuclear-powered submarines formally joins the Indian Navy in 2011 after undergoing extensive sea-trials. Though India has not made any official statements about the size of its nuclear arsenal, recent estimates suggest that India has between 80 and 100 nuclear weapons, consistent with earlier estimates that it had produced enough weapons-grade plutonium for up to 75–110 nuclear weapons. Production of weapons-grade plutonium is believed to be taking place at the Bhabha Atomic Research Centre, which is home to the CIRUS reactor, acquired from Canada and shut down in 2010, to the indigenous Dhruva reactor, and to a plutonium separation facility. India is not a signatory to the 1968 Nuclear Non-Proliferation Treaty (NPT), which India argues entrenches the status quo of the existing nuclear weapons states whilst preventing general nuclear disarmament. India tested a nuclear device in 1974 (code-named "Smiling Buddha"), which it called a "peaceful nuclear explosion." The test used plutonium produced in the Canadian-supplied CIRUS reactor, and raised concerns that nuclear technology supplied for peaceful purposes could be diverted to weapons purposes. This also stimulated the early work of the Nuclear Suppliers Group. India performed further nuclear tests in 1998 (code-named "Operation Shakti"). India has signed and ratified both the Biological Weapons Convention and the Chemical Weapons Convention.

Current arsenal and estimates of inventory

- In 2005, it was estimated that India had between 40 and 50 warheads.
- In November 2008, the Bulletin of the Atomic Scientists estimated that India has about 70 assembled nuclear warheads, with about 50 of them fully operational.
- n A report by David Albright, published by the Institute for Science and International Security in 2000, estimated that India at end of 1999 had 310 kilograms of weapon grade plutonium, enough for 65 nuclear weapons. He also estimated that India had 4,200 kg of reactor grade plutonium which is enough to build 1,000 nuclear weapons. By the end of 2004, he estimates India had 445 kilograms of weapon grade plutonium which is enough for around 85 nuclear weapons considering 5 kg of plutonium required for each weapon.
- As of February 2011, the Federation of American Scientists estimated that India had a stockpile of 80-100 weapons.
- Former R&AW official J.K. Sinha, claimed that India is capable of producing 130 kilograms of weapon grade plutonium per year from six "unsafeguarded" reactors not included in the nuclear deal between India and the United States.

Doctrine

India has a declared nuclear no-first-use policy and is in the process of developing a nuclear doctrine based on "credible minimum deterrence." In August 1999, the Indian government released a draft of the doctrine which asserts that nuclear weapons are solely for deterrence and that India will pursue a policy of "retaliation only". The document also maintains that India "will not be the first to initiate a nuclear first strike, but will respond with punitive retaliation should deterrence

fail" and that decisions to authorize the use of nuclear weapons would be made by the Prime Minister or his 'designated successor(s).'" According to the NRDC, despite the escalation of tensions between India and Pakistan in 2001-2002, India remains committed to its nuclear no-first-use policy. Indian National Security Advisor Shri Shivshankar Menon signaled a significant shift from "No first use" to "no first use against non-nuclear weapon states" in a speech on the occasion of Golden Jubilee celebrations of National Defence College in New Delhi on October 21, 2010, a doctrine Menon said reflected India's "strategic culture, with its emphasis on minimal deterrence."

Command and control

India's Strategic Nuclear Command was formally established in 2003, with an Air Force officer, Air Marshal Asthana, as the Commander-in-Chief. The joint services SNC is the custodian of all of India's nuclear weapons, missiles and assets. It is also responsible for executing all aspects of India's nuclear policy. However, the civil leadership, in the form of the CCS (Cabinet Committee on Security) is the only body authorized to order a nuclear strike against another offending strike: In effect, it is the Prime Minister who has his finger "on the button."

International treaties

India is not a signatory to either the Nuclear ***Non-Proliferation Treaty (NPT)*** or the ***Comprehensive Test Ban Treaty (CTBT)***, but did accede to the Partial Test Ban Treaty in October 1963. India is a member of the ***International Atomic Energy Agency (IAEA)***, and four of its 17 nuclear reactors are subject to IAEA safeguards. India announced its lack of intention to accede to the NPT as late as 1997 by voting against the paragraph of a General Assembly Resolution which urged all non-signatories of the treaty to accede to it at the earliest possible date.

Thermonuclear device used in the Pokhran Test

India voted against the UN General Assembly resolution endorsing the CTBT, which was adopted on 10 September 1996. India objected to the lack of provision for universal nuclear disarmament "within a time-bound framework." India also demanded that the treaty ban laboratory simulations. In addition, India opposed the provision in Article XIV of the CTBT that requires India's ratification for the treaty to enter into force, which India argued was a violation of its sovereign right to choose whether it would sign the treaty. In early February 1997, Foreign Minister I.K.Gujral reiterated India's opposition to the treaty, saying that "India favors any step aimed at destroying nuclear weapons, but considers that the treaty in its current form is not comprehensive and bans only certain types of tests." In August 2008, the International Atomic Energy Agency (IAEA) approved safeguards agreement with India under which the former will gradually gain access to India's civilian nuclear reactors. In September 2008, the Nuclear Suppliers Group granted India a waiver allowing it to access civilian nuclear technology and fuel from other countries. The implementation of this waiver makes India the only known country with nuclear weapons which is not a party to the NPT but is still allowed to carry out nuclear commerce with the rest of the world. Since the implementation of NSG waiver, India has signed nuclear deals with several countries including France, United States, Mongolia,

India's Nuclear Capable Missiles

| Name | Class | Range | Payload | Status |
|--------------|-------|----------------------|---------------|----------------------|
| Agni-I | SRBM | 700 km | 1,000 kg | Operational |
| Agni-II | MRBM | 2,000 km - 3,000 km | 500- 1,000 kg | Operational |
| Agni-III | IRBM | 5,000 km | 2,490 kg | Inducted |
| Agni-IV | MRBM | 3,000 km - 3,800 km | 500-1,500 kg | Induction by 2014-15 |
| Agni-V ment | ICBM | 5,000 km - 6,000 km | 3,000 kg+ | Under develop- |
| Agni-VI | ICBM | 5,200 km - 10,000 km | 700-1,400 kg | Under development |
| Dhanush | SRBM | 350 km | 500 kg | Developedbutnotused |
| Nirbhay ment | SCM | 1,000 km | ? | Under develop- |
| Brahmos I | SCM | 290 km | 300 kg | Operational |
| Brahmos II | HCM | 290 km | 300 kg | Under development |
| P-70 Ametist | ASM | 65 km | 530 kg | Operational |
| P-270 Moskit | SCM | 120 km | 320 kg | Operational |
| Popeye | ASM | 78 km | 340 kg | Operational |
| Prithvi- I | SRBM | 150 km | 1000 kg | Operational |
| Prithvi-II | SRBM | 250 km | 500 kg | Operational |
| Prithvi-III | SRBM | 350 km | 500 kg | Operational |
| Sagarika | SLBM | 700 km - 2,200 km | 150- 1000 kg | AvailingAirtantSSEns |
| Shaurya | TBM | 700 km - 2,200 km | 150- 1,000 kg | Operational |

Note
SCM - Supersonic Cruise Missile
HCM - Hypersonic Cruise Missile
ASM - Anti-shipping Missile

Namibia, and Kazakhstan while the framework for similar deals with Canada and United Kingdom are also being prepared.

Cruise missiles

India has a number of Moskit supersonic nuclear capable cruise missile P-70 Ametist cruise missile **Nirbhay** Nirbhay is a long range, subsonic cruise missile being developed in India. The missile will have a range of 1,000 km and will arm three services, the Indian Army, Indian Navy and the Indian Air Force. The Nirbhay will be able to be launched from multiple platforms on land, sea and air. The first test flight of the missile is expected in the year 2012. Nirbhay will be a terrain hugging, stealth missile capable of delivering 24 different types of warheads depending on mission requirements and will use inertial navigation system for guidance. There are plans to arm the IL-76MDs with the aerial version of the missile.

3M-54 Klub India has acquired around 200 3M-54 Klub for arming Talwar class frigate, Shivalik class frigate, Kolkata class destroyer and Sindhughosh class submarine. The Russian 3M-54 Klub is a multi-role missile system developed by the Novator Design Bureau (OKB-8) with a range of 250 km-300 km and an average speed of .8 Mach with a maximum of 2.9 Mach. India has both the Klub-N and Klub-S variant to be used for Ships and Submarines respectively. Both the Klub-N and Klub-S have been tested successfully. India currently has the 3M-54E, 3M-54E1, 91RE1 and 91RE2 variants. In addition the Navy has plans to arm the Tu-142 and Tu-22M with an air-launched version. Due to Klub's longer range than BrahMos it may also be used in the Mirage 2000 and Su-30 MKI too. The Navy has shown interest in buying more Clubs which would be incorporated on to the S-1000 submarine if bought by India. India is also keen on other Former Soviet cruise missile such as the P-700 Granit and P-500 Bazalt.

P-70 Ametist India has Soviet P-70 Ametist submarine-launched cruise missiles. The missile were mostly probably bought in the early 90s and may be used today as canistered launched land based cruise missiles instead of submarine launched cruise missiles. The missiles can carry nuclear warheads and have a range of 50–65 km. Although they are extremely old and incompetent due to their low range and speed, there are still reports that they are kept in reserve and can still be used due to their upgrades in the late 90s.

Moskit India has a number of operational Moskits. The P-270 Moskit is a Russian supersonic ramjet powered cruise missile capable of being launched from land and ships. India has most probably bought both land and ship variants which have a range of 120 km. India bought around 200 Klub missiles and now it is believed that the Moskit have been kept in reserve but can still be used.

Brahmos

BrahMos is a supersonic cruise missile that can be launched from submarines, ships, aircraft or land. It is a joint venture between India's Defence Research and Development Organisation (DRDO) and Russia's NPO Mashinostroyeniya who have together formed the BrahMos Aerospace Private Limited. The acronym BrahMos is perceived as the confluence of the two nations represented by two rivers, the Brahmaputra of India and the Moskva of Russia. It travels at speeds of Mach 2.5 to 2.8 and is the world's fastest cruise missile. It is about three-and-a-half times faster than the U.S.A's subsonic Harpoon cruise missile. A hypersonic version of the missile is also presently under development (Lab Tested with 5.26 Mach Speed). BrahMos claims to have the capability of attacking surface targets as low as 10 meters in altitude. It can gain a speed of Mach 2.8, and has a maximum range of 290 km. The ship-launched and land-based missiles can carry a 200 kg warhead, whereas the aircraft-launched variant (BrahMos A) can carry a 300 kg warhead. It has a two-stage propulsion system, with a solid-propellant rocket for initial acceleration and a liquid-fueled ramjet responsible for sustained supersonic cruise. Air-breathing ramjet propulsion is much more fuel-efficient than rocket propulsion, giving the BrahMos a longer range than a pure rocket-powered missile would achieve. The high speed of the BrahMos likely gives it better target-penetration characteristics than lighter subsonic cruise-missiles such as the Tomahawk. Being twice as heavy and almost four times faster than the Tomahawk, the BrahMos has almost 32 times the initial kinetic energy of a Tomahawk missile (although it pays for this by having only 3/5 the payload and a fraction of the range despite weighing twice as much, suggesting a different tactical paradigm to achieve the objective). Although BrahMos is primarily an anti-ship missile, it can also engage land based targets. It can be launched either in a vertical or inclined position and is capable of covering targets over a 360 degree horizon. The BrahMos missile has an identical configuration for land, sea, and sub-sea platforms. The air-launched version has a smaller booster and additional tail fins for added stability during launch. The BrahMos is currently being configured for aerial deployment with the Su-30MKI as its carrier. India has produced more than 110 Brahmos by March 2011 as per SIPRI, inducted 1 regiment of Brahmos Type-I GLCM with 67 missiles.

Surface to air missile

Akash

Akash (Sanskrit: Sky) is India's medium range surface-to-air missile defense system The missile can target aircraft up to 30 km away, at altitudes up to 18,000 m.

EDITORIAL

DEVELOP INDIA

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SC upholds EC criteria on symbol issue

In a majority verdict, the Supreme Court on April 18, 2012 upheld the criteria of the Election Commission (EC) for granting symbols to unrecognised registered political parties.



A three-judge bench comprising justice Altamas Kabir, S S Nijjar and Jasti Chelameswar upheld the panel's symbol order by a two to one majority. Justice Chelameswar wrote the dissenting order against the EC's symbol order. The court passed the order on a batch of petitions filed by state political parties challenging the symbol order of the EC. According to the EC's order, permanent symbol is granted to those political parties which have garnered a certain percentage of votes in assembly elections or have managed to win two assembly seats or one seat in parliamentary elections from the state. Several parties including, then Praja Rajyam Party, Bahujan Vikas Aghadi and Desiya Murpokku Dravida Kazhagam had approached the apex court in 2008 against the EC's decision to change their symbol from what was allotted to them previously.

Prez, PM congratulates DRDO on successful Agni launch

President Pratibha Patil has congratulated DRDO scientists for the successful test firing of Inter Continental Ballistic Missile Agni-V with a strike range of 5,000 km. "President congratulates DRDO and its scientists for successful Agni V Test launch," a Rashtrapati Bhavan statement said on April 19, 2012. The 5000 km range ICBM was successfully test-fired on Thursday from a range in Wheeler Island off the coast of Odisha. PM Manmohan Singh hailed the test firing of Inter Continental Ballistic Missile Agni V saying that this represented another milestone in India's quest to add to the credibility of its security and preparedness. Soon after the launch of Agni V, he congratulated the scientists who had worked tirelessly and called up DRDO chief V K Saraswat in this regard. "Today's successful Agni V test launch represents another milestone in our quest to add to the credibility of our security and preparedness and to continuously explore the frontiers of science," he added. "I congratulate all the scientific and technical personnel of the DRDO and other organisations who have worked tirelessly in our endeavour to strengthen the defence and security of our country," the Prime Minister said in his message. The nation stands together in honouring the scientific community, the Prime Minister said. Antony describes Agni-5 launch as a major milestone Defence Minister A K Antony today described the maiden test flight of Inter-Continental Ballistic Missile (ICBM) Agni-5 as an "immaculate success" and a "major milestone". "The nation stands tall today. We have joined the elite club of nations (to possess the ICBM capability)," Antony told the DRDO Chief Dr V K Saraswat on phone after the test flight of the missile was declared successful. "The immaculate success of the Agni-5 is a major milestone in the country's missile research and development programme," he said. The about 5,000 km range Agni-5 was launched from a test range at Wheeler Island off the coast of Odisha at 0807 hours and took 15 minutes to reach its target in Southern Indian Ocean. The missile achieved all the mission parameters and has turned out to be a huge success, Defence Ministry officials said. The launch was cancelled on Wednesday night due to bad weather and a spate of heavy lightning in the test range. Antony also spoke to the Agni-5 project director Dr Avinash Chander and congratulated his entire team for their hard work and dedication. DRDO took four years to develop the missile. In his conversation with Dr Saraswat and Dr Chander, Antony told them that the nation is proud of its defence scientists and recalled the contributions made by former DRDO chiefs, specially Dr M Natarajan, a brain behind success of various projects such as MBT Arjun and pioneering efforts in LCA Tejas and Pinaka MBRL projects.(BJ-19/04) Telugu Desam Party president N Chandrababu Naidu hailed the successful maiden test flight of Inter-Continental Ballistic Missile (ICBM) Agni-V on April 19, 2012. He complimented scientists and officials involved with the project and said their effort to strengthen the country's defence systems was commendable. "Not only in the field of defence, the country should make rapid strides in other fields as well by making effective use of science and technology," the former Andhra Pradesh chief minister said in a statement. BJP President Nitin Gadkari hailed the successful launch of Agni V ballistic missile, saying it has put India into an elite club of nations. "Gadkari has congratulated the DRDO scientists for this proud milestone in the security of the nation since India has now become a missile power," BJP said in a statement. The Agni-V missile, having a range of 5,000 km, was successfully test-fired this morning a launch pad off Odisha coast. "The fully indigenous missile Agni-V has put India in the elite club of nations," Gadkari said.

these companies. As a holding company, a CIC may also need to invest in both financial and non-financial entities overseas. Accordingly, it is proposed:

- to place the draft guidelines on overseas investment by CICs on the Reserve Bank's website for public comments by end-April 2012.

Review of the Existing Regulatory Framework for NBFCs

114. As indicated in the SQR of October 2011, the Reserve Bank had constituted a Working Group (Chairperson: Smt. Usha Thorat) to examine a range of emerging issues pertaining to the regulation of the NBFC sector in view of their growing importance and inter-connectedness with other segments of the financial system, which would have a bearing on financial stability. The report was placed on the Reserve Bank's website in August 2011 for feedback from the public. In the light of the feedback, it is proposed:

- to issue the draft guidelines on the regulatory framework for NBFCs by end-June 2012.

Payment and Settlement Systems

White Label ATMs

115. At present, only banks are permitted to set up automated teller machines (ATMs) in India. The Reserve Bank has since reviewed the policy on ATMs and it has been decided to permit non-banks to set up, own and operate ATMs to accelerate the growth and penetration of ATMs in the country. Such ATMs will be in the nature of white label ATMs (WLA) and would provide services to customers of all banks. While such WLAs will be owned and operated by non-bank entities, cash management and customer grievance redressal will be in the domain of the sponsor banks. The draft guidelines on WLAs were placed on the Reserve Bank's website for public comments in February 2012. Roles and responsibilities of the stakeholders (WLA operators, sponsor banks and ATM network operators) were indicated in the draft circular keeping in view various aspects, including cash management, ATM network membership and customer grievance redressal. The final guidelines will be issued, after taking into account the views of public and stakeholders.

RuPay Card

116. In its Payment System Vision document 2009-12, the Reserve Bank had envisaged the possibility of launching a domestic card. Accordingly, NPCI was authorised for a pilot launch of RuPay debit card. The card has since been launched in March 2012. The RuPay card is meant to promote a payments and settlement platform for card transactions at a low processing fee, making it viable for smaller merchant establishments to accept card payments for even low-value transactions. This is expected to provide a further fillip to card transactions in the country, thereby reducing the use of currency.

Membership of SWIFT Oversight Group

117. The Society for Worldwide Interbank Financial Telecommunication (SWIFT) is presently subjected to cooperative oversight by the G-10 central banks with National Bank of Belgium as the lead overseer. The SWIFT Co-operative Oversight Group (OG) is the forum through which the G-10 central banks conduct cooperative oversight of SWIFT. The G-10 central banks have since decided to expand the SWIFT Oversight Forum by including the member countries of the Committee on Payment and Settlement System (CPSS). The Reserve Bank has been invited to join the SWIFT Oversight Forum. In the meantime, it has been decided, in principle, to permit the use of SWIFT for domestic financial transactions, subject to certain conditions. The operating modalities are being worked out.

Performance of the National Electronic Funds Transfer System

118. All the refinements to the national electronic funds transfer (NEFT) scheme have been well accepted by the stakeholders and the product is growing in terms of acceptability, reach and volumes handled. As at end-March 2012, around 84,000 branches of 109 banks participated in the NEFT system. During March 2012, the volume of transactions processed increased to about 27 million. The monthly average volume for the year 2011-12 was around 19 million per month. Further, 71 out of 82 RRBs are now participat-

ing in NEFT as sub-members through their sponsor banks. This has ensured additional branch coverage of more than 12,000 bank branches under the NEFT ambit.

119. The Royal Monetary Authority (RMA) of Bhutan successfully launched NEFT in December 2011 with the assistance of the Reserve Bank. The RMA has further sought the Reserve Bank's assistance in linking their national ATM switch with the national financial switch (NFS) in India. Necessary support is being provided to them in this regard as well.

IT Vision Document for 2011-17

120. Information Technology Vision Document 2011-2017 was released in February 2011. The Standing Committee (Chairman: Shri Anand Sinha) has been monitoring the progress of implementation of IT vision of the Reserve Bank for 2011-17. Some of the important initiatives in this regard were setting up of an IT Sub-Committee of the Central Board, preparation of business continuity plan (BCP) document for the Bank as a whole, issue of IT project management guidelines for internal use and working on a structure for business process reengineering. The IDRB has started working on important areas like governance and security, in the process of evolving as centre of excellence. The IBA is coordinating the activities of banks in the relevant areas.

IT and IS Governance

121. Information Technology Vision Document 2011-2017, which was released in February 2011, also sets priorities for commercial banks to move forward from usage of CBS for front-end customer service to areas such as management information system (MIS), regulatory reporting, overall risk management, financial inclusion and customer relationship management. Recognising that possible operational risks arising out of adopting technology in the banking sector could have some impact on financial stability, the document has emphasised the need for internal controls, risk mitigation systems and BCPs. Towards this, banks may work in improving their IT governance structures; and evolve well defined information technology policies as well as information security (IS) frameworks.

122. Adoption of well-structured IT governance models will assist banks in enabling better alignment between IT and business, create efficiencies, enhance conformity to internationally accepted best practices and improve overall IT performance, as also enable better control and security. IT governance objectives may be translated effectively and efficiently into improved performance. In order to achieve the above, banks need to move towards adoption of well-structured IT governance models. At its own level, the Reserve Bank has set up an IT Sub-Committee of the Central Board, chaired by an external director, in order to strengthen its IT governance mechanism.

123. Banks are increasingly relying on various IT based channels to operate their businesses and market interactions. Ability of banks to take advantage of new opportunities would largely depend on their capability to provide accessible and secure service channels. However, this would also increase their exposure to technology and operational risks, which have potential implications for individual banks as also for the entire financial sector.

Adoption of comprehensive IS frameworks suiting the prevalent banking environment, business goals, processes, people and technology will be imperative to meet these challenges

Automated Data Flow from Banks

124. Following the announcement in the Monetary Policy Statement of May 2011, banks have undertaken to bring returns to be submitted to the Reserve Bank under Automated Data Flow (ADF). A working group comprising representations from banks and the Reserve Bank has been constituted for guiding and monitoring the implementation of the ADF project. Banks are adopting different strategies for putting in place systems and processes required for achieving automation of internal data flow to generate returns without manual intervention. Banks are required to implement suitable solutions to generate all the returns to be submitted to the Reserve Bank by end-March 2013. The Reserve Bank has

been closely monitoring the progress of implementation.

Currency Management

Realignment of Business Processes and Training

125. In order to align the currency management systems with the emerging needs of the time and leveraging technology, the critical areas of operational importance have been revisited. A roadmap has been prepared to realign the banks' business processes relating to currency management, for greater efficiency and productivity.

126. With the increasing incidence of counterfeit notes, the need for adequately trained personnel at banks to identify such notes has increased manifold. Such trained personnel manning the counters are not only important for detection/identification of counterfeit notes but also serving as a point of awareness for members of public. While the Reserve Bank and other banks have been conducting training programmes, these, in the emerging scenario, may not be adequate. The IBA, in consultation with the banks, will ensure that all bank personnel handling cash are trained on features of genuine Indian bank notes with the objective to train all such personnel within a period of 3 years. The Reserve Bank will also provide faculty support and training materials.

Detection and Reporting Mechanism of Counterfeit Bank Notes

127. It has already been stipulated that bank notes in the denomination of `100 and above are processed through machines conforming to the standards/parameters prescribed by the Reserve Bank, before issuing them over their counters or through ATMs. The stipulation has been made, inter alia, to ensure that counterfeit notes are detected at bank/branch level itself, thereby preventing their entry back into circulation. It is also observed that despite the above measure and after rationalising the procedure of filing first information reports (FIRs), the detection and subsequent reporting of counterfeit bank notes by banks continue to be inadequate. This has serious repercussions in that the Reserve Bank is not in a position to assess the number of counterfeit notes in circulation and its ramifications for the economy. In order to address the above concerns, banks are advised:

- to ensure that the notes received over the counters are re-circulated only after ensuring their proper authentication through machines; and
- to streamline their system in a manner which will make them bear the risk of counterfeit bank notes rather than the common man who unknowingly comes in possession of such notes.

128. Detailed guidelines in this regard will be issued separately.

129. Banks are expected to painstakingly follow the revised procedure for detection of counterfeit notes and its reporting, as stipulated by the Reserve Bank.

Distribution Channels of Bank Notes and Coins

130. At present, bank notes and coins are distributed to the public through the regional offices of the Reserve Bank and currency chests/bank branches. Keeping in view the geographical spread of bank branch network and leveraging technology, it has been decided:

- to channelize the distribution of bank notes and coins only through currency chests/bank branches, thus making available the related services closer to the customers. Banks are expected to strengthen their distribution systems and procedures so as to cater to the growing needs of the common man.

131. Detailed operational guidelines will be issued separately, in consultation with banks.

High Level Committee on Demand for Coins

132. In the wake of increasing numbers of complaints from various trade bodies and the members of public on availability of coins, the Government of India constituted a High Level Committee (Chairman: Dr. K. C. Chakrabarty) to examine the issues relating to increase in demand for coins and supply/distribution bottlenecks so as to ensure regular and smooth availability of coins to the public at large. The Committee is expected to submit its report by end-May 2012.

Second Quarter Review

133. The next review of the developmental and regulatory policies will be undertaken as part of the Second Quarter Review of Monetary Policy on October 30, 2012.

Suu Kyi set for first trip abroad in 24 years

Myanmar's Nobel Peace Prize laureate and pro-democracy leader, Aung San Suu Kyi, is set to travel outside the country for the first time in 24 years. The party of the newly elected member of parliament said on Wednesday that Suu Kyi had accepted invitations to visit Norway and Britain in June. Officials in Myanmar told the AFP news agency that Suu Kyi had applied to travel but had not yet been granted a passport.



Suu Kyi was invited to visit Britain during a meeting with David Cameron, the British prime minister, in Yangon last week.

"Two years ago I would have said thank you for the invitation, but sorry," she said of Friday's offer by the British leader.

The fact that she would consider the offer, rather than reject it outright, showed "great progress" had been achieved in Myanmar she said. The city of Oxford, where she attended university in the 1970s, will be on the agenda for the Britain visit, Nyan Win, spokesman for her National League for Democracy (NLD) party told the Reuters news agency. He said the exact route and dates for Suu Kyi's first travels outside the southeast Asian nation in more than two decades had not yet been set.

The 66-year-old Suu Kyi, first detained in 1989, spent 15 of the last 21 years in detention.

Following her November 2010 release, Suu Kyi refused to leave the country during the brief periods when she was not held by authorities, for fear of not being allowed to return.

Suu Kyi's expected travel caps months of change in Myanmar, following a series of reforms under President Thein Sein, a former general, including a historic by-election on April 1 that won Suu Kyi one of her party's 43 seats in a year-old parliament. After five decades of military rule, Thein Sein's reforms included the release of political prisoners, more media freedom, dialogue with ethnic armed groups and an exchange rate unification seen as crucial to fixing the economy.

Maldives president sets date for poll

The Maldives president, who came to power after a contentious power transfer earlier this year, has set the date for a presidential election, but the opposition says the plan falls short of its demands.



President Mohammed Waheed Hassan said in a statement on Wednesday that the election, originally scheduled for late 2013, would be held in July 2013.

That date is the earliest permitted by the constitution, though India, the US and the Commonwealth group of nations had suggested the country hold elections later this year.

The European Union also supported early elections without specifying a date.

Hassan's office said last week's by-elections, which were conducted without allegations of malpractice, "confirmed the democratic credentials" of the Maldivian Elections Commission. Hassan's coalition partners won both of the by-elections.

Hassan took over in February when his predecessor, Mohamed Nasheed, resigned after weeks of public protests and eroding support from the police

INDIA SATISFIED WITH ITS FUNDED PROJECTS IN LANKA

India expressed satisfaction over the progress of the projects funded by it in northern Sri Lanka, as a visiting parliamentary delegation inspected various schemes in the area. A 12-member delegation of Indian MPs headed by the Leader of Opposition in Lok Sabha Sushma Swaraj is on a six day visit to the island nation and toured the region in the north. There has been a strong criticism by some quarters over the slow progress particularly in the India-funded project to build 50,000 homes for those displaced in the conflict. The delegation visited Menik Farm camp in Vavuniya and interacted with the people and witnessed the facilities available.



The camp had accommodated nearly 300,000 civilians from the former LTTE held areas. Only a few thousands are currently living there after the government's re-settlement programme was put in place since the war ended three years ago.

The delegation also next visited Puliyankulam and Mankulam areas, where they inspected India-assisted rail track rehabilitation project. The delegation, in the company of the economic development minister Basil Rajapaksa, then visited Mullaaitivu district general hospital where they donated medical equipment worth around INR 36 million for the people in the North. The visiting MPs then attended a ceremony at Thanneer Ootru Tamil Maha Vidyalaya at Mullavaikkal, which was an LTTE nerve centre for decades, where they handed over a school building rehabilitated under the Indian-assisted scheme. 150 bicycles, agricultural equipment were also distributed among the needy people. "Children spoke about their schooling and the adults spoke about the difficulties they went through in the past. Also we witnessed how development projects have progressed and also the progress in the Indian-assisted projects", Swaraj was quoted as saying. The delegation would visit Jaffna tomorrow and the eastern province on Friday.

and military. Nasheed claimed he was forced to resign at gunpoint and challenged Hassan to order early elections. Nasheed's opposition Maldivian Democratic Party insists that Hassan must resign and call an election immediately, claiming his ascendancy to power was illegal.

"This is exactly what we did not want," Hamid Abdul Ghafoor, Nasheed's spokesman, said of Wednesday's announcement.

"Why doesn't he [Hassan] step down and let the people decide?"

There had been widespread political protests across the Muslim nation of 330,000. The political turmoil has also affected the country's upmarket tourism industry.

Nasheed, a former pro-democracy political prisoner, became the first democratically elected president of the Maldives in 2008 after 30 years of autocratic rule.

Pak industry body for joint eco zones with India

A Pakistani industry body PIBC on Thursday called for setting up of joint economic zones with India in the border areas to boost bilateral trade and investment.

"In the joint economic zones businessmen from both the countries should be allowed to set up units in sectors such as fast moving consumer goods, sugar and textiles. This will increase economic activities in the two countries which can share technologies and raw material," Pak-India Business Council (PIBC) Chairman Noor Muhammad Kasuri said. Kasuri who is in New Delhi, promoting the commercial ties, said his council is pushing for the economic zones at different levels.

Although, India does not currently allow foreign direct investment from Pakistan, moves are underway in India to liberalise the FDI regime for the neighbouring country.

Kasuri said that PIBC, which represents about 1,000 members from diverse sectors ranging from textiles, petroleum and cement, will facilitate investments between the two countries. "We will provide basic information to Indian businessmen about opportunities in Pakistan. We will take their problems with our government," he added.

Further, he said that during the last one year, several steps have been taken by both the governments to normalise trade relations. "Gradually everything will fall in line

and we are committed to increase trade with India. Huge opportunities are available sectors like textiles, sugar and pharmaceuticals," he said. Allaying concerns among Pakistani business community that Indian goods would flood their market, the PIBC chief said that the domestic products can compete with imports from India. "The Indian products are not that cheap", he said. He expressed optimism that with the expansion of the trade volume, the trade infrastructure between the two neighbours would "automatically" ramp up. Recently, the Pakistan government has notified its negative list of 1,209 items, which means India can now exports about 7,000 items to the neighbouring nation.

He hoped that Mumbai-Karachi shipping line would be a reality in the years to come. "It is natural for the traders between Karachi and Mumbai to opt for sea route as that would save both time and cost," he added.

At present, the bilateral trade is USD 2.7 billion which can increase to USD 7 billion in the near future, Kasuri said.

Centre refuses to take stand on Ram Setu, asks SC to decide

The Centre on April 19, 2012 refused to take any stand on the issue of declaring mythological Ram Setu a national monument and asked the Supreme Court instead to decide it. Appearing before a bench headed by justices H L Dattu and Anil R Dave, Additional Solicitor General (ASG) Haren Raval submitted that the government after consultations on the issue has decided that it would not take any stand on it.

He said the government would stand by its earlier affidavit, filed in 2008, in which it had said that the government respects all religions but it was of view that it should not be called upon to respond to the issues of faith, except in recognising their existence.

The bench was hearing a petition filed by Janata Party President Subramanian Swamy seeking the court's direction to declare Ram Setu a national monument. The apex court earlier on 29th March had granted two weeks to the Centre to take a stand on the issue.

"If you say you don't want to file counter affidavit, we can go ahead with the arguments in the case," the bench had said.

The case relating to Ram Setu came under judicial scrutiny due to a bunch of petitions filed in the apex court against the ambitious Sethusamudram project, whose execution allegedly was to damage the mythological bridge. Sethusamudram project is aimed at constructing a shorter navigational route around India's southern tip by breaching the mythological Ram Setu, said to have been built by Lord Rama's army of monkeys and bears to the demon king Ravana's kingdom Lanka. As per the Sethusamudram project, the shipping channel is proposed to be 30 metres wide, 12 metres deep and 167 kms long.

The Centre in its earlier affidavit, cleared by the Cabinet Committee of Political Affairs (CCPA) chaired by Prime Minister Manmohan Singh, had said the government respects all religions but was of view that it "should not be called upon to respond to the issues of faith, except in recognising their existence."

The amended affidavit was filed after the Centre had withdrawn its two affidavits in which it had questioned the existence of Lord Ram and "Ram Setu".

Following an outcry led by the Sangh Parivar over the controversial affidavit, the apex court on 14th September 2007 had allowed the Centre re-examine entire materials afresh to review the Rs 2,087 crore project.

Govt to launch Electronics Manufacturing Policy soon

The Government will soon launch Electronics Manufacturing Policy in the country. Talking to reporters in New Delhi today, Minister for Communications and Information Technology Kapil Sibal said that the dialogue is on with the planning commission and the policy is expected to be launched by the end of this month. Replying to a question about IT policy, Mr. Sibal said it will be finalised in the next two to three weeks.

Earlier, Mr. Sibal presided over the renaming function of the Department of Information Technology, DIT, which is now the Department of Electronics and Information Technology, DEITY. He said that the government will set up two Fabrication units in the country to give further boost to electronics.

Mr. Sibal said that the government is committed to make electronics a robust sector. The minister said that the Centre will put policies in place to satisfy global environment and encourage investment in the sector.

Mr. Sibal said electronic sector aims to achieve a turnover of about 400 Billion US Dollars, involving investment of about 100 Billion US Dollars and employment to around 28 million by 2020. Besides, it is proposed to set up over 200 Electronic Manufacturing clusters and significantly upscale high-end human resource creation to 2500 PhDs annually during the same period in the sector.

N. Korea threatens war as Seoul unveils missile

North Korea demanded Thursday that South Korea apologise for what it called insults during major anniversary festivities, or face a "sacred war", as Seoul unveiled a new missile to deter its neighbour. Regional tensions have risen since Pyongyang went ahead with a long-range rocket launch last Friday, defying international calls to desist.

The event was to have been a centrepiece of celebrations marking the 100th anniversary Sunday of the "Day of the Sun", the birthday of Kim Il-Sung who founded the communist nation and the dynasty which still rules it. But the rocket, which the North said was designed to launch a satellite, disintegrated after some two minutes of flight.

"The puppet regime of traitors must apologise immediately for their grave crime of smearing our Day of Sun festivities," said a government statement on Pyongyang's official news agency.

Otherwise, it said, the North Korean people and military "will release their volcanic anger and stage a sacred war of retaliation to wipe out traitors on this land".

The North has several times demanded that the South apologise for

perceived slights or face war since its longtime leader Kim Jong-Il died in December. Under his son and new leader Kim Jong-Un, it has struck a hostile tone with the South.

South Korea announced Thursday it has deployed new cruise missiles capable of destroying targets such as missile and nuclear bases anywhere in the North.

"With such capabilities, our military will sternly and thoroughly punish reckless provocations by North Korea while maintaining our firm readiness," Major General Shin Won-Sik told reporters. Yonhap news agency said the new cruise missile could travel more than 1,000 kilometres (625 miles).

Cross-border tensions have been high since conservative President Lee Myung-Bak took office in Seoul in 2008 and scrapped a near-unconditional aid policy. "If our power is strong, we can deter enemy provocations," Lee said Thursday, describing the North as "the world's most hostile force".

The North hit back at critical comments by Lee and by conservative media, which questioned the overall cost of the celebrations in a nation suffering acute food shortages.

Lee had said the estimated \$850 million cost of the launch could have bought 2.5 million tons of corn.

"Traitor Lee Myung-Bak took the lead in vituperation during the festivities," said a joint statement by the North's government, party and social groups. "This is an intolerable insult to our leader, system and people and a hideous provocation that sparked seething anger among the whole people."

The North said its only aim was to launch a peaceful satellite, but the United States and its allies said this was a flimsy excuse for a test by the nuclear-armed nation of ballistic missile technology.

On Monday the United Nations Security Council including Pyongyang's ally China strongly condemned the launch. Washington said it also breached a bilateral deal and suspended plans for food aid.

The North has warned of unspecified retaliation. Some experts believe it will conduct a new nuclear test or further long-range missile tests, while others predict a border clash with the South.

An unrepentant Pyongyang last Sunday displayed an apparently new medium-range missile at a parade featuring thousands of goose-stepping troops and almost 900 pieces of weaponry.

A leading defence journal said Thursday that UN officials are investigating whether China supplied technology for its launcher vehicle, in a possible breach of UN sanctions.

IHS Jane's Defence Weekly quoted a senior official close to a United Nations Security Council sanctions committee as saying that an associated panel of experts was "aware of the situation and will pursue enquiries".

IHS Jane's reported earlier that China appeared to have supplied either the design or the actual vehicle to the North.

It said the 16-wheel transporter-erector-launcher (TEL) is apparently based on a design from the 9th Academy of the China Aerospace Science and Industry Corporation.

China said it had actively abided by UN resolutions while practising "strict export control of proliferation materials". "China is always against the proliferation of weapons of mass destruction and the carrier equipment for such weapons," foreign ministry spokesman Liu Weimin said in Beijing.

Sudan Intensifies Bombing of Disputed Town

Sudan shelled a disputed border town seized by South Sudan, a southern military official said Monday, as clashes spread near the border separating the two nations.

U.S. Ambassador Susan Rice, the current president of the Security Council, said a bombardment in South Sudan also hit a U.N. facility but that no U.N. personnel are thought to be hurt.

Two Sudanese warplanes dropped "many bombs" Monday on the oil-rich city of Heglig, as long-range artillery targeted southern army positions in the disputed town, said southern army spokesman Col. Philip Aguer. He did not give a casualty figure. He also said Monday that Sudan's air force killed

five civilians in aerial attacks Sunday over Heglig.

Aguer also said that the town of Bentiu in South Sudan's Unity State was hit and that the conflict has spread to several southern states bordering Sudan, including Western Bahr el Ghazal.

He said the rival armies had not yet engaged in physical fighting this week.

"Today they bombed our positions in Heglig and the oil installations in Heglig," he said Monday. "We are waiting for them in the killing zone and they are not coming."

But he said the north's army is now 23 kilometres (some 14 miles) from Heglig, which is claimed by Sudan but was seized last week by South Sudanese forces in fierce fighting that southern officials say killed at least 240 Sudanese soldiers and 19 South Sudanese troops.

"We know that Sudanese troops are advancing toward Heglig," he said. Sudanese officials also claimed Monday to have seized an area sympathetic to South Sudan.

Aguer said the clashes are a "terrible escalation" of the border conflict that stretches back before South Sudan broke away from Sudan last year. Fighting along the north-south border has been near constant over the past two weeks.

U.N. Secretary-General Ban Ki-moon said Monday that he is "alarmed over reports received this weekend of the build-up of armed militia in the Abyei area," the focus of the conflict, according to U.N. deputy spokesman Eduardo del Buey.

The U.N. chief urged "both parties to end the fighting immediately and to respect international humanitarian law and the protection of civilians."

U.S. ambassador Rice, speaking to reporters on Monday, condemned the recent strikes.

"The fact of today's bombardment, which was deep into South Sudan and hit a U.N. facility, is particularly condemnable and deplorable," she said. "We understand from press reports that there may be a number of casualties surrounding the area."

The U.N. Mission in South Sudan reported three separate incidents of air strikes this weekend in Unity state. Two were in Bentiu and another in Mayom, where the U.N. peacekeeping mission's headquarters was hit by two bombs. "All U.N. staff members are reported safe," del Buey said in New York on Monday.

The Sudan Media Center also reported Monday that Sudan's army took control of Mugum, a stronghold of the southern army in Blue Nile state, which is near South Sudan's border.

The government news service quoted an "informed" source of the command of the 4th Division as saying the division raided Mugum on Sunday, killed 25 rebels and seized a large quantity of weapons and equipment.

Fighting erupted in the disputed region of Abyei in May of last year, just months before South Sudan formally declared independence.

Sudan tensions imperil China's investments

Rising tensions between Sudan and South Sudan are threatening China's investments in the region. China is the biggest player in the oil industry on both sides of the border. Traditionally a key ally of the Khartoum government, China is now trying to strengthen relations with the South as well.

BP proposes Gulf spill settlements

Oil company expects to pay \$7.8bn to resolve claims, after 2010 Deepwater Horizon rig disaster in the Gulf of Mexico.

BP says it has reached settlements to resolve billions of dollars of claims from the 2010 Gulf of Mexico oil spill, and asked a US judge for a long delay in any trial over remaining disputes stemming from the disaster.

The London-based oil company expects under Wednesday's agreements to pay \$7.8bn to resolve economic, property and medical claims by more than 100,000 individuals and businesses.

That payout would make the accord one of the largest class-action settlements in US history. There is no cap, and the ultimate payout may be higher or lower than BP projects.

"Neither side will receive everything it wants," but the settlements are "more than fair, reasonable and adequate" and could avert a decade of litigation, BP and plaintiffs' lawyers said in papers filed in New Orleans federal

CUBA HAILS LATIN AMERICA SUMMIT 'REBELLION' AGAINST US

Cuba has hailed what it says was a rebellion by Latin American and Caribbean nations against US dominance at the Summit of the Americas. Cuba said US President Barack Obama had been forced to use an "imperial veto" to stop the summit calling for an end to the US embargo against it. The summit in Colombia last weekend ended without a final declaration. There were disagreements over the embargo and whether Cuba should be allowed to attend the next meeting.

The US and Canada opposed demands by the Latin American nations for Cuba to be invited to the next Summit of the Americas in Panama in 2015. President Obama said that, unlike the other participants, Cuba "has not yet moved to democracy, has not yet observed basic human rights." But in a statement, Cuba's communist government said Mr Obama was "totally isolated" and in no position to lecture it about democracy. "We Cubans will take care of Cuba," it said.

It added there was a "growing chasm" between North America and the rest of the hemisphere, and called the Organisation of American States (OAS) an "unburied corpse".

Cuba was excluded from participation in the OAS - which runs the Americas summits - 50 years ago. But there was intense pressure from mainly left-wing Latin American countries for it to be invited. President Rafael Correa of Ecuador did not attend the meeting in Cartagena in protest at Cuba's exclusion, and several others said they would not participate in the next summit unless Cuba was invited.



court. This Friday is the two-year anniversary of the explosion of the Deepwater Horizon drilling rig, which killed 11 workers and triggered the largest US offshore oil spill from BP's ruptured Macondo well.

About 4.1 million barrels of oil were spilled and not cleaned up, the US government has estimated.

"BP made a commitment to help economic and environmental restoration efforts in the Gulf Coast," Chief Executive Bob Dudley said in a statement.

"This settlement provides the framework for us to continue delivering on that promise, offering those affected full and fair compensation, without waiting for the outcome of a lengthy trial process."

In a separate statement, Stephen Herman and James Roy, lawyers on the so-called Plaintiffs' Steering Committee (PSC), said the settlement held BP "fully accountable".

Lawyers for the plaintiffs are seeking up to \$600m to cover fees and costs, including a \$75m interim award. These are separate from amounts paid to victims.

BP still faces tens of billions of dollars of potential claims from the US government, Gulf states, and drilling partners Transocean Ltd, which owned the rig, and Halliburton Co, which provided cementing services.

The oil company's potential liability for violating the federal Clean Water Act alone could reach as high as \$17.6bn upon a finding of gross negligence. BP has already taken a \$37.2bn charge for the spill.

About 109,000 condominium owners, hotel and resort operators, restaurateurs, shrimpers and others may be eligible to recover on economic and property claims, court papers show.

The medical settlement addresses claims by people made ill from exposure to oil or chemical dispersants. It covers clean-up workers and residents of beachfront or wetland areas, and allows people who develop symptoms later to sue BP at that time.

About 16,000 plaintiffs have submitted claims, court papers show. Victims who are unhappy with the settlements may opt out and pursue their claims separately.

Finland's Nokia shaken by \$1bn loss

Phone maker rings in 2012 with one of its worst ever quarters, citing tough competition and a rapidly evolving industry. Nokia has been the leading handset maker since 1998 but, since 2008, its share has continued to shrink. Mobile phones maker Nokia has suffered a \$1.2bn net loss in the first three months of the year, blaming tougher-than-expected competition in the smartphone market.

The Finnish-based company's result, reported on Thursday, represents one of the company's worst ever quarters. The loss compared with a profit of \$452m the equivalent period in 2011.

Stephen Elop, the company's chief executive officer, conceded the company had faced "greater than expected competitive challenges" and some challenging markets, including Britain.

"We exceeded expectations in markets including the United States but establishing momentum in certain markets ... has been more challenging," he said. "We are navigating through a significant company transition in an industry environment that continues to evolve and shift quickly."

Colin Giles, head of global sales since January 2010, will leave the company as it restructures the sales unit, "reducing a layer of sales management", a statement from Nokia said.

The company has been the leading handset maker since 1998 but after reaching a global goal of 40 per cent market share in 2008, its share has continued to shrink.

Nokia hopes to remedy the slide with its new Windows Phone 7, which launched in October, eight months after Elop announced a partnership with Microsoft.

Nokia has adopted the Windows operating system in its new phones, phasing out the MeeGo and Symbian platforms, considered clumsy by many operators.

Elop, who earlier described the first-quarter as disappointing, said Nokia had sold more than two million Windows-based Lumia phones in the first quarter and that it had a "clear sense of urgency to move our strategy forward even faster".

In 2011, Nokia announced more than 10,000 layoffs to lower expenses and has not ruled out more cutbacks.

The company has said it would not provide annual targets for 2012 since it was in a "year of transition".

It said operating margins in the network operations, called Nokia Siemens Networks, would "clearly improve in the second quarter 2012 compared to the first quarter 2012 level of negative 5 per cent", but it gave no figures.

Last year, Nokia was still the world's top mobile phone maker with annual unit sales of some 419 million devices. But in the last quarter of the year it posted a net loss of \$1.4bn, a marked reverse from the \$978m profit a year earlier, as sales slumped 21 per cent with smartphone sales plunging 23 per cent.

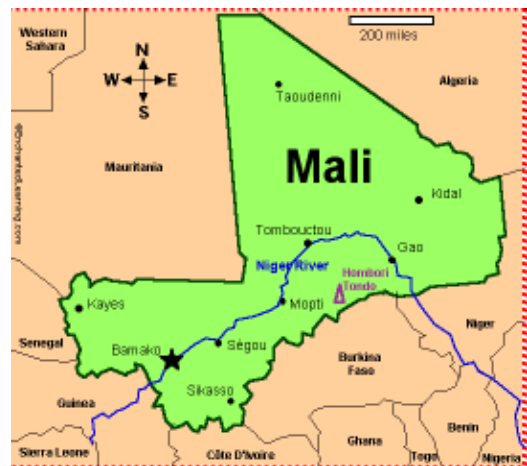
Its stock has fallen by half since Elop announced the deal with Microsoft, and it dropped to a 15-year low of \$3.91 earlier this week after Moody's ratings agency downgraded its debt grade to near junk status.

On Thursday, its share price dipped only one per cent in Helsinki, as investors had been expecting a downturn after last week's profit warning.

Mali picks Microsoft official as interim PM

Computer giant's chairman for Africa tasked with restoring civilian rule in West African country after recent coup. Cheick Modibo Diarra, Microsoft Corp's chairman for Africa, has been appointed Mali's interim prime minister,

tasked with helping to restore civilian rule to the West African country after last month's coup.



The appointment of Diarra, a former NASA astrophysicist, was announced on Tuesday in a statement read out on state television.

Earlier soldiers arrested the head of one of Mali's biggest political parties, Soumaila Cisse, hours after a former prime minister was detained by military personnel, officials said. The arrests raised fresh questions about whether the military was still in control of the nation despite a handover of power to a civilian leader.

The coup leaders who ousted Mali's democratically elected president last month recently handed over power to an interim civilian leader, Dioncounda Traore, but the military rulers' leader has also said he will play an important role in Mali's political future.

The European Union delegation in Mali issued a statement expressing concern about the arrests, calling for "an urgent clarification and their immediate release".

The West African regional bloc ECOWAS, the EU and the United States all want to see the military rulers back in their barracks and out of politics as soon as possible.

The latest arrests suggest that the military rulers have yet to accept this. Cisse was arrested in front of his home in Bamako, according to Abdoul Malick Diallo, a member of parliament from Cisse's party.

Diallo said that Cisse was hurt during the arrest but that he could not say how serious the injury was.

Cisse was one the front-runners for the presidential election that was due to take place on April 29.

Modibo Sidibe, a former Malian prime minister, was re-arrested by military personnel just days after being released from custody. Sidibe was among around a dozen politicians who were arrested immediately after the military coup and who were released following the handover to the civilian interim leader. Amid the political upheaval, separatist rebels in northern Mali have declared an independent state that is larger than France. The power vacuum also has allowed an Islamic faction that wants to impose Shariah law in the area to flourish.

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1. Scientists found diarrhea bug called Dientamoeba Fragilis in__.

- a) Pigs
b) Rabbits
c) Rats
d) Cows

Answer: (a) Pigs

2. Scientists identified common childhood obesity genes called __ and __.

- a) OLFM4 and HOXB5
b) OLFM and HOX
c) OFM4 and HOXC5
d) OFFM and HOXCC

Answer: (a) OLFM4 and HOXB5

3. Assam registered a__ percent increase in last three years.

- a) 14
b) 15
c) 16
d) 17

Answer: (a) 14

4. The Union Cabinet of India on 12 April 2012 approved India's Second National Communication to the Secretariat of the United Nations Framework Convention on Climate Change. Consider the following statements:

- i) India is party to the United Nations Framework Convention on Climate Change (UNFCCC).
ii) The Convention, in accordance with its Article 4.1 and 12.1, enjoins all Parties, both developed and developing country Parties, to furnish information, in the form of a National Communication (a national report).
a) Both i and ii are correct.
b) Only i is correct.
c) Only ii is correct.
d) Neither i nor ii is correct.

Answer: (a) Both i and ii are correct.

5. The Union ministry of environment and forests (MoEF) banned the use of live animals in dissection and other experiments in educational and research institutions. The ban is based on __.

- a) The prevention of cruelty to Animals Act 1960.
b) The prevention of cruelty to animals act 1970
c)The prevention of cruelty to animals act 1980
d) The Prevention of cruelty to animals act 1990

Answer: (a) The prevention of cruelty to Animals Act 1960

6. Powerful earthquake hit Aceh province of Indonesia on 11 April 2012. The quake sparked a short-lived tsunami alert for much of the Indian Ocean. What was the magnitude of the quake as recorded on the Richter scale?

- a. 8.7
b. 8
c. 8.3
d. 7.1

Answer: (a)

7. Which of the following bodies in its flagship annual publication ADO released on 11 April 2012 projected moderate increase in growth rate for India to 7 percent in 2012-13?

- a. World Bank
b. International Monetary Fund
c. Asian Development Bank
d. World Trade Organisation

Answer: (c)

8. A massive avalanche claimed the life of more than hundred Pakistani soldiers on 9 April 2012. The incident occurred at which of the following places?

- a. Eastern Karakoram mountain range
b. Southern Karakoram mountain range
c. Northern Karakoram mountain range
d. Southern Karakoram mountain range

Answer: (a)

9. Which Indian chef visited the historic kitchen of the White House on, which prepares the food for US President Barack Obama, his family and the large number of guests invited to the resident of the first family every day?

- a. Ramesh Turrani
b. Vinay Lahiri
c. Sanjeev Kapoor
d. Rajeev Kapoor

Answer: (c)

10. Two powerful earthquakes of 8.6 and 8.2 magnitude struck the coast of Sumatra on 12 April 2012. Sumatra is located in which of the following Asian country?

- a. Indonasia
b. Maldives
c. Myanmar
d. Sri Lanka

Answer: (a)

11. The two-member Adarsh Judicial Commission set up to probe into the scam-tainted Adarsh Housing Society submitted its interim report to the state Government on 13 April 2012? By which of the following governments was the committee set up?

- a. Maharashtra Government
b. Union Government
c. Gujarat Government
d. Andhra Pradesh Government

Answer: (a)

12. Name the Samajwadi Party MLA from Itwa in Sidhharthnagar district who was unanimously elected Speaker of the 16th Uttar Pradesh Assembly on 13 April 2012?

- a. Sukhdeo Rajbhar
b. Mata Prasad Pandey
c. Syed Ahmed Bukhari
d. Naresh Uttam

Answer: (b)

13. MLA, N. Varadarajan, died in Chennai on 10 April 2012. Which of the following facts with regards to Varadarajan is not true?

1. N. Varadarajan was former Tamil Nadu State secretary of the CPI(M) and three-time MLA
2. He was elected to the Tamil Nadu Assembly twice (1977 and 1980)
3. He was elected to the Tamil Nadu Assembly from the Vedasandur constituency in 1983
4. He was elected party secretary in Tamil Nadu in 2005 and again in 2008

- a. Only 1
b. 1 & 2
c. Only 3
d. Only 2

Answer: (c)

14. Who among the following leaders was re-elected General Secretary of CPI (M) for the third consecutive term at the party's 20th Congress, which took place at Kozhikode?

- a. Brinda Karat
b. Prakash Karat
c. Sitaram Yechury
d. AB Bardhan

Answer: (b)

15. Name the Pakistani scientist who was granted bail by the Supreme Court of India on 9 April 2012.

- a. Khalil Chishty
b. Ajmal Chishty
c. Azam Khan
d. Hafeez Saeed

Answer: (a)

16. Union government on 12 April 2012 approved bailout package for Air India. What was the bailout amount cleared by the Cabinet Committee on Economic Affairs?

- a. Rs 30000 crore
b. Rs 25000 crore
c. Rs 43000 crore
d. Rs 27000 crore

Answer: (a)

17. The Union Cabinet on 12 April 2012 approved the extension of funding support for implementing which of the following schemes under the New Pension System (NPS) from three years to five years for all subscribers?

- a. Trade related Entrepreneurship Assistance and Development (TREAD) Scheme
b. Gold Credit Pass Book Scheme
c. Swayamsidha (IWEP)
d. Swavalamban Scheme

Answer: (d)

18. Cabinet Committee on Economic Affairs (CCEA) on 12 April 2012 also approved an ad-valorem regime for calculating royalty for which of the following?

- a. Coal & Iron ore
b. Coal & Lignite
c. Lignite & Copper
d. Lignite & Zinc

Answer: (b)

19. Factory output measured by the Index of Industrial Production (IIP) grew by what per cent in February on account of contraction in segments such as consumer durables and intermediate goods?

- a. 3.3%
b. 2%
c. 4.1%
d. 5%

Answer: (c)

20. Credit rating agency Moody's Investors Service downgraded the local currency rating of which of the following?

- a. BHEL & IOC
b. BHEL & GAIL
c. ONGC & IOC
d. ONGC & GAIL
e. ONGC & BHEL

Answer: (d)

21. According to the data provided by the Export Promotion Council for Handicrafts (EPCH) in April 2012, India's handicrafts exports increased by what per cent year on year to \$ 2.7 billion in the 2011-12 fiscal?

- a. 14.2%
b. 17.5
c. 15%
d. 12.3%

Answer: (b)

22. Reserve Bank of India (RBI) on 3 April 2012 released 'Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, September 2011. Which of the following facts are not true with respect to the mentioned statement?

1. The data included in the release were based on Basic Statistical Return (BSR)-10 received from all scheduled commercial banks (excluding RRBs)
2. The number of banked centres of Scheduled Commercial banks stood at 35,435. 27,913 of these centres were single office centres and 68 centres had 100 or more bank offices

3. State Bank of India and its Associates accounted for 21.8 per cent of the aggregate deposits

4. the credit-deposit (C-D) ratio of All Scheduled Commercial Banks (SCBs) at all India level as on 30 September 2011 stood at 74.4 per cent

- a. Only 1
b. 2 & 3
c. Only 4
d. 3 & 4

Answer: (a)

23. India's exports grew by what per cent in February 2012 to USD 24.6 billion marking the slowest growth in three months?

- a. 3%
b. 4.2%
c. 3.7%
d. 5.1%

Answer: (b)

24. As per the Ernst & Young's quarterly Rapid Growth Markets Forecast (RGMF), India is likely to grow at what per cent in calendar year (CY) 2012?

- a. 7%
b. 7.5%
c. 6.1%
d. 6.6%

Answer: (c)

25. Reserve Bank of India on 3 April 2012 tightened the reporting requirements of the banks to monitor gold import. Consider the statements given below and which of the following is true?

1. As per the directions issued, banks will have to submit a monthly statement informing the central bank about the quantity of gold imported as well as the mode of payment adopted
2. The directive was issued amidst concerns of huge outflow of foreign exchange on import of gold which is believed to be putting pressure on the India's current account deficit (CAD).
a. Only 1
b. Only 2
c. Both 1 & 2
d. None of the above

Answer: (c)

26. Which body on 31 March 2012 issued broad guidelines on Algorithmic Trading. Based on recommendations of technical advisory committee (TAC) and secondary market advisory committee (SMAC)?

- a. IRDA
b. RBI
c. ASSOCHAM
d. SEBI

Answer: (d)

27. Who wrote the famous book - 'We the people'?

- A. T.N.Kaul
B. J.R.D. Tata
C. Khushwant Singh
D. Nani Palkhivala

Answer: Option D

28. Who is the author of the book 'Nineteen Eighty Four'?

- A. Thomas Hardy
B. Emile Zola
C. George Orwell
D. Walter Scott

Answer: Option C

29. Which of the following is NOT written by Munshi Premchand?

- A. Gaban B. Godan
C. Guide D. Manasorovar

Answer: Option C

30. Who is the author of the book 'Forbidden Verses'?

- A. Salman RushDie
B. Abu Nuwas
C. Ms. Taslima Nasrin
D. D.H. Lawrence

Answer: Option B

31. The lead character in the film 'The Bandit Queen' has been played by

- A. Rupa Ganguly
B. Seema Biswas
C. Pratiba Sinha
D. Shabama Azmi

Answer: Option B

32. Which of the following books has been written by Vikram Seth?

- A. My God Died Young
B. Islamic Bomb
C. Look Back in Anger
D. A Suitable Boy

Answer: Option D

33. Who wrote the line: ' A thing of beauty is a joy forever'?

- A. John Keats
B. Robert Browning
C. P.B.Shelley
D. William Wordsworth

Answer: Option A

34. The ratio of width of our National flag to its length is

- A. 3:5 B. 2:3
C. 2:4 D. 3:4

Answer: Option B

35. Rabindranath Tagore's 'Jana Gana Mana' has been adopted as India's National Anthem. How many stanzas of the said song were adopted?

- A. Only the first stanza
B. The whole song
C. Third and Fourth stanza
D. First and Second stanza

Answer: Option A

36. 'Natya - Shastra' the main source of India's classical dances was written by

- A. Nara Muni
B. Bharat Muni
C. Abhinav Gupt
D. Tandu Muni

Answer: Option B

37. 'Dandia' is a popular dance of

- A. Punjab
B. Gujarat
C. Tamil Nadu
D. Maharashtra

Answer: Option B

38. The words 'Satyameva Jayate' inscribed below the base plate of the emblem of India are taken from

- A. Rigveda
B. Satpath Brahmana
C. Mundak Upanishad
D. Ramayana

Answer: Option C

39. Mohiniattam dance from developed originally in which state?

- A. Tamil Nadu
B. Orissa
C. Kerala
D. Karnataka

Answer: Option C

40. Which of the following folk dance forms is associated with Gujarat?

- A. Nautanki
B. Garba
C. Kathakali
D. Bhangra

Answer: Option B

41. Which of the following Akademis is responsible for fostering the development of dance, drama and music in India?

- A. National School of Drama
B. Sangeet Akademi
C. Sahitya Akademi
D. Lalit Kala Akademi

Answer: Option B

42. The Rath Yatra at Puri is celebrated in honour of which Hindu deity

- A. Ram
B. Jaganath
C. Shiva
D. Vishnu

Answer: Option B

43. The book of Parsis is

- A. Torah
B. Bible
C. Zend Avesta
D. Gita

Answer: Option C

44. Former Australian captain Mark Taylor has had several nicknames over his playing career. Which of the following was NOT one of them?

- A. Tubby
B. Stodge
C. Helium Bat
D. Stumpy

Answer: Option D

45. Which was the 1st non Test playing country to beat India in an international match?

- A. Canada
B. Sri Lanka
C. Zimbabwe
D. East Africa

Answer: Option B

46. Track and field star Carl Lewis won how many gold medals at the 1984 Olympic games?

- A. Two
B. Three
C. Four
D. Eight

Answer: Option C

47. Which county did Ravi Shastri play for?

- A. Glamorgan
B. Leicestershire
C. Gloucestershire
D. Lancashire

Answer: Option A

48. Who was the first Indian to win the World Amateur Billiards title?

- A. Geet Sethi
B. Wilson Jones
C. Michael Ferreira
D. Manoj Kothari

Answer: Option B

49. Who is the first Indian woman to win an Asian Games gold in 400m run?

- A. M.L.Valsamma
B. P.T.Usha
C. Kamaljit Sandhu
D. K.Malleswari

Answer: Option C

50. Which two counties did Kapil Dev play?

- A. Northamptonshire & Worcestershire
B. Northamptonshire & Warwickshire
C. Nottinghamshire & Worcestershire
D. Nottinghamshire & Warwickshire

Answer: Option A

51. When was Amateur Athletics Federation of India established?

- A. 1936
B. 1946
C. 1956
D. 1966

Answer: Option B

52. Who did Stone Cold Steve Austin wrestle at the 1998 edition of 'Over the Edge'?

- A. Cactus Jack
B. Mankind

- C. Dude Love
D. Mick Foley

Answer: Option C

53. Ricky Ponting is also known as what?

- A. The Rickster
B. Ponts
C. Ponter
D. Punter

Answer: Option D

54. How long are professional Golf Tour players allotted per shot?

- A. 45 seconds
B. 25 seconds
C. 1 minute
D. 2 minutes

Answer: Option A

55. Which NBA player scoreed 8 points in the final 7 seconds of a game to lead his team to victory?

- A. Baron Davis
B. Kevin Garnett
C. Stephon Maurbury
D. Reggie Miller

Answer: Option D

56. The Parliament of India cannot be regarded as a sovereign body because

- A. it can legislate only on subjects entrusted to the Centre by the Constitution
B. it has to operate within the limits prescribed by the Constitution
C. the Supreme Court can declare laws passed by parliament as unconstitutional if they contravene the provisions of the Constitution
D. All of the above

Answer: Option D

57. The name of the Laccadive, Minicoy and Amindivi islands was changed to Lakshadweep by an Act of Parliament in

- A. 1970
B. 1971
C. 1972
D. 1973

Answer: Option D

58. The members of the Rajya Sabha are elected by

- A. the people
B. Lok Sabha
C. elected members of the legislative assembly
D. elected members of the legislative council

Answer: Option C

59. The members of the panchayat are

- A. nominated by the district officer
B. the electorates of the respective territorial constituencies
C. nominated by local self-government minister of the state
D. nominated by the block development organization

Answer: Option B

60. The power to decide an election petition is vested in the

- A. Parliament
B. Supreme Court
C. High courts
D. Election Commission

Answer: Option C

61. The present Lok Sabha is the

- A. 9th Lok Sabha
B. 10th Lok Sabha
C. 14th Lok Sabha
D. 15th Lok Sabha

Answer: Option D

62. Who is the father of Geometry?

- A. Aristotle
B. Euclid
C. Pythagoras
D. Kepler

Answer: Option B

63. What is common between Kutty, Shankar, Laxman and Sudhir Datt?

- A. Film Direction
B. Drawing Cartoons
C. Instrumental Music
D. Classical Dance

Answer: Option B

64. Who was known as Iron man of India?

- A. Govind Ballabh Pant
B. Jawaharlal Nehru
C. Subhas Chandra Bose
D. Sardar Vallabai Patel

Answer: Option D

65. The Indian to beat the computers in mathematical wizardry is

- A. Ramanujam
B. Rina Panigrahi
C. Raja Ramanna
D. Shakunthala Devi

Answer: Option D

66. Jude Felix is a famous Indian player in which of the fields?

- A. Volleyball
B. Tennis
C. Football
D. Hockey

Answer: Option D

67. Grand Central Terminal, Park Avenue, New York is the world's

- A. largest railway station
B. highest railway station
C. longest railway station
D. None of the above

Answer: Option A

68. Entomology is the science that studies

- A. Behavior of human beings
B. Insects
C. The origin and history of technical and scientific terms
D. The formation of rocks

Answer: Option B

69. Eritrea, which became the 182nd member of the UN in 1993, is in the continent of

- A. Asia
B. Africa
C. Europe
D. Australia

Answer: Option B

70. Garampani sanctuary is located at

- A. Junagarh, Gujarat
B. Diphu, Assam
C. Kohima, Nagaland
D. Gangtok, Sikkim

Answer: Option B

71. For which of the following disciplines is Nobel Prize awarded?

- A. Physics and Chemistry
B. Physiology or Medicine
C. Literature, Peace and Economics
D. All of the above

Answer: Option D

72. Hitler party which came into power in 1933 is known as

- A. Labour Party
B. Nazi Party
C. Ku-Klux-Klan
D. Democratic Party

Answer: Option B

73. Which of the following is not associated with the UNO?

- A. ILO
B. WHO
C. ASEAN
D. All of the above

Answer: Option C

74. The chairmanship/presidency of the UN Security Council rotates among the Council Members