



# INDIA NEWS

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## Finance Minister for Greater Economic Cooperation Between Developed and Developing Economies

The Finance Minister, P. Chidambaram has sought for greater cooperation between Commonwealth countries and suggested easier and unhindered access to the nationals of other Commonwealth countries to travel for purposes of business, tourism and education. He has also suggested the creation of a network of public and private institutions that are working in the same areas such as population control, environment and heritage. Mr. Chidambaram was addressing members of the business community and top policy makers from Commonwealth countries in London.

Pointing out that member countries of the Commonwealth are in different stages of economic development, he urged developed countries to assure developing countries that they are sensitive to their concerns. He said that unless the poorer nations see a "Commonwealth Advantage" there will not be any advance on the many splendid suggestions.

The Finance Minister highlighted the fact that the crux of the reform effort in India is to see that macro-fundamentals are sound and policies are sensible and steady. He said only these can insulate an open developing country market from speculative attack and the hazards of volatile capital flows.

Referring to some of the recent experiences in our East Asian neighbors, he said "large inflows can overwhelm the orderliness of foreign exchange markets and lead to either appreciation of the nominal exchange rate of inflationary pressures through injections of excessive liquidity in domestic money markets. Similarly, a sudden reversal in such flows, which could well occur independent of economic fundamentals, because of herd instincts and other types of market failures, can traumatize even a well managed economy".

The Finance Minister highlighted the enormous opportunities available for profitable investment in the developing world. For example, infrastructure, such as roads, ports and power supply alone can absorb hundreds of billions of pounds of investments. The opportunities have to be seen to be believed, they far outweigh the risks involved, and they will not come often, he said. In order to succeed, these initiatives will require the developed countries of the Commonwealth — particularly those who are also members of the OECD — to look beyond the demands of their present constituency and show a greater understanding and acceptance of the needs of other countries.

### INDIA'S FOREIGN TRADE DATA FOR APRIL-SEPTEMBER, 1997

India's exports during September 1997 are valued at US \$2898.55 million which is 11.63% higher than the level of US \$2596.54 million in September 1996. Exports during April-September 1997 are estimated at US \$16820.93 million which is 4.22% higher than the level of US \$16139.76 million in April-September 1996.

The monthly export growth achieved in September 1997 is the highest growth recorded since June 1996 when the export slowdown began. September 1997 export values are the highest achieved in the current year so far and reflect the continuation of the upswing noted since July 1997. Imports during September 1997 are valued at US \$3058.29 million representing a growth of 6.41% over the level of imports valued at US \$2874.07 million in September 1996.

# Reserve Bank of India — Credit Policy

*CONTINUED FROM LAST ISSUE*

## Policy Measures

17. It is against this background, I am announcing the following measures:

### (a) Bank Rate

The Bank Rate was reduced by 2 percentage points from 12.0 per cent to 10.0 per cent in two stages in April 1997 and June 1997. As the inflation rate continues to be low and also as a signal to the market, it has been decided to effect further reduction in the Bank Rate.

Accordingly, with effect from the close of business today (October 21, 1997), the Bank Rate will be reduced by one percentage point, i.e., from the present level of '10.0 per cent per annum' to '9.0 per cent per annum'. All interest rates on advances from the Reserve Bank such as export credit refinance and general refinance to banks which are specifically linked to the Bank Rate are revised as

set out in Annexure I. A communication is being issued to banks separately.

### (b) Cash Reserve Ratio (CRR)

Under Section 42(1) of the Reserve Bank of India Act, 1934, all scheduled commercial banks (excluding Regional Rural Banks) are, at present, required to maintain with the Reserve Bank of India, a cash reserve ratio (CRR) of 10.0 per cent of their net demand and time liabilities (excluding liabilities subject to a Zero CRR prescription). In accordance with the stance of monetary policy of phased reduction in statutory pre-emption of banks' resources, it has been decided to reduce the CRR.

Accordingly, the CRR to be maintained by scheduled commercial banks (excluding Regional Rural Banks) is being reduced by 2.0 percentage points from 10.0 per cent to 8.0 per cent in eight phases of 0.25 percentage point each as set out below:

## Phasing of CRR Reduction for Scheduled Commercial Banks

*(excluding Regional Rural Banks)*

CRR on Net Demand and Time Liabilities (per cent)	Effective Date (Fortnight beginning from)
9.75	October 25, 1997
9.50	November 22, 1997
9.25	December 20, 1997
9.00	January 17, 1998
8.75	February 14, 1998
8.50	February 28, 1998
8.25	March 14, 1998
8.00	March 28, 1998

*(Continued on page 7)*

## Prasar Bharati Board now to be Constituted

Information and Broadcasting Minister Mr. Jaipal Reddy announced to the Press here today that there was no reason for delay in constituting the Prasar Bharati Board as required amendments had been affected through ordinance.

Addressing the Press Conference the Minister said that the financial interests of the Prasar Bharati Broad Casting Corporation would be looked after by the Parliament. All the assets of Akashvani and Doordarshan would be vested in the Prasar Bharati on perpetual lease on one rupee token payment annually, he added.

The Prasar Bharati Act came into existence in September, 1990 when it was unanimously passed by both the Houses of Parliament. Notification was issued on 22nd July 1997 to bring it into force with effect from September 15th, 1997. However, the process of constitution of the Board of Prasar Bharati could not be immediately initiated as some of the provisions of the 1990 Act became outdated and redundant and some more concrete steps were required to be taken to augment the autonomy and enhance the efficacy of Prasar Bharati. Amendments were also required to remove the overlap between Prasar Bharati and the Broadcasting Authority which is proposed to be put in place through a separate enactment. The Government has carried out the following amendments through an ordinance issued on 29th October 1997.

The salient features of these amendments are as follows:

### A. Amendments augmenting the autonomy of the Prasar Bharati Board

1. Section 13 of the Principal Act provides for Parliamentary Committee for overseeing the functioning of the Prasar Bharati. In this regard, it is relevant to point out that when the Act was passed in the year 1990, there was no system of department related Standing Committees of Parliament. In view of the fact that there is a Standing Com-

mittee of Parliament of communication dealing with Information and Broadcasting, another Committee of Parliament to look into the functioning of the Board is redundant.

2. An amendment has been incorporated in Section 16 of the Act to transfer the assets of Akashvani and Doordarshan on perpetual lease on token fee of Rs.1 per annum instead of treating the assets as capital provided by the Government to the Prasar Bharati. Since any public service broadcasting corporation is not intended to make profits the concept of lending assets by way of capital has been dispensed with.

3. Section 12(5) of the Principal Act provides that the Central Govt. shall determine the maximum limit of broadcast time in respect of advertisements.

This power of the Govt. has been denied through the amendment with a view to arming the Prasar Bharati with greater maneuverability. In the same spirit the Govt. has been relieved of the power to fix the fees and other service charges by amending Section 12(7).

### B. Amendments for enhancing the efficacy of the Prasar Bharati

4. In order to establish a clear chain of command, Member (Finance) and Member (Personnel) have both been made ex-officio Members instead of full-time members through appropriate amendment in Section 3(5).

5. In order to provide flexibility to the Board to constitute board's consisting of experts who are not members of the Board, the proviso to Section 3(6) has also been deleted.

6. In order to ensure smooth functioning of the Corporation, the procedure for transferring/absorption of certain categories of employees has been clarified and amplified to remove doubts. Section 11 of the Act has been accordingly amended.

*(Continued on page 6)*

# Software Exports Grow 64% in First Six Months

Software exports have shown a record 64.4 per cent growth in the first six months of 1997-98 as against 61.2 per cent growth in the corresponding period last year.

According to a National Association of Software and Service Company (Nasscom) survey, the first half generated an estimated software growth revenue of Rs 3,074 crore against Rs 1,870 crore in April-September 1996. If the present trend continues, the total exports for the current year may exceed Rs 6,400 crore (\$1.8 billion) to touch \$2 billion.

Software exports had grossed rev-

enues of Rs 3,900 crore in 1996-97, up from Rs 2,520 crore in the previous year. In contrast, the domestic software market had grossed a revenue of Rs 2,410 crore, up from Rs 1,690 crore.

Nasscom executive director Dewang Mehta attributed the growth to growing international respect for Indian software, fresh initiatives taken by the government and the association, and increase in productivity of software professionals. Increase in offshore services and efforts to penetrate new markets has also helped push up exports. Mehta said removal of minimum alternate tax has enabled software exporters to plough

back profits into their expansion plans and creating IPR through research and development.

Nasscom expects the revenues of the software industry to touch \$6.5 billion by the year 2000, with exports contributing about \$4 billion. Mehta also pointed out that India currently has a market share of about 0.05 per cent for software products and packages as against 16.7 per cent for customised software.

Mehta said a number of firms in the US such as Computer Associates and Adobe are planning to set up software development centres here.

## Additional Transmission Capacities Allowed for Private ISPs

The government announced detailed guidelines sorting out the earlier grey areas in the internet policy announced last month. Private operators will now be permitted to use excess capacity for transmission available with the Power Grid Corporation, state electricity boards and the Railways in addition to the facilities provided by the Videsh Sanchar Nigam Ltd (VSNL). They will also have access to multiple gateways for international connectivity if required.

The government, however clarified that the department of telecommunications (DoT), MTNL and VSNL would continue to have their monopoly in the field of voice transmission (telephone calls) covering long distance domestically as well as international calls.

An inter-ministerial implementation committee headed by Secretary of DoT, and consisting of members represented by the secretaries of power ministry, department of electronics, railway ministry and the principal adviser of the Planning Commission would give the requisite approvals for the international gateway connectivity if it is other than the VSNL's.

The policy also states that internet service providers (ISPs) would be allowed to create their own infra-

structure if allowed by the implementation committee. However, voice on internet would not be allowed and the duopoly in the circles and monopoly of DoT, VSNL in the field of national and international services would not be affected.

The policy further states that basic, paging and cellular service providers can also become ISPs on the same terms and conditions as other ISPs. E-Mail operators would also be treated on par. The guidelines regarding the service area of the ISPs and other eligibility criteria would be worked out soon.

The exact quantum of the license fees and the bank guarantees to be furnished by the prospective ISPs would also be finalized by the implementation committee. The first five years of the license (10 year license) would have no license fees and the fees to be paid at the end of the fifth year would be announced after three years.

Market forces would be allowed to determine the price that users would be charged. Even the access charges to be paid by the ISPs to their respective carriers like VSNL would be fixed on a promotional basis.

## Number of Dailies and Newspapers Increases by over 114% in Decade

In Delhi and Maharashtra Press publishes newspapers in 16 out of 19 principal languages. Tamil Nadu and West Bengal come next with newspapers in 14 languages. According to the 40th Report of Press in India 1996 compiled by Registrar of Newspapers for India, Hindi language continued to be at the top both in number and circulation. Among the States, Uttar Pradesh was the first both in number and circulation during 1995.

The total number of news-interest newspapers including periodicals increased from 35,601 to 37,254 recording an annual growth of 4.64%. The circulation increased by 9.65% to 79.28 million copies from approx. 72.3 million copies. Newspapers all over India were published in 100 languages and dialects including 19 principal languages.

As per the Report the majority of Indian newspapers were periodicals. However, the share of periodicals in the number of newspapers was 76.1% in 1995 as against 87.8% in 1994 reducing their share in circulation to 54.5% from 56.1% respectively. Number of daily newspapers registered an increase of over 4.77% during the year increasing from 4043 in 1994 to 4236 in 1995. This implies an increase of 114.2% from 1986.

Times of India occupied the first position as the multi edition daily with a circulation of 8,71,594 copies. Anand Bazar Partika a Bengali newspaper was the largest circulated single edition daily with 4,89,761 copies. Malyalam Manorama a weekly newspaper published in Malyalam topped in periodicals with 12,49,103 copies. 62.8% of the English language press was published from the four metropolitan cities.

Out of 4491 newspapers for which the circulation data was available, 180 were big, 638 medium and 3673 small newspapers. In terms of percentage their share in 1995 come to 34.1, 31.5 and 34.4 respectively as against 36.8, 28.5 and 34.7 in 1994.

In terms of total circulation of daily press the share of medium dailies increased substantially during the year. The big dailies had a share of 39.3% in total circulation of the daily press and the medium accounted for 39.1% in 1995 as against 38.6 and 33.4% respectively in 1994.

Out of 37,254 newspapers in 1995, as many as 27,693 were owned by Individuals. Newspapers owned by Individuals had the largest share in circulation with 48.8%.

### CONSTRUCTION EQUIPMENT DUTY EXEMPTION

A highly investment friendly fiscal regime which allows tax holidays and import duty exemption on construction equipment have been established. The government is also interested in creating a facilitating environment for new Technology. This was stated by the Minister for Surface Transport, Mr. T.G. Venkatraman while delivering the inaugural address at the two day International Seminar on New Trends in Highway Construction. The Minister said that use of locally available material should be an important consideration in development of new technology and this should be suitable for local conditions also. He said, cost effectiveness of the technology and its capacity to complete projects quickly should be one of the important tests for suitability of the technology. Reiterating the Government's resolve to drastically improve infrastructure in general and roads in particular, the Minister pointed out that the budgetary allocation for the current year has been doubled to Rs. 19.6 billion. Simultaneously, other sources of funding are also being tried. Right now, projects worth Rs. 20 billion are on offer out of which projects costing Rs. 2 billion have already been approved and projects worth Rs. 9 billion are in the pipeline. Addressing the Seminar, the President of the Indian Roads Congress, Mr. H.P. Jamdar said that the removal of deficiencies in terms of inadequate capacity, weak pavement, poor riding quality, weak and distressed bridges would alone cost the exchequer about Rs. 750 billion. He emphasized on the improvement of construction technology and use of new material such as binders, bitumen emulsions, geo-synthetics etc. to quickly achieve the objective of infrastructure. The Seminar has been organized by the Indian Roads Congress in cooperation with the Ministry of Surface Transport, other Central Ministries and Departments, public and private sector organizations and will focus on areas of new technology and emerging new materials which can be adopted to Indian conditions. The Seminar is being attended by highway engineers and experts including delegates from Canada, Denmark, France, Japan, Nepal, Holland, Sweden, Thailand, U.K. and U.S.A.

## **Prasar Bharati Board** (Continued from page 3)

7. In order to provide flexibility to the Board in constituting recruitment boards and to provide for the UPSC to continue to perform the recruitment functions, till the recruitment boards are constituted, Section 10(1) of the Act has been amended accordingly.

### **C. Amendments defining the roles of Prasar Bharati vis-a-vis Broadcasting Authority of India**

8. In the year 1990 when the Prasar Bharati Act was passed, private broadcasting was not envisaged. The Government has now introduced the Broadcasting Bill, 1997 for licensing and regulation of private broadcasting in the country, and therefore, it is necessary to define the functions of these two authorities in such a manner that there is no overlapping in their functions. Sections 2(c), 12(1), 12(2) (n) and 12(3) (c) of the earlier Act have been accordingly amended to clearly assign the role of public service broadcasting to the Prasar Bharati and to leave the regulatory role to the proposed Broadcasting Authority of India.

9. Section 14 and 15 of the Principal Act deal with establishment of a Broadcasting Council to receive and consider complaints and to advise Prasar

Bharati in discharge of its functions. The Broadcasting Council has been considered as superfluous since the objectives of the Broadcasting Council will be largely served by the proposed Broadcasting Authority. Therefore, these two provisions have been deleted through the amendments.

### **D. Miscellaneous**

10. Section 6 of the Principal Act has been amended to give all members 6 years tenure instead of the present stipulation of 1/3 of them retiring at the end of every two years. It has also been provided that members shall not be eligible for second term.

11. Section 7(3) of the Act has been amended to remove the possibility of a foreign national becoming a part time member of the Board.

12. Section 25 of the Act provides for the President to issue show cause notices to the Corporation after receiving a recommendation from the Parliament for supersession of its Board. This has been amended so that the final decision regarding supersession is with Parliament.

13. In view of the above amendments, some incidental and consequential amendments have also been carried out.

## **Over Eleven Per Cent Increase in Handicrafts Export**

The handicrafts exports have recorded over eleven per cent increase during the period April-August 1997-98. According to the provisional data available, the export of handicrafts, excluding hand-knotted carpets, increased from Rs. 1607.48 crores in April-August 1996-97 to Rs. 1788.54 crores during the same period in April-August 1997-98, thereby recording an increase of 11.26 per cent in Rupee terms.

In Dollar terms, handicrafts exports increased from US \$ 461.92 millions in April-August 1996-97 to US \$ 499 million during April-August 1997-98, thereby recording an increase of 8.13 per cent. Item-wise, the highest increase has been recorded for Embroidered & Crocheted Goods by 72.95 per cent in Rupee terms (68.06 in \$ terms), followed by Zari & Zari Goods by 22.15 per cent (18.48 in \$ terms), Hand Printed Textiles & Scarves by 16.11 per cent (12.84 per cent in \$ terms), Imitation Jewellery by 13.01 per cent (9.86 per cent in \$ terms).

# Reserve Bank of India — Credit Policy

*(Continued from page 2)*

Giving effect to the reduction in CRR during the months of February and March 1998 is, however, contingent on the monetary and price situation at that time. As a result of a two percentage point reduction in CRR, the resources of banks would be augmented by about Rs.9,600 crore (Rs.1,200 crore for each phase of reduction). A notification on the above measure is being issued to banks separately.

## **(c) Interest on Cash Balances Maintained with the Reserve Bank of India under CRR**

At present, all scheduled commercial banks (excluding Regional Rural Banks) are paid interest on eligible cash balances maintained with Reserve Bank of India (RBI) under CRR requirement according to a two-tier formula. Under the two-tier formula, interest is paid at the rate of 10.5 per cent per annum on eligible cash balances based on net demand and time liabilities (DTL) outstanding as on March 23, 1990, and no interest is paid on the increase in the eligible cash balances (based on the increase in net DTL over the level as on March 23, 1990), maintained with RBI. At present, the effective rate of interest on the entire eligible cash balances works out to about 3.5 per cent. It has been decided to rationalize the present system of payment of interest on eligible CRR balances.

Accordingly, with effect from the fortnight beginning October 25, 1997, banks will be paid interest at the rate of 4.0 per cent per annum on all eligible cash balances maintained with the RBI under proviso to Section 42(1) and Section 42(1A) of the Reserve Bank of India Act, 1934. This will have the effect of improving the return on such balances since the revised rate will be applicable on the entire balances. A separate communication is being addressed to banks.

## **(d) Rationalization of Statutory Liquidity Ratio (SLR)**

All scheduled commercial banks (excluding Regional Rural Banks) are at present required to maintain statutory liquidity ratio based on multiple prescriptions. With a view to rationalizing the prescription of SLR, it has been decided to simplify the multiple prescriptions and collapse them into a single prescription.

Accordingly, with effect from fortnight beginning October 25, 1997, all scheduled commercial banks are required to maintain a uniform statutory liquidity ratio of 25 per cent on their entire net demand and time liabilities which is the minimum stipulated under Section 24 of Banking Regulation Act, 1949; simultaneously, the aforesaid system of multiple prescriptions of SLR would stand withdrawn. A notification of change is being issued to banks separately.

## **(e) Deregulation of Interest Rates on Domestic Term Deposits**

At present, interest rates on domestic term deposits with a maturity of 30 days and upto one year are prescribed at 'not exceeding Bank Rate minus 2 percentage points per annum' while banks are free to fix the interest rate on domestic term deposits of over one year.

With a view to giving banks full freedom to determine the interest rates on term deposits, effective October 22, 1997, banks are free to fix their own interest rates on domestic term deposits of 30 days and over. Banks should obtain prior approval from their respective Boards for the interest rates they will be offering on deposits of various maturities. Consequently, banks may offer a fixed rate on deposits or a floating rate clearly linked to an anchor rate. Banks may offer new rates on fresh deposits and on renewal of maturing deposits. A communication is being issued to banks separately.

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## **Bill to make Primary Education a Fundamental Right**

The Constitutional Amendment Bill to make primary education a fundamental right is before the Standing Committee of the Parliament which is likely to submit its report before the commencement of the winter session. This was stated by the Minister for Human Resource Development, Mr. S.R. Bommai, while addressing the first meeting of the General Council of District Primary Education Program (DPEP) here today. It is hoped that the Bill will be passed in the ensuing session as all political parties are unanimous in supporting this initiative. The Prime Minister will also be requested to hold a meeting of the Chief Ministers and Education Ministers of the States to work out the strategies to meet additional expenses incurred in implementing the Program, added Mr. Bommai. Reviewing the progress of DPEP, Mr. Bommai informed that the program started off from 42 districts in 7 States and 149 districts in 14 States have already been covered. Coverage of more districts in Andhra Pradesh and extension of the program in Rajasthan are on the anvil. Talking about the first In-depth Review of the DPEP conducted only last month by a Joint Supervision Mission, the Minister informed that it has been observed that there is an appreciable increase in the enrollment, learning achievements and reduction in repetition and in the area of gender and social inequities. Between 1993 and 1996, the differential increase in enrollment in DPEP districts was higher by 3.7 to 16.8 percentage points as compared to non-DPEP districts. Enrollment increased by 8.5 per cent between 1995-96 and 1996-97 in DPEP districts as compared to the national average of 2.5 per cent during early nineties. The Index of Gender Equity also increased to more than 95 in 18 of the 36 districts for which comparative data was available, showing the near absence of gender inequities in enrollment.

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