

**Institute of Banking Personnel Selection
Common Written Examination :2011 (Current Affairs)**

Nilekani Panel Submits Report on Cash Transfer Scheme

UIDAI Chairman Nandan Nilekani submitted the report of the committee headed by him regarding direct transfer of subsidy to the beneficiaries, to the Finance Minister Pranab Mukherjee. The interim report of the task force on direct transfer of subsidies on Kerosene, LPG and Fertilisers suggested creation of a Core Subsidy Management System (CSMS) for maintaining information on entitlements and subsidies for all beneficiaries. The CSMS, as indicated in the report, will provide increased transparency in the movement of goods, level of stocks, prediction and aggregation of demand and identification of beneficiaries.

Nilekani Panel on Cash Transfer Scheme

Highlights of Recommendations Made in Interim Report Submitted by the Panel

LPG:

- **Phase I:** Cap consumption of subsidised cylinders (Policy decision of government and not a specific task force recommendation).
- **Phase II:** Consumers buy LPG at market price, with direct transfer of subsidy to their bank account.
- **Phase III:** Identify and target segmented customers for subsidy.

Fertiliser:

- **Phase I:** Information visibility up to the retailer level. Phase II: Direct transfer of subsidy to the retailer.
- **Phase III:** Farmers buy fertilisers at market price, with direct transfer of subsidy to their bank account.

Kerosene:

Phase I: Cash transfer through state governments.

Phase II: Cash transfer to accounts of beneficiaries.

Report recommends creation of centralised software for the product and service transfer. The poors have been recommended to get the share of subsidies directly through bank branches, Automated Teller Machines (ATMs), business correspondents, the internet or mobile banking channels. Pilot projects for such direct cash transfers have been recommended to begin in seven places— Tamil Nadu, Assam, Maharashtra, Haryana, Delhi Rajasthan and Orissa—from October 2011.

Country's Exports Register 45.7% Growth in Q 1 Of 2011-12:

Country's exports in June 2011 rose for the third month in a row by growing 46.4 per cent to \$ 29.2 billion, driven by high-end products such as engineering goods. Imports increased 42.4 per cent to \$ 36.2 billion. About one-third of this import bill was accounted for by petroleum, oil and lubricant. This resulted trade deficit at \$ 7.7 billion.

During the first quarter of 2011-12 (i.e. April- June 2011), exports rose 45x7% to \$ 79 billion. With imports growing 36x2% to \$ 110.6 billion, the trade deficit stood at \$ 7.7 billion.

Export sector's good performance was well supported by various industries like engineering, oil, electronics, drugs, chemicals and readymade garments. The main components in the import bill on the other hand were oil, gold and silver, machinery, electronics and pearls/ precious stones. Oil import bill has been a major head in country's total import bill. During the first quarter of 2011-12, oil imports rose 18 per cent to \$ 30.5 billion and it is projected to be around \$ 120-130 billion during the entire financial year 2011-12. Machinery imports valued at \$ 9 billion showing 49 per cent growth. With 71 per cent growth electronics imports went to \$ 7.6 billion.

It may be recalled that during last year 2010-11, merchandise exports had grown 37.55% to \$ 246 billion compared with 2009-10 while imports were up 21.6 per cent at \$ 350 billion, resulting trade deficit at \$ 104 billion.

The government has set a target of \$ 500 billion worth of exports by 2014 and doubling of India's share of global exports by 2020.

RBI Asks Government To Improve Expenditure Quality:

RBI in its quarterly review of Monetary and Credit Policy 2011-12 pointed out the risk of high fiscal deficit pushing up inflation and consequently it suggested central government to improve the quality of expenditure to contain demand in the economy.

Trade Figures (Ap11)	
Exports–The Break-up	Imports–The Break-up

Sector	Value (\$ b)	(% growth)	Sector	Value (\$ b)	(% growth)
Engineering	23	94	Oil	30.5	18
Oil	14	60	Pearls, gems	7.5	10
Gems & jewellery	9.25	19	Gold & silver	17.7	200
Readymade garments	3.6	34	Machinery	9	49
Manmade yarn & fabrics	1.2	30	Electronics	7.6	71
Cotton yarn & fabrics	1.5	9.1	Chemicals	4.5	19
Electronics	2.8	69	Coal	3.7	27
Drugs & pharma	3.08	25	Iron & steel	2.7	-10
Chemicals	2.9	52	Transport equipment	2.5	34
Plastics & linoleum	1.5	50	Ores & scrap	3.4	37
Leather	1.1	26	Vegetable Oil	2	55
Mica, coal & ores	2.7	270	Resins & plastics	1.8	0
Marine products	0.6	27	Fertilisers	1.28	-28

As per RBI's viewpoint, the large fiscal deficit has been a key source of demand pressures, therefore, fiscal consolidation is critical to maintain inflationary pressure in the economy. The government can support RBI's efforts to achieve low and stable inflation by re-allocating resources to finance supply bottle-necks in food and infrastructure.

Outstanding Liabilities and Gross Fiscal Deficit		
(as % of GDP)		
Year	Outstanding Liabilities	Gross Fiscal Deficit
2009-10	53.7	5.4
2010-11	49.9	4.7
2011-12 (BE)	48.5	4.6

Despite the hike in administered prices of fuel products, RBI still finds an element of suppressed inflation in the economy. As per RBI's estimates, about 1 per cent of gross domestic product is still to be financed and becomes a major portion of this subsidy Bill. This subsidy Bill will result in inflationary pressure which, according to RBI is a major concern on the part of the government.

Food Accounts Largest Share in Consumer's Spending : NSSO

NSSO's 66th round of survey household consumer expenditure reveals that Indians are still spending a major chunk of their expenditure on food items. The survey, covering the period from July 2009 to June 2010 shows an average rural household to have allocated 53.6 per cent of its monthly consumption expenditure on food items. The corresponding share for urban household was less, at 40.7 per cent. According to the latest figures on consumption expenditure, per capita consumption expenditure in a month was 88 per cent more in case of urban India compared to rural. India during 2009-10, a trend which was more or less five years ago.

Share of Food in Total Consumption Expenditure (in%)		
Year	Rural	Urban
1987-1988	64.0	56.4
1993-1994	63.2	54.7
1999-2000	59.4	48.1
2004-2005	55.0	42.5
2009-2010	53.6	40.6

Per capita expenditure on consumption for the bottom 10 per cent of the people in rural areas was five times less than the top 10 per cent of the people while in case of urban parts, it was 10 per cent less.

Survey results show that cereals still make up the largest chunk of an average Indian household's consumption budget—15.6 per cent in rural and 9.1 per cent in urban areas.

This is followed by fuel and light (9.5 per cent in rural and 8 per cent in urban), milk and milk products (8.6 per cent and 7.8 per cent), vegetables (6.2 per cent and 4.3 per cent) and clothing (4.9 per cent and 4.7 per cent).

The survey has estimated the all-India average monthly per capita expenditure at Rs. 1,053.64 in rural and Rs. 1,984.46. The States among the top in spending are Kerala (Rs. 1,835.22 in rural and Rs. 2,412.58 in urban areas), Punjab (1,648.92 and Rs. 2,108.79), Haryana (Rs. 1,509.91 and Rs. 2,321.49) and Maharashtra (Rs. 1,152.79 and Rs. 2,436.75).

The States at the bottom of the consumption chart are Bihar (Rs. 780.15 and Rs. 1,237.54), Jharkhand (Rs. 783.57 and Rs. 1,647.32), Orissa (Rs. 818.47 and Rs. 1,548.36) and Jharkhand (Rs. 825.15 and Rs. 1,583.75).

Institutional Credit Disbursement to Agriculture Sector Shows Big Rise in 2010-11:

Institutional credit disbursement to agriculture sector during 2010-11 registered a big rise. As against the target of Rs. 3,75,000 crore for agriculture credit in 2010-11, the banking system disbursed Rs.4,26,531 crore to the agriculture sector, thereby exceeding the target by around 13.7 per cent. As per the data released by the Ministry of Agriculture, out of the total disbursed credit of Rs. 4,26,531 crore, Commercial Banks, Cooperative Banks and Regional Rural Banks contributed Rs. 3,14,182 crore, Rs. 69,076 crore and Rs. 43,273 crore respectively. Thus during 2010-11, the share of Commercial Banks, Cooperative Banks and Regional Rural Banks in total disbursed credit stood at 73.7 per cent, 16.2 per cent and 10.1 per cent respectively.

During 2009-10, as against the target of Rs. 3,25,000 crore for agriculture credit, the banking system disbursed Rs. 3,84,514 crore to the agriculture sector, thereby exceeding the target by about 18 per cent. For the financial year 2011-12, the target of disbursing agriculture credit to farmers in Rs. 4,75,000 crore. It is worth noting that government is providing concessional crop loans to farmers from the year 2006-07. The farmers who repay loans well in time get concession on their crop loans. In 2009—10, this concession was 1% which was raised to 2% in 2010- 11. For 2011-12, it now stands at 3%.

Flow of Institutional Credit to Agriculture Sector (in Rs. crore)				
Agency	2009-10		2010-11	
	Target	Actual Credit Disbursement	Target	Actual Credit Disbursement
Commercial Banks	2,50,000	2,85,000	2,80,000	3,14,182
Cooperative Banks	45,000	63,497	55,000	69,076
Regional Rural Banks	30,000	35,217	40,000	43,273
Total	3,25,000	3,84,514	3,75,000	4,26,531

1. Which one of the following Public Sector Organisations has offered largest ever equity offer ?

1. SAIL
2. Coal India
3. Power Grid
4. Shipping Corporation of India
5. None of these

2. Through which one of the following sources domestic funds are raised by Companies ?

- (a) IPO only
 - (b) FPO only
 - (c) Commercial papers
1. Only (a) and (b) 2. All (a), (b) and (c)
 3. Only (a),and (c) 4. Only (a)
 5. Only (c)

3. Which one of the following was the reason owing to which Govt. want Reserve Bank of India to tighten prudential norms for NBFCs?

1. To reduce liquidity in the market
2. It is as per Basel II requirements
3. It is as per Bank for International Settlement (BIS) directives
4. It is to protect NBFCs from any impact of possible economic slowdown
5. None of these

4. In the financial year 2009-10, which one of the following Banks has made highest Total dividend Payout?

1. SBI 2. PNB
3. Bank of India 4. Canara Bank
5. None of these

5. In respect of which one of the following countries, India has proposed non payments for import of crude oil ?

1. Iran 2. Iraq
3. Kuwait 4. Sudan
5. U.A.E.

Answers:

1.(2) 2.(3) 3.(4) 4.(5) 5. (1)