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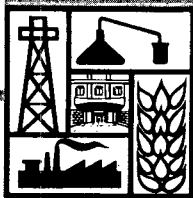
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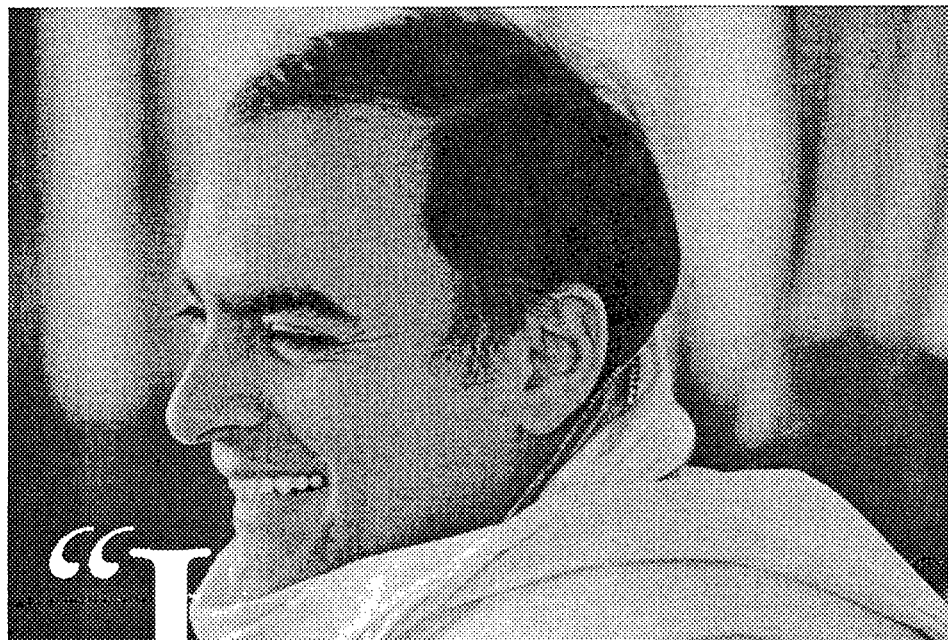
The first phase of the financial reform yielded good results. The second phase of the process also got started with the implementation of some of the recommendations of the second report of Narasimham Committee. There may be arguments in favour or against. But the moot point is we have to advance following the method of trial and error, argues the lead article.

The long awaited deregulation of the petroleum sector has come about. But has it gone in favour of the consumer as it has in case of the telecommunication industry, ask some.

The National Human Development Report, a compilation of basic data in terms of quality of life and standard of living of the country's citizens, is out. The need for such a comprehensive document had long been felt, more so after the publication of the Human Development Report by the UNDP since 1989. Another important document to follow suit is the National Health Policy. The biggest challenge for successful implementation, as noted, lie in evolving a mechanism to check the spiralling cost of health services.

E-commerce, a buzz thing all over, could not take off in the North Eastern region mainly due to the problems of infrastructure and digital illiteracy. Sooner the corrective steps are taken the better in the larger interest, opines the contribution on the subject.

From time to time we will feature the new column Career Guidance. This time it is Biotechnology and Bioinformatics. The sports page this time features the ensuing Asian Games. About the contents and new format, we invite readers' views in the Letters column.



*I have nursed a dream,
a dream of the great Indian people
marching confidently into the future.
I dream of an India that excels itself.*

- Rajiv Gandhi

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PERSPECTIVE

Banking Sector Reform in India : A Study

Anindya Bhukta

The process of strengthening the banking system has to be viewed as a continuing one. There is no finite end to improving the levels of efficiency and profitability. In fact, the situation is one where the system has to cope constantly with changes in the broader environment in which it functions and face new challenges that these developments impose on it.

FAILURE OF banks was a regular feature in the pre-independence period and, though to lesser extent, even in the post-independence period. The banking industry then was mostly in the hands of private entrepreneurs. As a result whenever a bank failed its customers were simply cheated and their hard-earned money was forfeited. So nationalisation of banks was a long-run demand. The demand finally was satisfied when, in 1969, though unfortunately owing to a political compulsion, the government nationalised fourteen commercial banks. Thereafter, in 1980 again, six more banks were nationalised.

In 1969, the slogan was introduction of mass-banking. In fact, prior to this period, private banks mostly operated in the urban and semi-urban areas. Banking facilities were out of reach of a large number of rural people. This, in turn, hampered our

savings habits and hence investment. So spread of bank branches to remote rural areas was also another need of the hour. After nationalisation, the government decided to extend banking facilities to rural areas.

The 1969-reform of banking sector got tremendous success in the sense that there was a phenomenal growth in the number of bank branches to reach every nook and corner of the country. However, in other senses, it was a total failure. A review of the performance of Indian banking sector in early 90's revealed that despite the overall progress made by the banking system in geographical and functional coverage, its operational efficiency had been unsatisfactory, characterised by low profitability, high and growing non-performing assets and relatively low capital base (Rangarajan, 1999).

Against this background a programme of reform in the

Indian financial sector was taken up since 1991. The financial sector reform is a part of the structural adjustment programme, initiated in 1991, basic philosophy of which is to build a market-led economy. The financial sector reform was started in 1991 on the basis of Narasimham Committee Report. The committee, headed by Mr M. Narasimham, submitted its report in November 1991. Though the report covered the financial system of India as a whole, its main thrust was on the banking sector. The banking sector accounts for 80 percent of the funds flowing through the financial sector and hence reform of the banking sector is considered urgent to build up a strong and efficient financial system, which, in turn, is critical to the attainment of the goals of creating a market-driven, productive and competitive economy, supporting higher investment levels and accentuating growth. (Padmanbhan, 1998).

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In July 1991, the Government of India introduced a New Economic Policy (NEP) which is in tune with the Structural Adjustment Programme (SAP) prescribed by the international financial institutions like IMF and World Bank in different countries who seek financial assistance from them. The objective of this policy, was to make the economy financially sound and independent and internationally competitive. A series of reform measures was taken up in the real sectors of the economy as a part of this policy. This necessitated some changes in the financial sector also. The Narasimham Committee made its recommendations keeping this point in mind. According to the committee the measures recommended are intended to "improve the financial health of banks and development of financial institutions to make them viable and efficient so as to better serve the emerging needs of the real economy in which the spirit of competitive efficiency is being ignited" (Narasimham Committee Report on Financial Sector Reform, 1991).

Four Groups

The recommendations of the Narasimham Committee are Classified into four major groups. These are : (i) overall monetary policy issues, (ii) measures for strengthening banks, (iii) steps to enhance competition in the financial sector and (iv) issues relating to strengthening the regulation and supervision over banks and non-banking financial institutions.

The recommendations relating to monetary policy issues are : phased reduction in the statutory liquidity ratio (SLR) from 38.5 per cent to 25 per cent of net demand

over a period of five years, progressive reduction in cash reserve ratio (CRR) from the present high level of 15 per cent, deregulation of interest rates in order to let it determined by market forces etc.

To improve the financial health and credibility of banks the committee recommended to introduce internationally accepted prudential norms in income recognition, asset provisioning and capital adequacy. In the pre-reform period assets were classified into eight health code categories as under- (1) satisfactory, (2) irregular, (3) sick-viable under nursing, (4) sick-non-viable/sickly, (5) advances recalled, (6) suit filed accounts, (7) decreed debts and (8) debts classified by the banks as bad/doubtful. Assets falling within the last four categories were deemed as nonperforming assets (NPAS) and banks could not recognise income on these categories. On income recognition the Narasimham Committee recommended that banks cannot recognise interest income on all NPAS. On asset classification the Committee's recommendation was that all advances have to be classified into four groups as standard, sub-standard, doubtful and loss. An asset is classified (i) as substandard when it gets classified as NPA (ii) as doubtful when it remains in sub-standard category for 24 months and (iii) as a loss when it is considered as irrecoverable and not written off.

Prior to 1991 reform, banks were not to comply with any capital adequacy norm. The question of maintaining adequate capital reserve while giving varieties of risky loans did not arise mainly because of ownership pattern of Indian banking sector.

Government ownership of banks, commanding about 90 per cent of business, was considered adequate for maintaining public confidence (Jagirdar, 1996). This negligence resulted in an ever-deteriorating ratio of paid-up capital and reserves to total deposit. In 1950 this ratio was 9 per cent for public-sector banks, from which it declined to 1.5 per cent by 1978. This is unfortunate. Since capital is seen as a cushion against unforeseen losses, adequate capital is essential to absorb credit risks which may result in losses on account of its advances going bad. The Narasimham Committee thus recommended that all banks in India and branches of foreign banks in India are to achieve a minimum capital-adequacy ratio of 8 per cent in a phased manner within March 1996.

To increase competition in the financial sector the Committee suggested allowance to foreign banks to set up subsidiaries/joint ventures in India, allowance to private sector banks to set up new banks provided they conform to the start-up capital and other requirements, revamping of regional rural banks etc.

Recommendations regarding strengthening of the institutional framework relating to banking includes re-capitalisation, strengthening the supervisory process and creating new institutions such as Banking Ombudsman and Debt Recovery Tribunals.

Reform Measures

After 1991, it is the financial sector which has experienced the most reform measures. Almost all the recommendations of the Narasimham Committee are successfully implemented. Let us review.

During the pre-reform period one of the problems facing our banking sector was that levels of SLR and CRR had been progressively on increase. Together, the SLR and CRR stipulation pre-empted a large part of bank resources into low-income-earning assets thus reducing bank profitability and pressurising banks to charge high interest rates on their commercial sector advances. These high interest rates paid by the corporate sector in turn encouraged disintermediation from the banks since better corporate clients had an incentive to raise funds directly from the market by paying higher interest rates than the banks could offer to pay (Govt. of India, 1993). Phasing out of the high SLR and CRR was thus very much essential. Following the recommendation the government brought down, in phases, average CRR from 15 per cent to the range 9.5-10 per cent. However, sometimes for policy matter, this ratio is temporarily increased. On the other hand, reducing phase by phase SLR was finally brought down to 25 per cent on Net Demand and Time Liabilities (NDTL) which is the minimum prescribed under the Banking Regulation Act in October 1997.

Prior to reform, Indian banking sector was facing an administered structure of interest rate which had detrimental effect on banking business. Deregulation of interest rate was very much desirable. A series of reformatory measures have been taken by the Reserve Bank of India since the initiation of overall reform programme of the economy. In 1992 it was declared that deposits rates were subject to only one ceiling rate as against prescribed rates earlier. In 1994 banks were given freedom to

fix their own Prime Lending Rate (PLR) for advances over Rs. 20 lakh. During 1995-96 banks were given freedom to fix their own interest rate on domestic and NR deposits with maturity of over two years which was later reduced to one year. In 1997 banks were given full freedom to determine interest rates on term deposits of 30 days and above. In 1998 banks were given freedom to offer differential rate of interest based on size of deposits of Rs. 15 lakh and over.

Income Recognition

On the issue of income recognition policy adopted is that an income on asset is not recognised if it is not received within two quarters, i.e., 30 days, after it is past due. However, the international norm in this case is 90 days.

The NPAs are always a serious case of concern to the banks. After nationalisation of banks in 1969 the government put stress on priority sector lending. For this the priority sectors were listed and the nationalised banks were directed to earmark a certain percentage of their credit to these sectors. In order to meet specific quantitative targets banks were to organise even loan 'mela's in different parts of the country. The results were, in most cases, non-payment of loans by the borrowers. This, in turn, led to ever-increasing NPAs and ever-decreasing profit in the balance sheets of nationalised banks. To check this strict measures were taken as per recommendations of the Narasimham Committee in identifying NPAs and in provisioning them. For example, norms have been specified that advances guaranteed by the state government will be classified as NAP if guarantee is invoked and the concerned government

remains in default for more than two quarters with effect from April 1, 2000. On the other hand, provisions on such advance will be made over a period of four years from the year ending March 31, 2000 to March 31, 2003 with minimum of 25 per cent each year.

In respect of achievement of minimum capital adequacy ratio of 8 per cent it is observed that all banks except four in private sector and one in public sector achieved the same.

Prior to reform, no new private sector commercial banks were permitted to be set up since 1972. But as per Narasimham Committee Report during 1990-98, a total of 22 foreign banks were allowed to operate in India. During the same period existing foreign banks were allowed to open 36 additional branches. Along with this 9 new banks were set up in the private sector and one cooperative bank was allowed to convert itself to a private commercial bank.

So far we have pointed out some of the measures taken by the Government of India during the last couple of years. There are still others. Many of these measures yielded fruitful results also. For example, the net profit of the scheduled commercial banks as a percentage of their total assets has been turned around from a negative figure of -1.0 per cent on an average during 1992-93 and 1993-94 to a positive figure of 0.5 per cent during 1994-95 to 1997-98. In the case of most public sector banks, business per employee and profit per employee have shown improvement in the recent period (Jalan, 1999). By March 1998, the gross and net NPAs of the banking system as percentage of advances have declined to 16 per cent and 8.2 per cent respectively. In terms

of percentage of total assets, gross and net NPAs have declined to 7.0 per cent and 3.3 per cent respectively by the same time. Yet the progress is not satisfactory everywhere. While on the regulatory aspects and relevant financial ratios, there was discernable progress, on structural aspects, especially public ownership and incentive structures including autonomy of public sector banks, reform process fell short of expectations of Committee on Financial System (Reddy, 1999). Against this background the government thinks it necessary to examine the problems afresh and review some of the recommendations of the committee in the context of changed circumstances.

Circumstances have changed a lot. There have been major changes in domestic macro environment in recent years, the most important of which has been the greater focus on containing fiscal deficit, subsidence of inflationary pressures and restoring to monetary policy, its defining function of regulating money and credit. These changes have coincided with movement towards global financial integration which would call for greater measure of competitive efficiency in the banking system to be able to face the challenges of increasing competition from abroad. Inspired by these changes, the government appointed, in November 1997, another committee, Committee on Banking Sector Reform, again under the Chairmanship of Mr M Narasimham. The second Narasimham committee submitted its report on April 1998 which addressed a number of vital issues pertaining to the health and stability of financial system and the

action necessary to strengthen it. Here we shall discuss some recommendations of the second Narasimham Committee.

Capital Adequacy

Let us first take up the issue of capital adequacy ratio. Regarding this the recommendations of the Committee are to assign risk weights to government approved securities, to take care of the market risks and also assign risk weights to open position in forex and gold. The Committee has also suggested increase in this ratio to 10 percent, nine per cent to be achieved by March 2000 and 10 per cent by 2002.

On the issue of income recognition the Committee's recommendation is to change the definition of NPA in line with the international norm. According to the international norm income on any asset is not recognised if it is not received within 90 days after it is past due. In this context the committee recommended that an asset be classified as doubtful if it is in the sub-standard category for 18 months in the first instance and eventually for 12 more months. The Committee also recommended that for the purpose of evaluating the quality of asset portfolio, government-guaranteed advances which have turned sticky should be treated as NPAs. However, if for sovereign guarantee argument such advances are excluded from computation they should be shown separately for transparency of operations. The Committee, in this connection, also expressed its resentment over the extent of NPAs in the banking sector as a whole. Presently, a large number of public sector banks have net NPAs ranging between 10-20 per cent of net advances. The

committee opined that the average level of net NPAs for all banks is to be reduced to 3 per cent by 2002 and to zero for banks with international presence. In this context the committee recommended that in case of all future loans, asset classification and provisioning norms should apply even to government-guaranteed advances in the same manner as for any other advances. For existing government advances a mechanism for a phased rectification should be worked out.

Another major recommendation of the second committee is on the issue of reorientation of banking structure. A restructuring is necessary because factors like non-remunerative branches, low productivity, over manning also affect the profitability of banks. The main thrust in restructuring is on merger of banks. Unlike normal practice the committee put stress on the merger of strong units as a means of strengthening them and providing for greater opportunities for competition. For the weak banks the committee prescribed that these banks should resort to 'narrow banking', i.e., they should restrict their operations only in gilt-edged securities and other securities of zero-risk variety. If, even after following this safe track of investment, the weak banks fail to recover themselves, the units should be closed altogether.

Directed credits pose a serious problem before the banks. These credits generally turn to be bad debts. Previously directed credit, in general, indicated priority sector lending. But now a days there are a variety of government sponsored programmes which are to be funded by banks. The second

Narasimham Committee has recommended that given the special needs of this sector, the current practice may continue. However, for ensuring greater involvement and accountability and also appraisal of schemes on commercial considerations without any extraneous influences, the branch managers of banks should be fully responsible for the identification of beneficiaries under the government sponsored credit linked schemes. However, this recommendation is yet to be acted upon. Generally, beneficiaries in such schemes are political persons or persons favoured by political parties. Implementation of this recommendation means direct attack on political interest.

There is no doubt that the first phase of financial reform yielded fruitful results. The second phase of the process also got started with the implementation of some of the recommendations of the second Narasimham Committee in the 1998 monetary and credit policy, announced by the Reserve Bank of India, Governor Dr Bimal Jalan.

Let us start with the issue of capital adequacy ratio. In his first report Mr Narasimham proposed that the capital base of a bank can be increased in two ways. First by building a fund with the recovered bad loans of the banking sector as a whole. This fund will be termed Asset Reconstruction Fund (ARF) and capital will be infused from this fund for recapitalization of weak banks with low capital adequacy ratio. In the second method recapitalisation will be made by using massive budgetary funds. The committee was in favour of following the first route, because the second one is not only costly but is unsustainable over time.

Unfortunately the government, in the last couple of years, followed the second route in order to get quick and immediate result. For example, the State Bank of India and the Oriental Bank of Commerce were the only public sector banks to access the market and follow the conventional way of boosting their capital, while other nationalised banks have boosted their capital with infusion of funds from the government. However, this policy is against the long-run objective of reducing fiscal deficit of the government and is totally undesirable. In his second report, Mr Narasimham again recommended the constitution of ARF, both to meet the problems of NPAs and low capital adequacy ratios.

Merger

Coming to the problem of merger of bank branches in the line proposed by the second Narasimham Committee. The Committee disfavoured the idea of merger among strong and weak units on the argument that it might produce adverse impact on the asset quality of the stronger unit as a result of acquiring the hollow portfolio of the weaker unit in the absence of any system of written off the NPAs of the weaker unit before merger. On the other hand, according to the committee, merger of strong units may produce better multiplier effect. However, many economists conveyed their dissent on this prescription of the second committee. They argued that such merger between stronger banks in different countries, e.g. in the U.S.A., Japan, Singapore, failed to produce positive result in recent past. The most important point to argue is that merger in those countries were the result of

pressure of competition. Hence that was inevitable. But here such merger is going to be imposed on them. That might have adverse impact.

Argument is also there against the method of 'narrow' banking' prescribed by the second committee for the recovery of weak banks. It is argued that there is insufficient supply of riskless assets to back potential demand for riskless deposits. Moreover, increased demand for riskless assets would raise their prices in a narrow banking world. Some have also argued that instead of narrow banking these banks require aggressive banking. This means that these banks should not resort to riskless investment which are generally low yielding; instead they should invest in securities of first class commercial companies which are risky but high-yielding. With this aggressive banking they would be more attentive and give more effort in recovering bad debts.

It may be said that there may be arguments and counter arguments on various issues. But this does not mean that the reform should be halted and the debate be solved first. Rather we have to advance following trial and error method. Let us finish with the words of the second Narasimham Committee (Narasimham Committee Report on Banking Sector Reform, 1998) which sounds like: "The process of strengthening the banking system has to be viewed as a continuing one. There is no finite end to improving the levels of efficiency and profitability. In fact, the situation is one where the system has to cope constantly with changes in the broader environment in which it functions and face new challenges that these developments impose on it." □

Structure of World Insurance

P V Nishanth and Anindita Mitra

The insurance industry has shown signs of development consequent to economic growth including industrial and other activities of world economies. However, the spread and development of the insurance business is dominated by a few industrially developed economies. It is necessary to popularize insurance in countries like India, China and Africa where most of the world's poor inhabit.

THE WORLD insurance industry recorded growth since it was founded. The earliest reference to insurance was found in Babylonia, Greece and Rome. Since then there has been a rapid growth in total insurance business throughout the world. It was developed and spread its wings widely in the most developed countries of the world, and now it has been observed that the awareness of insurance has spread to the developing countries as well who also contribute to the world demand for insurance. Since the less developed countries have limited development of markets for saving, credit and insurance and heavy production risks are involved in the major activity of agriculture, these take an active role in banking and insurance.

America and Europe together contribute more than 90 per cent of the total world insurance business in terms of premium income. Life insurance business accounts for the bulk of the total insurance business, 79 per cent in Asia, 45 percent in Latin America

and 40 percent in other continents. Thus average life insurance business (US \$1321 billion) was 65 per cent of the total insurance business in the world in 1999. The Asian life market recorded 7.5 per cent real growth and constituted 43.59 per cent of

world wide premium income in the life sector.

Table 1 shows that insurance industry recorded a growth in premium volume (US\$ 2082 billion) of around seven percent in 1999 over the previous year in real terms.

Table 1
Structure of World Insurance

Continent	Premium income (US \$ billion)					
	Total Insurance Business			Life Insurance Business		
	1990	1995	1999	1990	1995	1999
North America	483 (39.87)	514 (37.95)	700 (33.93)	203 (31.97)	222 (27.54)	352 (26.36)
Europe	375 (31.03)	460 (33.93)	591 (28.64)	182 (28.79)	239 (29.65)	347 (25.99)
Asia	311 (25.70)	334 (24.64)	728 (35.28)	228 (36.02)	322 (39.95)	582 (43.59)
Africa	13 (1.09)	14 (1.06)	18 (0.87)	8 (1.26)	9 (1.12)	12 (1.65)
Latin America	7 (0.58)	10 (0.57)	22 (0.19)	2 (0.32)	2 (0.25)	10 (0.75)
Oceanic	21 (1.75)	24 (1.77)	23 (1.07)	11 (1.69)	12 (1.49)	18 (1.64)
World	1210	1356	2082	634	806	1321

Source : SIGMA; Swiss Re, 2/91, 4/922, 5/95

Note : Figures in parantheses refer the percentage share in world total.

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The insurance industry has shown signs of development consequent to economic growth including industrial and other activities of world economies. However, the spread and development of the insurance industry is unevenly distributed across the regions. The world insurance business is dominated by few industrially developed economies. This dominance can be seen from the market share of industrial economies in Table 2.

It is noticed that 80 per cent of the total and life insurance market is shared by the top six industrial economies such as the United States (US), Japan, Germany, Great Britain, France and South Korea. Similarly, though the Asian region accounts for 34.84 percent of the total insurance business in 1993, among the Asian countries, Japan alone contributes 30.36 per cent. The developing countries hold a very small share in the international insurance market. China and India, the potential markets, together account for less than one per cent.

The unequal development of insurance from the meagre share of developing countries in the world insurance market is given in Table 3.

Further, different regions and specific countries recorded altogether different performances. It is important to note that the contribution of the less developed countries (LDC's) share in the world insurance business mostly comes from the Asian LDCs. Therefore, it is clear that the industrially advanced regions dominate the world insurance market both in life and non-life insurance. The reason for this skewed development of insurance business is that there is a positive

Table 2
World share of Largest Insurance Market in 1995 (Per cent)

Total Insurance			Life Insurance	
Country	Rank	World Share	Rank	World Share
Unite States	1	31.31	2	23.82
Japan	2	30.36	1	42.61
Germany	3	6.44	5	4.54
Great Britain	4	6.15	3	7.05
France	5	5.27	4	5.67
South Korea	6	2.12	6	2.95
China	23	0.30	26	0.16
India	25	0.26	20	0.32

Source : SIGMA : Swiss RE, 2/91, 4/92, 5/95

Table 3
Developing Countries Share in World Insurance Business

Regions	Total Insurance Business		Life Insurance Business	
	1995	1999	1995	1999
Developing Countries	4.95	6.56	4.68	6.26
Africa	0.74	0.36	0.20	0.10
Asia	3.86	4.61	3.29	4.39
Latin America	0.94	0.90	0.39	0.42

Source : SIGMA, Swiss Re, 4/90, 2/91, 4/92; and UNCTAD, January 1995.

correlation between economic development of a country and the amount people spend on insurance. It is substantiated by examining the life insurance standard in terms of life insurance density and penetration.

From the cross country analysis, it is evident that the developed countries have a far more developed insurance business compared to the LDCs. The high life insurance penetration (the income elasticity of life insurance) indicates that they have a high amount of life insurance per head compared to the LDC (Table 4.)

Indian Scene

India's position is far behind the developed countries but reasonably good compared to other LDCs with a real growth higher than both groups. Among

the developed countries, life insurance penetration is found to be the highest in Japan (2252.49 per cent) followed by United States (US) (1928.66), while the life insurance density is found to be the highest in South Korea (19.45) and the least in US (\$3.79). In developing countries on the other hand, Chile showed the highest life insurance penetration which was 33.80 percent while China had the lowest which was just 0.53 percent. India was next to Philippines with 5.60 percent penetration. On the other hand, life insurance density was the highest in Zimbabwe (\$3.34) and \$1.11 in India. The lowest density was found in China which was \$0.18 only.

Most countries, whether developed or developing and where state and private insurers

operated, feature highly concentrated markets since they serve consumer's interest with minimum risk.

Table 5 gives a clear picture of the market share of various countries with respect to life

insurance business as well. Japan again leads in greatest market share (91.5 per cent) in life (88.7) and in non-life insurance market. Though US is a comparatively large country than Japan and Australia, its market share is lower than those small countries. Life

insurance market share in US was 41.4 per cent but in Australia, it was 84.4 per cent. Similarly the non-life insurance market share is less in US being 47 per cent as against 87 per cent in Australia.

The foreign licensed insurers business in the domestic markets of the US and Japan is three percent and in European countries like Great Britain, France and Switzerland five percent. The degree of internationalisation of Great Britain was found to be 56 percent, but for the US and Japan it is three percent. This brings out the significant point that the US which is pressurising for opening of insurance intensity in India neither has dominant share in the global portfolio, nor do foreign insurers have any major role in its domestic market.

Growth in Pondicherry Region

There has been significant growth in the life insurance sector in Pondicherry region during the period 1960 to 2000. In coping with the increased demand for insurance, life insurance sector has tried to increase the supply of it in order to cover the maximum number of people by increasing the number of agents which would increase the efficiency of the sector. Table 6 shows the growth in the sector with respect to number of proposals, the sum proposed, number of policies, the sum assured, number of development officers, and active agents.

The data during the period 1960 to 2000 shows that there has been a gradual increase in the number of proposals during the period. In 1980, there had been an increase above Rs. 5000, but it fell below Rs. 5000 in the next five

(Contd. on page 22)

Table 4

Life Insurance Density and Life Insurance Penetration in 1995

Country	Life Insurance Penetration (percent)	Life Insurance Density (US\$)
Developed Countries		
South Korea	523.36	9.45
Japan	2252.49	6.42
Great Britain	1775.15	6.24
Australia	1269.50	3.93
US	1928.66	3.79
Developing Countries		
Zimbabwe	20.84	3.34
Chile	33.80	1.77
Malaysia	32.68	1.37
Philippines	7.38	1.19
India	5.60	1.11
Pakistan	1.53	0.44
China	0.53	0.18

Source : SIGMA, Swiss Re, 4/92

Note : Life Insurance Density—Premium in US \$ per capita

Life Insurance penetration—premium income as a percentage of GDP.

Table 5

Degree of Concentration in Insurance Market

Countries	Market Share (percent)			Market Share by No. of companies	Total Companies in the market
	Life	Non Life	Total		
US	41.4	47.0	-	15	3500
Great Britain	62.6	76.6	-	15	800
Japan	91.5	88.7	-	15	25
Australia	84.4	87.0	-	15	-
Mexico	-	-	50.0	6	-
Chile	-	-	70.6	8	-

Source : Insurance Research Letter, Nov. 1995 SIGMA *ibid*.

Social Responsibility & Profit Motive Of Commercial Banks

N K Sharma

It needs no stressing that the entire structure of developed and developing society has banks at its very base. Development in banking and proper operation in the social perspective of the society is a sound guarantee of progress and prosperity and its spread all the world over.

IN THE era of globalisation, liberalisation, decontrolling and privatisation of various sectors of the economy, a well known fact of the past is that the 14 banks operating in the private sector were nationalised on the 19th July, 1969 and subsequently 6 banks were further nationalised on the 15th April, 1980 in India. After the nationalisation, there has been a significant change in attitude of these banks. The main objective of bank nationalisation were to help the weaker section of the society in agriculture and allied sectors, small scale and cottage industries.

This was made possible because nationalisation of banks enabled the Government and Commercial banks together to venture in this direction and direct a small portion of bank's funds for welfare of the above mentioned sector. It was a major step in social welfare. Since the nationalisation of 20 commercial banks, there has been a phenomenal increase in number of bank branches upto 1990 or so. The average population served by

per bank office was 65,000 in June, 1969. After opening of the new branches the figure was reduced in June, 1994 to 10,000 of population served by a branch. The progress was astounding and resultant of the act of nationalisation mainly.

Agriculture and small scale industries are considered as important priority sectors. The balanced economic growth of our country, to a large extent, depends upon the development of these two priority sectors. The Reserve Bank of India does not provide agriculture finance directly to the farmers but through the institutions like Cooperative Banks. The commercial banks and the NABARD grant credit facilities to these sectors at comparatively lower rate of interest. Total amount invested to the priority sector in the year of 1994 was more than Rs. 20,000 crores, while it was only Rs. 67 crores in the year 1968.

Although the priority sector comprises of agriculture, small scale industries, road and other transport services, retail trade, self

employed persons etc., accounts for a significant proportion of national income, they have not received adequate support of the institutional finance in the past because the motive was solely to secure profits. After the nationalisation of the major public sector banks, priority sectors could be allotted a significant proportion of the total bank credit. The commercial bank credit to the priority sector will have a favourable effect on the growth and performance of these sectors. The RBI issued the following instructions to the banks in respect of lending to the priority sector.

1. Forty percent of the priority sector advances should be earmarked for agriculture.
2. Advances to rural artisans, village craftsman and collage industries should constitute 12.5 percent of the total advances made to small the scale industries.
3. Direct advances to the weaker sections in agriculture and

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allied activities should reach a level of at least 60% percent of the total direct lending to agriculture.

Formal Announcement

The formal announcement of the first initiatives of financial sector reforms in 1991-92 consequent to the second report of the Narasimhan Committee, 1988 a considerable ground has been covered in putting in place a financial system which can meet the requirement of a more competitive and open economy. The rationale of the financial sector reforms relates to distortions, which were due, according to the committee, to two causes viz direct investment and credit programmes and Political interference. A number of reform measure have been taken since 1999-92 to remove or minimize the distortion in the banking sector. Similarly, a number of reforms have also been made in respect of Development

Financial Institutions and the Money and Capital Markets. The RBI has continued to bring about reforms in the Indian Money Market like reducing the differences between various sections of money market as also the differences in the rate of interest. A secondary market has been developed. New instruments and banking of credit have been introduced. The Money Market Mutual funds and the Discount and Finance House of India Ltd., have been set up. The efficiency of the aforesaid radical reforms has been very impressive. They have changed the face and prospects of Indian financial system. The future agenda in the on-going reform process should address the challenge at a high level of the NPA. Various options for tackling this problem should be tried

including the creation of a limited ARF for the small and weak banks.

In a liberalising economy, banking and financial sector reforms assume high priority. It needs no stressing that the entire structure of developed and developing society has banks at their very base. More the development spread of corporate, technical, industrial section more and more is the need of banking and finance issuing from them. The development in banking and their proper operation in the social perspective of the society is a sound guarantee of progress and prosperity and its spread all the world over. The globalisation requires adhering to standards and yardsticks that are universally applicable. It has to be understood and appreciated that the Indian banking industry is no longer an isolated entity. It is increasingly being affected by the dynamic and highly competitive global banking environment. The banking has now become a global concept and entity. The banks are facing several challenges due to competition, disintermediation and customers demands. They, not only need to reduce operating costs, but also design innovative strategies to attract and retain customers and react quickly and flexibly to market changes. Hard decisions have to be taken to resolve the huge backlog of Non-performing assets (NPAs). About 16% percent of the total advances exists, in public sector banks.

The burden of NPAs was mainly from direct lending, nearly a fourth of total gross NPAs were priority sector advances, where debt forgiveness has severely damaged the repayment culture. Debt recovery tribunals and Asset Recovery Companies. (ARC),

ARCs both were hampered by the absence of a strong system of bad debt resolution.

Public sector banks were created as instruments of social banking. A New policy "Social" banking is sought to be replaced by profit banking. Adoption of rigid and alien banking accounting norms has made the position difficulties for the number of public sector banks. Social lending purpose cannot affect the profitability of the banks.

Financial Fragility

However, the indiscriminate financial liberalisation in many countries resulted in financial fragility and, in many cases, erupted into full fledged financial crises. In the light of this experience, India carefully undertook certain reforms measures in the finance sector along with the general economic reforms. These include easing of high pre-emption requirements such as SLR and CRR, relation of Credit Control measures, deregulation of interest rate structure and ensuring prudential norms comparable to international standards. In tune with the neo-classical theory, competition is sought to be fostered in financial sector by permitting liberal entry of foreign financial institutions and developing local area banks. Above all, the institutional set up required for effective functioning of the financial sector under the liberalised conditions is also strengthened. These institutions accustomed to work under highly controlled conditions, back necessary expertise to manage the crises situations arising under the liberalised conditions. Hence, India must calculate careful measures before going in for full-

flagged financial liberalisation so that the impending financial fragility can be averted. India's decision not to capital account convertibility is certainly a right measure in this direction.

After assessing the overall situation Reserve Bank of India should follow the recommendation of Narsimham Committee to reduce advance priority sector from 40 percent to 10 percent resulting in reduction in NPAs. Another course has given positive result to adopt VRS scheme by public sector banks, the profitability of banks have increased in half yearly results.

India has accepted the philosophy of internationalisation of the economy in our financial sector in which more competitiveness in global economy is inevitable. Under the WTO agreement India has accepted a proposal for opening eight Foreign Banks, branches in a city, which means Indian public sector banks have to compete with foreign banks. Will these foreign banks follow the social banking objective?

Lack of profit or continuous losses will ultimately result in depletion of the capital, which will prove suicidal to the very existence of business. Hence profit is essential for the source of finance. Profit, in fact, shows the internal strength and vitality of business, profit in business concern encourages the habit of saving among people and investment of

money thus saved in industries, can alone accelerate economic growth and development. Profit motive has made the whole of the economic system natural in its operations. A natural operation of the economic system is the most desirable thing in the world and it alone can add permanence to an organised human society. Even the concept of Social responsibility is not opposed to the concept of profit maximisation. It simply insists on purity of means to be adopted for profit maximisation. Means should never be exploitative and anti social. It further believes that the growth in human conscience and social awareness exploitative and anti social methods will fail to maximise profit. Moreover, the growth of human conscience and social awareness should be systematically accelerated, if need be, so as to check the exploitative and anti-social methods of profit maximisation.

Michael H. Mson once said "I have always felt a profitless business was not really in a position to be concerned with the well-being of society any more than an oxygen-starved human being could be concerned with self-actualisation."

Business & profit

Unless your business is able to make a profit, the problem of ecology, and environment and social responsibility, etc. all become academic. I do think you have a social responsibility to

make a profit so that you can take care of all these other things and hopefully we are going to make a profit and then really function as creative capitalists. Hence business and profit are inextricably woven together and the profit is to be maximised to keep the health of business good and sound.

It may be stressed here that no institutional business organisation like bank is absolutely independent. They are integral parts of the society. The social and industrial and other structures of a country are virtually linked with banks and banks with them. The maximisation of profits for bank has to have a national upper limit. That they should aspire and achieve. It may also be provided out that in a vast country like India with so much populace small scale and cottage industries and agriculture sector are imperative to fight unemployment and utilise resources. Lack of profit and occurring of bad debts in these sectors is more due to lack of political expediency rather than being a feature of these sections. Careful planning and honest political will can minimise and do away with these shortcomings. Bad debts occur in corporate and large scale industries as well. Banks should not shy from this social and national requirement. Political will has to assist the banks in this direction. Otherwise the banks will back a form of disproportional and nonharmonious growth. □

Reserves Top \$ 56 billion

India's foreign exchange reserves topped \$56 billion in the week to May 31, touching a record high. Foreign exchange reserves rose by \$ 333 million during the week, helped by an increase in the value of gold reserves and a modest rise in foreign currency assets. Gold reserves increased by \$ 118 million to \$ 3.25 billion. Foreign currency assets rose by \$ 215 million to \$ 52.89 billion in the week to May 31.

GOLDEN JUBILEE OF INDIAN PARLIAMENT

Nation Stands Test of Democracy

R C Rajamani

The need of the hour is not to change the form of government but work united to fight the evils of poverty, illiteracy and social inequity perpetuated by an anachronistic caste system, which is unfortunately being supported by some political forces as vote banks. On reflection, it would be clear that the malady is not the system but the people behind the system.

THE DAWN of the new millennium marked more milestones than one for Indian democracy. For one, it marked the Golden Jubilee of our Republic, which came into being on January 26, 1950. For another it also marked the 50th anniversary of Parliament of independent India. The Provisional Parliament that came into being on January 28, 1950, was not dissolved but ceased to exist under Article 379 of the Constitution after holding five sessions till March 1952. Both Houses of the present Parliament were constituted and summoned on April 17, 1952 following the First General Elections of independent India, held with universal franchise, giving voting rights to all citizens aged 21 and above. A function to commemorate the Golden Jubilee of Parliament was held at the newly built, state of the art Library Complex of Parliament House on April 17 this year.

Much water has flowed down the

Ganges during these 50 years with the country witnessing stirring events. It saw as many as thirteen General Elections, giving birth to as many Lok Sabhas. From Congress to Janata; from the National Front to the United Front and finally to the National Democratic Alliance, the elections have thrown up single party government to multi-party coalitions.

The eventful period has seen as many as twelve Prime Ministers - Pandit Jawaharlal Nehru, Lal Bahadur Shastri, Indira Gandhi, Morarji Desai, Charan Singh, Rajiv Gandhi, Vishwanath Pratap Singh, Chandra Shekhar, P.V. Narasimha Rao, H.D. Deve Gowda, Inder Kumar Gujral and Atal Bihari Vajpayee.

Holding of thirteen General Elections is in itself a splendid testimony to the vibrancy of India's democracy. There was, however, a period of 18 months of Emergency during 1975-77 when fundamental rights were suspended. By amending the Constitution, the life

of the Fifth Lok Sabha, which was to expire in 1976, was extended by one year till 1977. What happened in the March 1977 Lok Sabha Elections is now part of history.

The evolution of Parliamentary institutions began with the establishment of the Constituent Assembly in December 1946. It met for the first time on December 9, 1946 in the Constitution Hall, now known as the Central Hall of Parliament. Among those present were Jawaharlal Nehru, Maulana Abdul Kalam Azad, Sardar Vallabhbhai Patel, Acharya J. B. Kripalani, Dr. Rajendra Prasad, Mrs. Sarojini Naidu, Hare Krushna Mahatab, Pandit Govind Ballabh Pant, Dr. B. R. Ambedkar, Sarat Chandra Bose, C. Rajagopalachari and M. Asaf Ali. Two hundred and seven representatives, including ten women, attended the session. The inaugural session began at 11 a.m. with the introduction of Dr. Sachidananda Sinha, the temporary Chairman of the Assembly, by Acharya Kripalani.

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Those were stirring times in the history of India. Freedom from British rule was in the air and people were eagerly awaiting the all-important day, which finally came on the Midnight of August 14/15. At the Central Hall Nehru spoke eloquently of our "Tryst with Destiny" and redeeming our pledge, "not wholly, or in full measure, but very substantially".

A nation, for long under subjugation, eventually emerged free, once again demonstrating that human spirit could never be kept in shackles forever. That freedom came as the culmination of a non-violent movement led by Mahatma Gandhi, the Father of the Nation, added to its glory.

As the Nation celebrates the Golden Jubilee of its parliamentary democracy, every citizen bows his head to the memory of the Founding Fathers of the Fundamental Law of the Land.

Parliament is the supreme legislative body of the country. Our Parliament comprises the President and the two Houses - Lok Sabha (House of the People) and Rajya Sabha (Council of States). The President has the power to summon and prorogue either Houses of Parliament or to dissolve Lok Sabha.

There has been a marked increase in the total number of candidates contesting the elections. While in 1952, there were 1864 candidates for 489 elective seats, the number rose to 13,952 in 1996 for 543 elective seats. However, the number came down to 4750 in the 1998 Lok Sabha Elections, mainly due to the increase in deposit money, which has weaned away non-serious candidates.

The first Lok Sabha was constituted on April 17, 1952 and

dissolved on April 4, 1957, the Second Lok Sabha was constituted on April 5, 1957 and dissolved on March 31, 1962, the Third Lok Sabha was constituted on April 2, 1962 and dissolved on March 3, 1967, the Fourth Lok Sabha was constituted on March 4, 1967 and dissolved on December 27, 1970, the Fifth Lok Sabha was constituted on March 15, 1971 and dissolved on January 18, 1977, the Sixth Lok Sabha was constituted on March 23, 1977 and dissolved on August 22, 1979, the Seventh Lok Sabha was constituted on January 10, 1980 and dissolved on December 31, 1984, the Eighth Lok Sabha was constituted on December 31, 1984 and dissolved on November 27, 1989, the Ninth Lok Sabha was constituted on December 2, 1989 and dissolved on March 13, 1991, the Tenth Lok Sabha was constituted on June 20, 1991 and dissolved on May 10, 1996, the Eleventh Lok Sabha was constituted on May 15, 1996 and dissolved on December 4, 1997 and the Twelfth Lok Sabha was constituted on March 10, 1998 and dissolved on April 26, 1999. The present, Thirteenth Lok Sabha was constituted on October 10, 1999.

The number of elective seats was 489 in 1952, 494 in 1962 and 1967, 520 in 1967, 518 in 1971, 542 in 1977, 1989 and 1984, and 543 from 1989 onwards.

The number of electorate was over 17 crore in 1952. Keeping pace with the rapid increase in population and also due to the lowering of voting age from 21 to 18, the strength of the electorate has now risen to over 60 crore.

The expenditure on conduct of the Lok Sabha Elections has risen from over Rs.10 crore in 1952 to nearly Rs.700 Crore in 1999.

Frequent elections in the last

one-decade have given rise to a debate now and again about the desirability of Parliamentary form of government. Even a Presidential form of government has been suggested as a remedy.

It is pertinent to remember that Indian democracy is still young, compared to Britain and the United States of America. India, with its vast population and diverse regions and religions, still suffers from the proverbial teething trouble. Total literacy, a major nurturing force of democracy, still eludes the nation of one billion. Poverty and backwardness, social and economic, still remain to be tackled.

The need of the hour is not to change the form of government but work united to fight the evils of poverty, illiteracy and social inequity perpetuated by an anachronistic caste system, which is unfortunately being supported by some political forces as vote banks. On reflection, it would be clear that the malady is not the system but the people behind the system.

As stated earlier, the Parliamentary form of government, has worked reasonably well for India despite ups and downs. Thus, the 543 members of the Lok Sabha, elected directly by the people, truly represent the pulse of the nation. They have the onerous responsibility of safeguarding the interests of the people they represent. A greater responsibility is for them to be vigilant about safeguarding Democracy itself. "Eternal Vigilance is the price of Democracy," goes the adage.

Not only the government, but also every one of the nearly 800 members of Parliament is given the great task of shaping the destiny of India in the New Millennium. The nation looks up to them for leading it to a better future. □

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A New Era in Oil Sector

E C Thomas

The long awaited deregulation of the petroleum sector has come about. But from the consumers' point of view, there is hardly any evidence of deregulation at work. That is in marked contrast to the happenings in the other key sector, the telecommunication industry, which has been opened up simultaneously. All types of telecom users are already reaping the benefits of competition.

A NEW ERA has begun in India's oil sector, with the government dismantling the three-decade old administered pricing mechanism (APM). The oil sector deregulation has come with effect from April 1, 2002 after six years of hectic debate on the issue.

The dismantling of the administered pricing mechanism means that oil companies are free to take independent decisions based on import parity and market forces in pricing of petroleum products rather than being governed by the dictates of the government. The public sector oil companies have also to face a competitive marketing environment now.

The APM was created after the government nationalized the international oil majors-Caltex, Esso and Burmah Shell in the early 1970s. With the APM, the government had also established a complex system of Oil Pool accounts, which was administered by the Oil Coordination Committee (OCC).

Dismantling of the APM has also

led to the winding up of Oil Pool account. The Oil Pool account is estimated to have a deficit of Rs. 13,000 crore, which is outstanding dues to the oil companies as on 31.3.2002. The account is being liquidated by issuance of government bonds to the concerned oil companies. While immediate issuance of Rs. 9,000 crore has been earmarked in the Supplementary Demands for Grants for 2001-02, the balance would be given out after settlement of pending claims and completion of CAG audit.

The OCC has been reduced to Petroleum Planning and Analysis Cell under the Petroleum Ministry to oversee the functioning of the downstream oil companies. The Cell will also deal with issues arising out of deregulation of prices till the proposed Petroleum Regulatory Board is constituted.

Although oil companies are now free to set their prices for petroleum products, migration from a regime of price controls to the free market will take some months. Both Petroleum Minister,

Mr Ram Naik and Indian Oil Corporation Chairman, Mr M S Ramachandran have already assured the consumers that prices will remain unchanged for the next few months. This is to ensure a smooth switch-over from administered pricing regime to a deregulated market. The current petroleum product prices are based on the average crude price of \$ 20 per barrel, prevalent in February 2002. Every one US dollar increase in crude prices will translate into 55 paise per litre increase in prices of petrol and 45 paise per litre hike in diesel prices.

In Administered Pricing, under the cost plus formula, prices of all petroleum products are fixed on the basis cost of procuring and refining crude oil. Cross subsidization among petroleum products was in existence under the administered pricing mechanism. The prices of petrol and diesel subsidize the prices of liquefied petroleum gas (LPG) and kerosene. The APM ensured a 12 per cent post tax return to the oil companies. This is lower than

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those prices determined by the free market.

Beyond the three month period, market determined pricing principle sink in the system. But the government will continue to provide a flat rate subsidy of Rs. 3 a litre for kerosene supplied through the Public Distribution System and Rs. 90 for cooking gas cylinder. Besides, freight subsidies for supply of PDS kerosene and LPG in far-flung areas of the country would also be provided by the government. This subsidy would be phased out within a period of three to five years.

However, according to Union Budget for 2002-03, the dismantling of administered pricing will fetch the government a net bounty of Rs. 720 crore. The Finance Ministry will mop up around Rs. 7,200 crore from the sector through excise and customs duty hikes and special cesses and surcharges, but will spend only Rs. 6,495 crore on subsidies during the year. The Union Budget had factored international crude oil prices at \$ 20 per barrel, while prescribing duties and surcharges.

Subsidy has been restricted to cooking gas (LPG) and kerosene. Even the freight subsidy for far-flung areas is confined to LPG and kerosene. The government will earn Rs. 3,100 crore from the specific surcharge of Rs. 6 per litre of petrol and excise duty of 32 per cent on the fuel. An amount of Rs. 2,400 crore will be extracted from ONGC as doubled cess on domestic crude. The enhanced customs and excise duties on kerosene and LPG will yield another Rs. 1,800 crore. However, the government has assured oil companies that duty changes would be effected when crude prices increase above \$ 25 per barrel.

As the oil industry moves into decontrolled era, oil companies are free to set their prices linked to fluctuations in global crude prices. Before setting prices, oil companies will calculate the net overall impact of the free market on their margins. This will determine whether prices will move up, down or remain static. Due to freight costs, the prices in the hinterlands may be higher than in coastal areas, though the government is trying to narrow any difference by using the market leader, Indian Oil Corporation, to determine market prices. However, rules of the game are expected to change dramatically when private sector oil companies enter retail marketing. The pace of competition will pick up with the privation of HPCL and BPCL. The retail prices could differ by 1-2 per cent from company to company.

Benefit

Once the initial dust of deregulation settles down and the oil companies figure out the market mechanism, consumers can expect fluctuation in the prices of petroleum products. Once private firms step in and set up their own marketing infrastructure and retail outlets, competition could even spur undercutting, which could only benefit the consumer. Domestic prices of petroleum products would be a reflection of increase or decrease in global prices plus freight and local taxes. Retail prices of petrol and diesel oil will vary from one place to another. This essentially would mean that coastal areas would have lower prices compared to inland locations which would be saddled with additional freight.

The public sector oil companies have a decisive edge in marketing products due to their superior

infrastructure network. New entrants into the petroleum product marketing arena will be only those who have invested or proposed to invest Rs. 2,000 crore in oil infrastructure. Authorization to grant marketing rights would be issued by the Petroleum Ministry till a Regulator Board for the downstream petroleum sector is set up. Under the criteria, the companies which already stand qualified for marketing of petroleum products from April 1, 2002, include the Oil and Natural Gas Corporation (ONGC), Oil India Ltd. (OIL), Gas Authority of India (GAIL), Reliance Industries (RIL), Essar Oil, Carin Energy of UK and Mangalore Refineries and Petrochemicals (MRPL).

The government of the proposed regulatory board would lay obligations on the new entrant companies to set up marketing infrastructure including retail outlets in remote areas and low services areas.

The government/regulatory board shall have the power to cancel the marketing authorization if the eligible company fails to set up retail outlets in the remote and lower service areas as directed by the government/regulatory board while issuing authorization.

Retail presence, logistics arrangement and risk management will be the three critical success factors for oil companies to succeed in the new competitive free market. Extensive retail presence will be the most critical success factor for companies. Replicating the retail set up of the IOC, HPCL and BPCL will be a gigantic effort for any new player. These three companies together account for about 19,000 retail outlets including franchises.

The established marketing companies have pipelines and storage facilities, but they have to make huge investments to expand these facilities for their own needs. New entrants will have to build new facilities as soon as possible.

Moreover, so far risks were almost nil in marketing, as companies had fixed margins and prices fixed under APM. Now the companies have to deal with risks including price risk for crude oil, refining margins and foreign exchange risks. Assured margins are now a thing of the past and companies will need to adopt global risk management practices to protect their margins.

Oil companies at present source import crude oil through tenders which is a time consuming process. This does not reflect, the prevailing market prices, which fluctuate on a daily basis. All international majors like Shell, Exxon, Mobil and Chevron have energy trading departments which monitor crude prices on daily basis to protect the company from price fluctuations and reduce the impact on their net profits.

In this situation, also, public sector oil companies are now better placed in the deregulated regime. It would be two to three years before their market leadership is challenged by new private entrants.

The retail marketing margins of oil companies is expected to go up by one per cent in the new era of free market pricing, according oil industry experts. Margin expansion would be highest in retail automotive fuels of diesel and petrol, the areas of real competition. The automotive fuels account for nearly 50 per cent of the total volume sales. The domestic diesel sales stood at 40 million

tonnes, while that of petrol was at 8 million tonnes during 2001-02. Kerosene sales accounted for 10 million tonnes during the year.

India's total consumption of petroleum products during 2001-02 is estimated at 100 million tonnes. Net imports of petrol and diesel stood at 3 million tonnes.

Products Import

Though petroleum sector was deregulated from April 1, imports of petroleum products particularly petrol and diesel, have not been freed and would continue to be routed through designated State Trading Enterprises (STEs). "The country is surplus in refining capacity and we see no point in flooding the domestic markets with imports," Petroleum Ministry officials said. While import of crude oil was decanalised last year, imports of petroleum products would continue to be regulated. "Industrial slowdown has created exportable surplus in the country. There is no logic in allowing imports when we are looking at export markets, particularly for diesel," official sources said. Dismantling of the administered pricing mechanism has freed the pricing of petroleum products and allowed private sector companies to enter lucrative retail marketing of petrol and diesel.

Companies who have invested or propose to invest Rs. 2,000 crore in creating oil infrastructure like refinery, pipeline and terminals are eligible for setting up retail network but they would have to source the products locally. "We are studying the implications of opening up of the sector after over three decades of administrative controls. Imports of petrol and diesel would be allowed only after we established norms of a free market and a credible regulatory mechanism is

established," sources said. Sources said the Petroleum Ministry was contemplating whether imports of petroleum products, if allowed, should be through Open General License (OGL) or some basic minimum conditions be imposed on the imports.

Even though the quantitative restrictions on international trade have been removed, the government could retain the imports and exports of petro-products through STEs, as the WTO rules permit the same.

The long awaited deregulation of the Petroleum sector has come about. But from the consumers' point of view, there is hardly any evidence of deregulation at work. That is in marked contrast to the happenings in the other key sector, the telecommunication industry, which has been opened up simultaneously. All types of telecom users are already reaping the benefits of competition. Telephone tariff has been coming down rapidly continuing a trend that began a few months earlier. In contrast, the retail prices of petroleum products have not changed significantly since April 1. In a deregulated environment they are supposed to be determined by market forces and consequently reflect the international price movement.

More importantly, there will not be a transformation from a controlled regime to a market dominated one even over the next few months. The government will continue to have a decisive say in the prices of the big four petroleum products— petrol, diesel, LPG and kerosene. Part of the reason as to why changes have been so few has to do with the complex nature of the institutional arrangements in the hydrocarbon sector and its

strategic status.

The APM was an elaborately worked out arrangement that insulated domestic consumers from the vagaries of international oil price fluctuations and provided subsidy to LPG and kerosene users. It also guaranteed a reasonable return of 12 per cent to the oil companies. Finding alternative avenues to meet some of those objectives is the biggest challenge of the liberalized regime. That also explains why in practice deregulation here can only be gradual.

The government has been slow in creating institutions that are absolutely essential in the reform era. Quite crucial is the role of an independent petroleum regulator. So far, the government has not even finalized the legislation to set up one. By taking on the regulatory function on itself, even temporarily, the government is further complicating the already complex issues—of

balancing consumer interests with profitability considerations and ensuring a level playing field for all players.

The government says that it will vary the excise duty structure to fine-tune the petroleum prices and thereby continue to provide a degree of protection to the domestic consumers from international price fluctuations. That would not only require a dynamic tax policy with major structural changes—a replacement of the ad valorem levies by specific ones for instance—but also better coordination between several Ministries. As the post-budget controversy over LPG pricing shows, the latter cannot be easy. In any case, the overall public finance issue—customs duty on the largely imported crude is a major revenue consideration—will have to be reckoned with always. The state governments have also been levying taxes on petroleum products and that along with the cess levied for

autonomous agencies such as the National Highways Authority naturally restrict the scope for a market-based pricing of petroleum products.

The fact that the petroleum sector has been predominantly government owned lends a further edge to the transition debate. The administration of the APM was probably easier because of the public sector character of nearly all the entities. However, along with deregulation, the government's stake is also slated to come down. Two of the integrated oil companies—HPCL and BPCL—are to be privatized later this year. Huge refining capacities have come up in the private sector, which can now enter the profitable marketing arena.

Over time, consumers should gain, but right now petroleum deregulation has not had any visible impact and clearly awaits further well defined policy initiatives. □

STRUCTURE OF WORLD...

(Contd. from page 12)

years. Then again there has been a sharp increase in it to Rs. 30000

in the year 2000. The sum proposed showed a decline from Rs. 4000000 to as low as 1000000

Table 6
Growth of LIC in Pondicherry

Year	Number of Proposals	Sum Proposed	Number of Policies	Sum Assured	Number of Development Officer	Number of Active Agents
1960	883	4623200	796	4112700	7	70
1965	1408	7718	1432	7923	14	135
1970	2164	13032	2116	12818	13	243
1975	2680	20281	2448	18505	14	176
1980	6048	77955	5797	73087	13	161
1985	3054	58653	3008	57834	12	144
1990	8457	214458	8047	201380	22	339
1995	19871	791799	19737	77989	25	849
2000	29876	123654098	22726	1425502000	115	2011

Source : Statistical Abstracts, Various issues, Directorate of Economics and Statistics, Government of Pondicherry.

from 1960 to 1965. Till 1990 there was not much improvement in it, but after 1995 there has been a sharp rise.

Conclusion

Though the premium volume has increased, it has been much less in Africa and Oceania, whereas in Asia it has increased to a considerable extent. US has been the major contributor in both total insurance as well as life insurance with 31.31% and 23.82% respectively. Japan follows US and India stands last. It is necessary to popularise insurance in countries like India, China, Africa where most of world's poor inhabit so that health insurance can give them better life and increase their productivity. The industry can thus prosper and spread its wings thereby profiting and improving health status of people in developing countries. □

NATIONAL HUMAN DEVELOPMENT REPORT

A New Chapter in Planning Process

Girish Chandra

The report comes at a time when the Tenth Five Year Plan has just become operational and may be useful to policy makers to articulate modifications. For economic prosperity and human development, the overall economic management has to be improved so that the reforms have a human face.

THE NATIONAL Human Development Report, a compilation of basic data in terms of quality of life and standard of living of the country's citizens, across states and across time, released recently, was in fact long overdue. The need for such a comprehensive document describing economic progress through social parameters like literacy rate and access to health facilities, electricity and drinking water had long been felt, more so after the Human Development Reports published since 1989 by the UNDP.

The report, prepared by the Planning Commission, fulfils the long-felt need. It has, for the first time, put together an extensive database for at least two and in some cases three points of time since 1980, covering nearly 70 distinct social indicators on various aspects of the quality of life and well-being of the people. These are in terms of gender, as well as the rural-urban dimension. In India there is considerable difference in the level of attainments of people depending

on their place of residence, whether it is in rural or urban areas, and on the sex of the person.

The report highlights this inequality by estimating the 'gender gap' and the 'rural-urban gap' in all indicators where the data is available. The data has been presented in a unique manner, through 'development radars', which give a snapshot view of the structure, the growth and the gaps vis-a-vis desired normative levels, in respect of eight different indicators covering attainments on education, health, economic well-being and access to amenities.

It not only helps in simultaneously assessing attainments in different aspects of quality of life, but is equally useful in identifying the areas of gaps for facilitating an informed policy focus at the state level.

A core set of composite indices, namely the Human Development Index (HDI) and the Human poverty Index, have been estimated. For the first time, a Gender Quality Index has also been constructed. The indices present a quantitative

estimate of attainments of the society as a whole, the extent of deprivation and the relative attainments of women as against men. All along, the emphasis has been on the need to evolve a human development index that could adequately reflect inter-temporal changes and policy sensitivity in various dimensions of human well-being.

"This is a momentous occasion...A new chapter in our planning process," says Planning Commission Deputy Chairman K.C. Pant. Till now, only orthodox measures of income and macro-growth were being tracked; now you have a host of measurements, including access to education, health, good housing, drinking water, sanitation; roads, child labour, management of ecology, transparency and accountability in governance and much more, he added.

The 300-page document shows, among other things, that India is developing, not swiftly, but steadily. The study's human development index improved annually at 2.4 per

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Human Development Index for India—Combined

States/UTs	1981 Value	1981 Rank	1991 Value	1991 Rank	2001 Value	2001 Rank
Andhra Pradesh	0.298	9	0.377	9	0.416	10
Assam	0.272	10	0.348	10	0.386	14
Bihar	0.237	15	0.308	15	0.367	15
Gujarat	0.360	4	0.431	6	0.479	6
Haryana	0.360	5	0.443	5	0.509	5
Karnataka	0.346	6	0.412	7	0.478	7
Kerala	0.500	1	0.591	1	0.638	1
Madhya Pradesh	0.245	14	0.328	13	0.394	12
Maharashtra	0.363	3	0.452	4	0.523	4
Orissa	0.267	11	0.345	12	0.404	11
Punjab	0.411	2	0.475	2	0.537	2
Rajasthan	0.256	12	0.347	11	0.424	9
Tamil Nadu	0.343	7	0.466	3	0.531	3
Uttar Pradesh	0.255	13	0.314	14	0.388	13
West Bengal	0.305	8	0.404	8	0.472	8
All India	0.302		0.381		0.472	

Note : The HID for 2001 has been estimated only for a few selected states for which some data, including the Census 2001, was available. The assumptions that have been made for HDI 2001 are indicated in the Technical Appendix.

Source: National Human Development Report 2001.

cent in the 1980s and by around three per cent a year in the 1990s. Kerala continues to be at the top in many of the indicators, showing a high quality of life; Tamil Nadu, Maharashtra and Rajasthan are among those making good progress over the period measures. Bihar is invariably at the bottom of every list; its progress over the 90s is even less than its inching forward in the 80s.

The report reveals that progress has been better in urban areas, compared to rural India. But the urban- rural gap has lessened, though still significant. And its progress over the 90s is even less than in the 80s.

The report reveals that progress has been better in urban areas, compared to rural India. But the urban-rural gap has lessened, though still significant. As a rule, the smaller states and administrations have done better. Inter state differences on the human poverty index are striking. Declines are encouraging in

Andhra Pradesh, Arunachal, Mizoram, Himachal, Tamil Nadu, Maharashtra, Jammu and Kashmir, Karnataka, Kerala and Orissa. But marginal in Bihar, UP and Rajasthan.

The more striking aspect of the report which has received wide media attention is the inter state disparity. The fact that Bihar's HDI of 0.367 in 2001 is way below Kerala's 0.638 and Tamil Nadu's 0.531. This inter-regional divide is not new and has been in existence for several decades with southern and western regions ahead of eastern and northern ones in terms of a range of economic and social indicators. In fact, this century-old regional patterns of development has hardly changed, and if there is some change it is at the margins, like in Madhya Pradesh and Rajasthan.

The report, however does not explain why some states have lagged behind and why some have forged ahead. The pointer towards "governance" also fails to give any

details about this regional disparity. In this context, the HRD report in coming years should study in detail about the emerging inter-regional imbalances for this may be the biggest challenge for development policy and national politics in coming years.

On the whole, gender disparities have declined, gender equality has a good correlation with female literacy. In general, women in South India are better off than those in the Gangetic plain.

The HRD report finds that corruption is endemic to Indian society and manifests itself in poor governance, so much so that it has almost become an accepted reality and a way of life. It says that the procedures, laws and regulations that breed and hamper efficiency will have to go. The perverse system of incentives in public life which makes corruption a high-return-low risk activity needs to be addressed. It stresses that merely shrinking the economic role of the State through deregulation, liberalization and privatization is not necessarily the solution to the problem.

Prevalent institutional arrangements have to be reviewed and changes made where those vested with power are also made accountable, their functioning made more transparent and subjected to social audit, with a view to minimize discretionary decisions. Between 1993-94 and 2001, all the states have felt the impact of economic reforms which has meant deregulation and liberalization. But deregulation has not been able to attract a much higher amount of investment than before because of corruption and poor governance. As a result, distressing levels of poverty have remained in pockets. Fifty per cent of the population in Tamil Nadu live below the poverty

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New Health Policy Focuses on Primary Sector

Sushma Chandra

Prices of various essential drugs and formulations have gone up. This becomes the biggest challenge for the successful implementation of the new health policy, which the health authorities in the country should be paying more attention to in the coming years.

THE NATIONAL Health Policy, announced recently aims at reviving the ailing health system and increasing the primary health sector outlay to ensure a more equitable access to health services across the social and geographical expanse of the country.

The government plans to increase its contribution to the health sector from 0.9 per cent of the GDP at present to 2 per cent over the next eight years. By 2010, the policy envisages an increase in aggregate expenditure on the health sector from 5.2 per cent to 6 per cent. It has also been recommended to the states to increase expenditure from 5.5 per cent to 7 per cent of their budget by 2005 and further to 8 per cent by 2010.

According to NHP, 55 per cent of the outlay would be for the primary sector and 35 per cent and 10 per cent for the secondary and tertiary sectors respectively.

While releasing the revised health policy, Union Health and Family Welfare Minister Dr C P

Thakur, said the last policy was formulated in 1983 and since then the health scene has changed dramatically requiring a more exhaustive approach. So the policy envisages the setting up of an organized urban primary health structure to meet increased needs. It suggests a two-tiered structure, with the primary health centre providing the first tier and a second tier of a government general hospital.

For improvement of the public health infrastructure it suggests revival of the primary health system by providing essential drugs; levying of user charges for certain secondary and tertiary public health care services for those who can afford to pay, expanding the pool of medical practitioners and simplification of the recruitment procedures for contract employment.

For funding and upgrading existing government medical and dental colleges, it has suggested setting up of a Medical Grants Commission. Even the curriculum should be modified to make it more

need-based, the policy has stressed. It has also suggested specialization in public health, which has been a neglected area, both for medical doctors and non-medical graduates from allied fields.

To boost medical research, it has suggested that government-funded medical research be increased to a level of one per cent of the total health spending by 2005 and up to 2 per cent by 2010.. It laments the fact that in our country, where the aggregate annual health expenditure is of the order of Rs. 80,000 crore, the expenditure in 1998-99 on research, both public and private sectors, was only Rs. 1,150 crore. It would be reasonable to infer that with such low research expenditure, it is virtually impossible to make any dramatic break-through within the country, by way of new molecules and vaccines; also without a minimal back-up of applied and operational research, it would be difficult to assess whether the health expenditure in the country is being incurred through optimal applications and appropriate public health strategies.

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Medical research in the country needs to be focused on therapeutic drugs/vaccines for tropical diseases, which are normally neglected by international pharmaceutical companies on account of their limited profitability potential. The thrust will need to be in the newly-emerging frontier areas of research based on genetics, genome-based drug and vaccine development and molecular biology.

It also emphasizes on improving the ratio of nurses vis-a-vis doctors, the number of hospital beds and to improve the skill level of nurses. The report said the government would work towards gradually merging all health programmes under a single field administration.

The policy has also chalked out a special role for the private sector for providing health care considering the economic restructuring under way in the country. Currently, the contribution of private health care is principally through independent practitioners. Also, the private sector contributes significantly to secondary-level care and some tertiary care. It is a widespread perception that private health services are very uneven in quality, sometimes even substandard. Private health services are also perceived to be financially exploitative, and the observance of professional ethics is noted only as an exception, the policy has observed. With the increasing role of private health care, the implementation of statutory regulation, and the monitoring of minimum standards of diagnostic centres/medical institutions becomes imperative. The policy will address the issues regarding establishment of a regulatory mechanism to ensure the maintaining of adequate standards by diagnostic centres/medical institutions, as well as the proper

Table 1			
Indicator	1951	1981	2000
Demographic Changes			
Life Expectancy	36.7	54	64.6 (RGI)
Crude Birth Rate	40.8	33.9 (SRS)	26.1 (99 SRS)
Crude Death Rate	25	12.5 (SRS)	8.7 (99 SRS)
IMR	146	110	70 (99 SRS)
Epidemiological Shifts			
Malaria (cases in million)	75	2.7	2.2
Leprosy cases per 10,000 population	38.1	57.3	3.74
Small Pox (no of cases)	>44,887	Eradicated	
Guineaworm (no. of cases)		>39,792	Eradicated
Polio		29709	265
Infrastructure			
SC/PHC/CH	725	57,363	1,63,181 (99-RHS)
Dispensaries & Hospitals (all)	9209	23,555	43,322 (95-96-CBHI)
Beds (Pvt & Public)	117,198	569,495	8,70,161 (95-96-CBHI)
Doctors (Allopathy)	61,800	2,68,700	5,03,900 (99-INC)
Nursing Personnel	18,054	1,43,887	7,37,000 (98-99-MCI)

Source: National Health Policy-2002

Table 2			
Indicator	Infant Mortality/1000	Under 5 Mortality/1000	% Children Underweight
India	70	94.9	47
Social Inequity			
Scheduled Castes	83	119.3	53.5
Scheduled Tribes	84.2	126.6	55.9
Other Disadvantaged	76	103.1	47.3
Others	61.8	82.6	41.1

Source: National Health Policy-2002

conduct of clinical practice and delivery of medical services.

The current annual per capita public health expenditure in the country is no more than Rs 200. It is no surprise that the reach and quality of public health services has been below the desirable standard. Under the constitutional structure, public health is the responsibility of the states. In this framework, it has been the expectation that the principal contribution for the

funding of public health resources will be from the resources of the states, with some supplementary input from Central resources.

The NHP report indicates that the attainment of health indices has been very uneven across the rural-urban divide. The statistics bring out the wide differences between the attainment of health goals in the better-performing states as compared to the low-performing states. Given a situation in which

national averages in respect of most indices are themselves at unacceptably low levels, the inter-state disparity implies that, for vulnerable sections of society in several states, access to public health services is nominal and health standards are grossly inadequate. Despite a thrust in the NHP -1983 for making good the unmet needs of public health services by establishing more public health institutions at a decentralized level, a large gap in facilities still persists.

Access to, and benefits from, the public health system have been very uneven between the better-endowed and the more vulnerable sections of society. This is particularly true for women, children and the socially disadvantaged sections of society, the NHP has revealed.

It points out that while there is a general shortage of medical personnel in the country, this shortfall is disproportionately impacted on the less-developed and rural areas. No incentive system attempted so far has induced private medical personnel to go to such areas; and, even in the public health sector, the effort to deploy medical personnel in such under-served areas, has usually been a losing battle. In such a situation, the policy stresses, it becomes imperative to entrust some limited public health functions to nurses, paramedics and other personnel from the extended health sector after imparting adequate training to them.

Efforts made over the years for improving health standards have been partially neutralized by the rapid growth of population. It is well recognized that population stabilization measures and general health initiatives, when effectively synchronize, synergistically maximize the socio-economic well-being of the people. The government has separately

Table 3
Goals to be Achieved by 2000-2015

fl	Eradicate Polio and Yaws	2005
fl	Eliminate Leprosy	2005
fl	Eliminate Kala Azar	2010
fl	Eliminate Lymphatic Filariasis	2015
fl	Achieve Zero level growth of HIV/AIDS	2007
fl	Reduce Mortality by 50% on account of TB, Malaria and Other Vector and Water Borne diseases	2010
fl	Reduce Prevalence of blindness to 0.5%	2010
fl	Reduce IMR to 30/1000 And MMR to 100/Lakh	2010
fl	Increase utilization of public health facilities from current level of >20% to >75%	2010
fl	Establish an integrated system of surveillance, national Health Accounts and health Statistics.	2005
fl	Increase health expenditure by Government as a % of GDP from the existing 0.9% to 2.0%	2010
fl	Increase share of Central grants to Constitute at least 25% of total health spending	2010
fl	Increase State Sector Health spending from 5.5% 7% of the budget	2005
	Further increase to 8%	2010

Source: National Health Policy-2002

Table 4

Indicator	%Population with income of <\$1 day	Infant Mortality Rate/1000	%Health Expenditure to GDP Expenditure	%Public Expenditure on Health to Total Health
India	44.2	70	5.2	17.3
China	18.5	31	2.7	24.9
Sri Lanka	6.6	16	3	45.4
UK	-	6	5.8	96.9
USA	-	7	13.7	44.1

Source: National Health Policy-2002

announced the 'National Population Policy-2002'. The principal common features covered under the National Population Policy-2002 and NHP-2002, relate to the prevention and control of communicable diseases; giving priority to the containment of HIV/AIDS; the universal immunization of children against all major preventive diseases; addressing the unmet needs for basic and reproductive health services and supplementation of infrastructure. The synchronized implementation of these two policies will be the very cornerstone of any national structural plan to improve the

health standards in the country.

Under the overarching umbrella of the national health framework, the alternative systems of medicine—Ayurveda, Unani, Siddha and Homoeopathy—have a substantial role. Because of inherent advantages, such as diversity, modest cost, low level of technological input and the growing popularity of natural plant-based products, these systems are attractive, particularly in the underserved, remote and tribal areas. The alternative systems will draw upon the substantial untapped

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E-Enabled Entrepreneurship and North East Region

S S Khanka

In spite of much hoopla and hype, E-commerce could not take off so far in the North East Region of India mainly due to the problems of infrastructure and digital illiteracy. Hence, it is imperative that the government takes all the steps to put required infrastructure in place and also create digital literacy in the NER to make E-commerce take place and succeed.

IT WILL not be less than correct to mention that if the proof of pudding lies in eating, the proof of all production lies in consumption i.e. marketing. Alternatively speaking, production has no value for the producer unless it is sold. Given the changing customers' tastes and preferences, selling goods or services has no longer been an easy and simple task. Hence, invent and innovate have become, of late, the key mantras of modern marketing. In this process, marketers/producers have evolved one after another newer modes of marketing to meet the changing requirements of customers. Electronic commerce, popularly known as "E-Commerce" is the most recent innovative mode of marketing goods/products. It has assumed acceptability and popularity by leaps and bounds and has become the buzzword of the day. It is, these days one of the hottest discussion topics not just in the corporate world, but also in

every forum of economic development. It has opened newer and innovative ways of conducting business. Given its distinctive characteristics, like elsewhere in the world, it has offered unique opportunities for developing a new breed of entrepreneurs i.e. 'E-enabled entrepreneurs' in India too. It is against this backdrop that an attempt has been made in this paper to examine the opportunities offered and challenges posed by E-commerce for developing E-enabled entrepreneurship in the north-eastern region (NER) of India.

The article is divided into three parts, viz., an overview of E-commerce in India, opportunities offered and challenges posed by E-commerce for entrepreneurship development in the NER of India.

An Overview

What is E-commerce? In simple words, electronic commerce is the process of doing business

electronically or over Internet.

The evolution of E-commerce is traced back to 1970's with the emergence of Internet. The US have been considered the leader in the application of E-commerce. Never in the history of mankind has a popular innovation spread as fast as Internet. To quote, the quick spread of Internet in US took 16 years for telephones to be used by a quarter of all US households but Internet has made similar penetration in less than 5 years. So far only 8 percent of manufacturing sector in US is applying E-commerce. But, it is predicted that by 2003, the digital economy will overtake traditional economy in US. After its fast debut in US, E-commerce is rapidly spreading beyond US boundaries and is growing speedily global. By now, numerous E-commerce success stories abound the globe.

The origin of E-commerce in India coincides with the

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introduction of Internet connectivity in the country in 1989. As such, E-commerce in India is of recent origin and is still at infant stage. Historically, Rediff-on-the-net, one of India's leading online services, set up India's first E-commerce on August 13, 1998. Then, India entered the age of E-commerce the day the government deregulated the Internet service provider (ISP) policy in November 1998. Since then, there is no looking back and the country is proliferating in Internet. In fact, the rate of growth of penetration of Internet has been spectacular. It took radio 50 years to have 50 million owners, T.V. 16 years and personal computers 17 years. But it has taken Internet only 4 years to reach that figure after the invention of WWW and browsers. As of May 31, 2002, there were 0.95 million Internet connections in the country with 3.25 million Internet users. According to NASSCOM, these figures will reach to 6 and 16 million respectively by March 31, 2003. Nonetheless, Internet penetration in India (0.5 percent of population) is far less as compared to 50 percent in Singapore, for example.

As per preliminary findings of the NASSCOM survey, the total volume of E-commerce transactions in India was about Rs. 4,500 million in the year 1999-2000. Out of this volume, about Rs. 500 million were contributed by retail Internet or business-to customer transactions, and about Rs. 4,000 million was contributed by business-to-business transactions. According to NASSCOM survey, with improvement in telecom infrastructure, increase in P.C. penetration could lead to Rs. 15,000 million of E-commerce transactions in India by 2001-2002. Recently, the government has opened the gates further for foreign companies by

allowing 100% foreign direct investment (FDI) in E-commerce and removing the export obligation for consumer goods industries covering a basket of 22 products such as cars, refrigerators, washing machines, colour TVs, wines, liquor and food products. Thus, E-commerce is showing every sign of continuing to expand in the country.

Uneven

It is worth mentioning that the expansion of E-commerce in India so far has been uneven concentrating in a few metropolitan cities, namely, Bangalore, Hyderabad, Mumbai and Delhi. The common man residing in rural and remote areas of the country is, however, still unaware of happening in information technology sector and thus, E-commerce phenomenon. Obviously, much progress cannot be achieved until the country's vast rural and remote sector is not brought within the folds of Internet. Hence, hitherto untouched rural sector by Internet so far offers a great potential for E-commerce in India. The former U.S. President Mr Bill Clinton during his visit to India in March 2000 also hailed India's remarkable progress in IT sector and remarked that India has the potential to become the world's largest economy using the power of Internet to tap its vast potential lying dormant in its rural and remote areas.

Entrepreneurship development usually goes with development of small-scale enterprises. Like elsewhere in the world, small enterprises play a vibrant and vital role in our country as well by contributing significantly to the national production, employment, and exports. This is more so in case of rural and remote areas like North

Eastern Region of India. Given the kingpin role of small enterprises worldwide, it is increasingly being realized that if small sector gets left behind in the information, then the whole economy gets behind. Marketing being one of the major problems faced by small enterprises, these enterprises cannot have the luxury to adopt a wait and watch attitude in the matter of marketing. Late adoption of E-commerce will adversely affect the small enterprises today and tomorrow.

It is with this realization; small enterprises worldwide are turning to the use of modern (marketing) technology to compete with their big brothers-medium and large size enterprises. According to a survey conducted by the Yankallovick Partners Inc., 90 percent small enterprises in US, 81 percent in Singapore, 80 percent in Spain and Italy, and 70 percent in Ireland are using wired technology in their (marketing) operations.

The information technology in the form of E-commerce has opened up a great deal of potential for developing small enterprises in the field of marketing. The unique opportunities E-commerce offers to small enterprise are to:

Access to new Markets: E-commerce enables the marketer to have access to markets anywhere in the globe hitherto untapped.

Lower Various Costs: E-commerce can minimize inventory costs by adopting just-in-time (JIT) system and enhancing the firm's ability to forecast demands more accurately. It has been found that both customer and after sale services account for upto one-tenth (10 percent) of operating costs. But, by putting these services on-line under E-commerce, these costs get reduced, and

simultaneously the quality of services also gets improved.

Improve Customization:

Electronic Data Interchange (EDI) also reduces the time needed to process orders by a minimum of 50 percent to maximum of 96 percent. Thus, both quick delivery of products, as is well evinced by amazon. com, and benefits obtained through costs reduction passed on to the customers help improve customization, i.e., Customer Relationship Management (CRM).

Make Business Global: E-commerce by minimizing various costs, as stated just before, enables especially small enterprises to make information on its products and services available to all the potential customers spread all over the world. This is well confirmed by amazon.com, founded by Jeff Bezos, the largest bookstore available on the net by making away a large proportion of sales from the traditional booksellers. In India, the experience of Rediffusion-on-the-net presents the similar case. It is E-commerce that facilitates, for example, a tailor in Guwahati (India) to make a suit for a Lawyer in London. Similarly, a software designer in Bangalore to write a programme to a firm located in Moscow.

Need Small Capital: Compared to traditional form of enterprises, E-enabled enterprises require small size of capital to run on enterprise.

Like elsewhere in the world, E-commerce is found more suitable for certain types of products and services amenable to on-line transaction in the North Eastern Region of India. The products and services that can be traded electronically are books, music, gifts, handicrafts, readymade garments, gems and jewellery,

herbal items, tourism, entertainment, education and financial services.

Opportunity

The fact remains that E-commerce has empowered small enterprises like anything had done so in the past. E-commerce has emerged as an opportunity for entrepreneurs in small enterprises. As seen earlier, its use, therefore, by entrepreneurs is on increase in developed countries like US, Singapore, Ireland, Spain and Italy, for example. Though E-commerce mode of business has set in India, yet no perceptible improvement is seen so far in this regard in the country especially in small enterprises and rural areas of the country. It is mainly due to the challenges E-commerce has to meet to make inroads in the small enterprises in the NER of India.

The major challenges for development of E-commerce in the NER of India are:

Infrastructural Problems: As already mentioned, Internet is the backbone of E-commerce. Unfortunately, Internet penetration in India is so far dismally low at 0.5 per cent of the population as against 50 percent in Singapore. Similarly, penetration of PCs in India is as low as 3.5 per thousand of population compared to 60 per thousand globally and 500 per thousand in US. Internet is still accessible through PCs with the help of telephone lines. However, penetration of telephone in India is only 2.1 percent of population. Penetration of Internet, PCs and telephone is expected to be further lower in the NER for which data is not readily available. Given such low level of required infrastructure, it is difficult for E-commerce to make inroads in the NER of India alongwith vast rural areas in the country.

Absence of Cyber Laws:

Another big challenge associated with E-commerce market is the near absence of cyber laws to regulate transactions on the Net. As such one becomes hesitant to go for E-commerce. India's information technology bill passed by Parliament on May 17, 2000 intends to tackle legislatively the growing areas in E-commerce. The bill also intends to facilitate E-commerce by removing legal uncertainties created by the new technology. As it stands the bill deals with only commercial and criminal areas of law. However, it does not take care of issues such as individual property rights, content regulation to privacy and data protection specific legislation.

Privacy and Security Concern:

As of today quite vulnerable issues related to E-commerce are privacy and security. So far, there is no protection offered either by website or outside watchdogs against hazards created by exploiting one's privacy.

Payment and Tax Related Issues: Problems related to payment and tax are yet other problems continuously hunting E-traders. The electronic payment is made through credit card or plastic money, which could, however, not become popular so far in India mainly due to two reasons. First, the penetration of credit card in India is very low (2 percent of the population). Second, the Indian customers are quite sceptical of paying by credit card with the increasing threat of fraud played by hackers. Like elsewhere, credit card could not gain growth in India mainly because of authentication and recognition problems of electronic signatures. Similarly, tax administration is yet another complex problem in this seamless

(Contd. on page 43)

User Fees for Public Health Care Institutions

K Padmaja

Reasonable amount may be charged from those beneficiaries who could afford to pay them. Funds thus raised can be used for the timely repair, supplies of essential. Some amount can be set apart for extending free medical facilities to the poor without imposing any burden on the government.

HEALTH IS basic to national progress and in terms of resources for economic development nothing could be of greater significance than the health of the people. People with sound health can accelerate the pace of economic, industrial and social development. Charaka the renowned Ayurvedic physician who lived 2500 years ago had said "Health is critical for the realization of the four fold aims of life ethical, artistic materialistic and spiritual (Dharmartha kama, moksham, arogyam moolam uthamam—Charaka Sutra—versus 15 and 16).

Kerala has made notable achievements in health and these are reflected in the attainment of low infant mortality rate, low death rate and high expectancy of life. The decadal growth rate (1981-91) in population was 14.32% as against the all India average of 23.5%. Kerala stands apart from the rest of the states in the achievement of health standards, and the standards attained are comparable to those of the developed countries. These

achievements have been made possible through a network of health infrastructure, general health consciousness and clean health habit of the people, combined with virtually total literacy among not only men but also women of Kerala.

Birth rate, death rate, and infant mortality rate in Kerala have registered a steady and steep decline over this period. With respect to per capita income, Kerala belongs to the poor states in India, standing below all India average over the entire period. But in terms of health indicators she ranks first and is above all India average. Birth rate in Kerala declined from 30.5 to 18.0 per thousand, showing a 41% decline as against the all India level of 24% during the period under reference. The decline in death rate was a little over 30%, from an already low rate of 8.9 per thousand in 1970s. In respect of birth rate, all India average remains three decades behind Kerala and with regard to death rate, the distance is even longer.

Achievement of Kerala in terms of infant mortality rate which is considered to be the most significant indicator of health status of a country is also very much impressive, declining from 54 to 14 per thousand live birth over this period, showing a 70% decline. It is really surprising to see that with a meagre per capita income Kerala could outrun even the wealthiest countries in the world in terms of death rate [Table 1]. According to Registrar General of India, among all Indian states with population exceeding 10 million, Kerala had the lowest birth rate of 18.2 and death rate of 6.4 in 1998. Kerala's infant mortality rate in 1998 was 15.6, the lowest among the Indian states. The comparable status for all India in 1998 are 26.4, 9.0 and 7.6 respectively. Kerala's expectation of life at birth during 1996-2000 was 68.23 years for men and 73.62 for women.

Another area in which Kerala has made tremendous progress is reflected in the increase in life

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Table 1

Trend in Death Rate-International Comparison

S.N. Countries	1970-75	1990-95
1 United Kingdom	12	12
2 U.S.A.	9	9
3 Japan	7	8
4 Belgium	12	12
5 Sweden	10	12
6 France	11	10
7 Switzerland	9	10

Source : World Development Indicator-World Bank 1999.

expectancy at birth (LEB). Life expectancy in Kerala is similar to the corresponding figures for developed countries classified as having achieved high human development in Human development report-1993. A man in Kerala is expected to live for 69 years or 10 years longer than the average Indian man, and a woman in kerala can expect to live 74 years or 15 years longer than the average Indian woman. [Sen and Dreeze 1996]

In respect of all the above variables, Kerala is found to have done better than the middle income and low income countries. While the average IMR and LEB in the high income economies reflect better health status than in Kerala, in terms of CDR, Kerala outrun the position of high income countries. In terms of survival norms, Kerala's record is comparable to that of high income countries (Table 2). It is surprising to note that Kerala's remarkable achievement in health sector is with a low income base.

From the above analysis, it is seen that uniqueness of the achievement of Kerala in the field of health, stands out not only from the rest of India but also the world. Kerala has demonstrated what can be achieved by a high level of social

Table 2

Broad Indices of Health-1991

Health Indicators	Kerala	Low Income Countries	Middle Income	High Income
CDR	6	10	10	9
CBR	18	28	24	13
IMR	17	80	73	7
LEB	71	60	62	77

Source : Abstract from Health Transition in Kerala-P.G.K. Panicker-Discussion paper number 10, December, 1999 KRPL. CDS

development supported by a modest medical services. It has achieved at a cost of less than \$ 15 per capita, a health status measured by IMR, LEB, DR, which is almost comparable with that of wealthiest country of the world expenditure about \$4000 per capita. (N.H. Anitha)

Reasons

Let us now turn to the reasons behind this achievement of Kerala. A United Nation's study (1975) on Kerala's health development concludes that the development of Kerala in lowering mortality rate and rising life expectancy to almost to the levels of more developed countries must be attributed largely to the widespread network of health services and the scales which they are used. Public health measures such as sanitation, control of infectious disease introduced by Travancore and Cochin in 19th and 20th centuries were the key to reduce mortality. Nair [1974] suggested that the extension of primary health centres and public health measures in the state has led to the decline in the IMR and mortality in 1950s and 1960s. Panikker and Soman (1984) laid equal emphasis on public health and medical care services. While the first phase of health status improvement was attributed to preventive health measures against infectious disease, in the second phase, the stress was on the

expansion of medical care. This was also supported by KSSP study (1991). Thus major studies tend to concentrate on the success of public health measures in controlling infectious diseases and on greater accessibility and utilization of medical care system in Kerala.

Though public health measures played a vital role in improving health indicators in the early decades of 20th century, mushroom growth of private sector played a dominant role in the later periods. Today, rate of utilization of private sector has increased drastically pointing to the poor performance of public health sector. The KSSP study found that in case of acute illness, 66% of people depend on private institutions. Nearly 43% of the poor also utilizes the services of private institutions. According to Paniker (1992) private expenditure in Kerala on health is one of the highest in India. Thus, the importance of the public health sector in health service in the state has waned greatly.

Higher and increasing trend of utilization of private sector even by the poor is a good indicator of several shortcomings of public health care institutions like lack of supplies, corruptions, bribing, out moded equipment, internal privatization etc. A study conducted by T.P. Kunnikannan and K.P. Aravindan (2000) looked in to the reasons for opting private

institutions. Of the total numbers of reasons given, 15% reported easy access as the main reasons for opting private hospital. For another 20%, the reason was that either there was no doctor at the government hospitals (10%) or no treatment was being prescribed by them (10%). About 14% felt that no medicines were available in government hospital. In the opinion of another 18%, bribing was rampant in government hospitals and a better personal consideration and a fair treatment come from the staff of private hospitals. For about 23% hold the view that private hospital should provide better treatment. Still another reason for the popularity of private hospitals is their ubiquitous presence.

Free Consultation

Survey conducted with respect to inpatients and outpatients of a government hospital in Trichur district by the author revealed that they are getting only free consultation from the hospital and they have to procure medicines from market. They opined that for proper care from doctors, they should consult them at their house and pay a good amount which is not lower than the fees charged by private doctors. The average expenditure for private hospital for a normal delivery is estimated to be around Rs 3000 whereas it is around Rs 2000 in government hospitals. The average expenditure of Rs 2000 in hospitals which are supposed to give free care, is an indication of several shortcomings. Bribing is rampant in government hospitals. There is fixed rate to be given by patients to each and every staff working over there. The rude behaviour of staff is due to the fact that beneficiaries are getting free service from there. The higher share of private sector inspite of the

high charges point to the fact that economic considerations like pricing need not be a deterring factor in its utilization by the poor. A major portion of the beneficiaries are already paying higher rates in public health institutions, and indirectly, there is internal privatization. People in Kerala are quality conscious. They are expecting accessibility, availability, and better quality. If they are charged they won't oppose, but wholeheartedly support the proposal provided they are getting good service. Opinions were collected from the medical officers in charge of these institutions. They pointed out weaknesses in the implementation of the policy. They are finding difficult to work over there because of non availability and untimely arrival of medicines, inadequate staff, and odd type of equipment. Equipment are of inferior quality. Even the allotted fund from the govt do not reach these institutions in time, and this result in waste of resource. In Aloor (Trissur District), though health department sanctioned fund to the PHC, block Panchayat has not delivered it to the health department and because of that, working condition of that PHC is deplorable. Again, Kodakara, PHC had to close for certain days because of inadequate staff in that institution. Service in the public health sector institutions has been deteriorating for quite some time. Existing condition of public health care institutions are pathetic. Though we had attained progress in the past it didn't keep pace in 90s especially in terms of certain health indicators like peri natal mortality neo natal mortality, birth weight of babies etc. As Panikker pointed out, if we proceed like this, we have to pay a lot simply to stand where we are. Inadequate financing in the

public health sector due to the financial difficulties in the state govt for more than a decade is a major reason for the poor performance of these institution. Deficit on revenue account increased from Rs. 272.3 million in 1980-81 to Rs. 4220.2 in 1990-91 (see table 3). As a result expenditure on all segments of the health care services registered a lower growth rate during current decade compared to the previous decade. (see table 4)

Table 3 : Trend in Overall Position of State Budget (Revenue Account)

(Rupees in Million)			
Year	Revenue Receipt	Revenue Expenditure	Surplus(+) Deficit(-)
1980-81	6403.8	6676.1	-272.3
1981-82	8504.8	7545.0	+959.8
1982-83	8102.0	7833.9	+268.1
1983-84	9342.6	9924.4	-581.8
1984-85	11249.9	11386.6	-136.7
1985-86	13711	14453.4	-741.7
1986-87	150525.3	16547.7	-1522.4
1987-88	15860.9	17806.8	-1945.9
1988-89	18970.6	20610.0	-1639.4
1989-90	20476.4	22980.9	-2504.5
1990-91	24029.3	28249.5	-4220.2
1991-92	28521.2	32164.6	-3643.4

Source : Research Report

To reduce resentment from the staff, administration expenses have been hiked, but a curtailment in the provision of essentials like medicines, equipment, and postponement of repairs etc affected drastically on the patients care. Since financing is one of the major factors in improving health care services, immediate attention should be paid to raise the fund wherever possible. Otherwise it may result in closing of these institutions or private sector may devour them.

It is in this context that we should think about alternative ways of raising fund for proper running of these institutions. We can't expect much from the govt since health sector already receives high

share and govt is passing through a severe financial crisis. Charging of user fee is an obvious option. Even a number of low income developing countries like Sudan, Ethiopia, Ghana and Jamaica implemented user fee in public hospitals for the efficient running of them. Charging fees is never a bad idea. Reasonable amount may be charged from those beneficiaries who could afford to pay them. Fund thus raised can be used for the timely repair, supplies of essential. Moreover, some amount can be set apart for extending free medical facilities to the poor without imposing any burden on the govt. Madavana main PHC in Trichur district of Kodungallur block is performing well by charging nominal fees from beneficiaries. The fund thus raised is spent on repairs maintenance and buying essentials. They are performing even cataract surgery. No govt can afford free medical service to all in a situation of rising cost of medicine and morbidity. The amount charged is only nominal and affordable. Without any doubt, quality of service can be improved provided these funds are utilized properly without any leak. Since, highly qualified hands are working in these institutions, people will be attracted, if the quality is improved. Better equipment in the qualified hand is ten times better than those in the ordinary man. If we have produced astonishing results and attracted worldwide attention with the

Table 4 : Total Government Expenditure on Health including Medical and Public Health (Rs Million)

Year	Total govt expenditure			
	2	3	4	5
	Total exp. on Health Care	Increase from Year to Year	Grand Total Govt. Exp.	2 as a % of 4
1979-80	522.3	66.0 (14.46%)	7098.2	7.36
1985-86	1419.3	263.4 (22%)	26546.9	5.32
1989-90	2036.0	587.46 (41%)	37679.9	5.4
1990-91	231303	276.8 (14%)	45016.1	5.14
1991-92	2409.5	96.2.0 (4%)	56191.2	4.29
1992-93	2463.3	73.8 (3%)	61463.5	4.04

Source : Research Report

present meagre income, without doubt we can produce miracles in this sector with better funds.

The protest against user fee is not rational. It is simply to get public support and to safeguard vote banks. Instead of protesting against the charge of user fees people should cooperate with govt considering the significance of health. Our political leaders are getting treatment in foreign hospitals by paying huge sums and often at the cost of the state. Since health is the so precious, we should not oppose it for mere political gains.

In addition to the user fees govt may opt for instituting insurance scheme for arising fund, as introduced in many other

countries. Whatever may be the policies, peoples' participation is essential for proper running of these institutions and to solve the real problems. Performance evaluation of each institution by an administrative body (containing local people) may be conducted periodically.

Public health care institutions are the last resort for the poor. Left with no choice they are availing these services inspite of so many inconveniences. Proper and efficient running of these institutions are a must for the benefit of the poor. For that, charging a reasonsable amount from those who can afford to pay is a welcome option that should be taken by the Govt. to improve financial position of these institutions. □

GAIL Net Up

Gas Authority of India Ltd has earned a revenue of Rs 10,550 crore from sale of gas and earned a net profit of Rs 1,160 crore in 2001-02. Production of gas from the Cauvery basin would be increased to 15 lakh scmd per day from July this year from the present 7.5 lakh scmd. The company pipeline system had proved to be quite safe and the technology used for this was proven one.

A TRIBUTE

Architect of Modern Macroeconomics

A Ramalingam

Tobin explores the new idea of the “negative income tax”, which actually has the government pay out money to the poor, rather than collect it from them. The proposal is that the government pay any family which falls below a certain income a fraction of the short fall. The payment would be a matter of right, like an income tax refund. The new system would enable people to retain their self-respect and initiative that would help to break the vicious circle.

JAMES TOBIN, a promoter of Keynes and an architect of modern macroeconomics, died on March 11, 2002. Now that James Tobin is gone, it is the end of not just a chapter, but an epoch.

James Tobin (1918-2002), the Nobel laureate in Economic Science in 1981, is widely recognised as one of the main architects of “pillars and arches” of twentieth-century macroeconomics. During his lengthy career commitment to Yale University, as a leading macroeconomist, he made pioneering and lasting contributions to portfolio management theory, theory of the consumption function, monetary growth theory, neo-classical neo Keynesian synthesis, measure of “net economic welfare”, programme of “negative income tax” theory of Investment Value-Tobin’s q , financial intermediation and ‘new view’ on money and banks. Tobin also made significant contributions to the understanding



James Tobin

of international financial markets, statistical methods and the study of spending decisions by households and businesses. He advocated the Keynesian theory of government intervention in the economy.

The Nobel price was awarded to James Tobin, the Sterling Professor of Economics Emeritus at Yale

University, New Haven, Connecticut, U.S., “for his analysis of financial markets and their relationship with spending and thereby with employment, production, and price movements”, said the citation. Tobin is a Keynesian. He is a neoclassical also. He has worked on economic theory, at the frontiers, and in actual economic policy. In 1960 when President John F. Kennedy appointed Keynesian Council of Economic Advisors with Walter Heller as its Chairman, James Tobin became a member in 1961-62. In that Kennedy’s first Council Tobin played a significant role in politics as a continuing advisor and commentator on economic policy. He is a major figure in the effort to synthesise neo Keynesian macroeconomics and neoclassical microeconomics. The neoclassical economics lacked a well-developed macroeconomics to match its microeconomics.

In announcing the prize, the Nobel Committee declared that his

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work had “unquestionably inspired substantial research during the 1970s on the effect of monetary policy, the implications of government budget deficits, and stabilization policy in general”. The award was viewed as the highest recognition in the profession, being accorded to an improbable champion of Keynesian, interventionist, redistributive, and egalitarian economics in its darkest hour due to the ascendancy of the monetarists and other conservatives and the Reagan presidency in the second half of the 1970s. Tobin regarded his Nobel Prize as a vote of confidence to the Keynesian theory. Tobin’s Keynesian-type macro economic models have become more eclectic. The Nobel Prize is an example of an award for theoretical contributions concerning specific aspects or sectors of an economy—viz., “portfolio models of financial markets and their relations to expenditure decisions, employment, production and prices”.

James Tobin was born on March 5, 1918, in Champaign, Illinois as, the son of Louis M. Tobin, a journalist, and Margaret Edgerton Tobin, a social worker. He had a brilliant academic career at Harvard in 1930s. Joseph A. Schumpeter, Edward Chamberlin, Wassily Leontief, Seymour Harris, Alvin Hansen, Ed Mason and other members of the faculty that has become legendary taught him economics. His mentor Schumpeter was his teacher and his Ph. D thesis advisor. A whole battery of veterans like Paul Samuelson, Lloyd Metzler, Richard Goodwin, Paul Sweezy and Bob Solow as graduate students at Harvard was around Tobin. He graduated from Harvard in 1939 and interrupted his postgraduate studies to serve in the U.S navy from 1942-46, completing his Harvard

Ph.D in 1947. In 1950 he joined the Yale Economics department, where he became Sterling professor in 1957 and served two stints (1955-61 and 1964-65) as director of the Cowles Foundation for Research in Economics.

Revival

Tobin’s type of macroeconomic models heralded a genuine Keynesian revival, leading to a great variety of economic models. Tobin’s scholarly output has been substantial and so wide-ranging in its reach and perception that it is impossible to summarise adequately. He is best known, however, for his important researches in macroeconomic and monetary theory. The Nobel Prize awarded to him in 1981 was for his pioneer contributions to portfolio selection theory (where he laid the foundations for the modern theory of finance) and for his analyses of general monetary framework, i.e., of the interactions between real and financial markets, involving a path-breaking application of general equilibrium theory. Don Patinkin pioneered this approach. He introduced stock markets into his models. M. Mussa also introduced stock markets in to his model. His analyses of the determinants of consumption and investment behaviour, or of the real/financial transmission mechanisms involved in aggregative models of economic growth and fluctuations and his contributions to current controversy on stabilization theory and policy have urgent immediate concern to theorists and policy makers. In addition, he has developed a new statistical and econometric technique and made significant contributions to social policy debates on poverty and unemployment.

Tobin as a Keynesian economist has been in the forefront of developing a general-equilibrium portfolio approach to financial analysis incorporating a comprehensive monetary transmission mechanism. Tobin’s portfolio model of asset choice shows that wealth-owners will hold a diversified portfolio of assets, one of which is money. Holding a number of different assets reduces the overall risk of a portfolio by the well-known principle of not putting all one’s eggs in to the same basket. An asset is generally thought to be riskier, the greater the likelihood of its actual return diverging from its expected return. Harry M. Markowitz (1959) and William Sharpe (1970) also brought out modern portfolio theory. The theory of diversification was based on the work of Markowitz.

In the simplified version of Tobin’s model of asset holding (1958), there are just two assets: money, which is risk less because it has a certain return—of zero; and perpetual bonds, which are risky. Tobin’s analysis can be extended to the selection of a large number of risky assets. Each investor is assumed to be risk-averse. This means that the expected return from a portfolio of assets yields positive utility but the risk gives negative utility. The individual can make up an asset portfolio, which consists of various combinations of the riskless asset, money, and the risky asset, bonds. The greater the proportion of wealth held in bonds, the higher the expected return from the portfolio, but the higher also is its risky ness. The individual chooses that combination of money and bonds, which maximizes his utility given his preferences regarding return and risk. Thus Tobin has

applied what has become known as "portfolio theory" to the analysis of the asset demand for money.

The portfolio-balanced model gives a more satisfactory theory of the speculative demand for money. No reference is made in the model to a transaction demand for money.

W. J. Baumol (1952) and J. Tobin (1956) developed separately the inventory-of-money approach to transactions demand. In this inventory theoretic approach, money held by firms is analogous to working capital. The inventory model shows that the demand for money balances by firms is inversely related to the rate of interest and positively to the income. The transactions demand for money should respond to a change in the interest rate through a change in the number of bonds-to-money transactions. On the revenue side, an increase in interest rate will increase marginal revenue for any given number of transactions. On the cost side, each transaction has a given cost—a broker's fee or the implicit cost of time spent in transacting business. Each asset transaction has a fixed cost equal to marginal cost. Combined with marginal revenue, marginal cost gives a profit maximising (optimum) number of transactions. The interest elasticity of the transactions demand is exposed in this model. A rational household or firm will hold the average money balance that makes the marginal assets transactions cost equal to the interest received from the marginal bond holding.

The major theme of the "new view" pioneered by J. C. Gurley and E. S. Shaw and subsequently adopted and developed by James Tobin, L. E. Gramley and Samuel B. Chase, Jr., are that "the distinction

between commercial banks and other financial intermediaries has been too sharply drawn," and that "the differences which do exist have little intrinsically to do with the monetary nature of bank liabilities" (Tobin). The suggested revision of the "new view" involves replacement of the concepts of money and the monetary system with the concept of 'intermediation'. In support of this position, it is pointed out that the use of its obligations as a medium of exchange is only one among many dimensions in which financial institutions differ from one another.

Implications

The implications of the old view and the "new view" may be summarized as follows:

The Old View: The traditional view would hold that commercial banks as a group can expand their liabilities as a multiple of their reserves to a degree not even remotely approximated by the other financial intermediaries. This is due largely to the fact that the demand deposits of banks serve as the principal medium of exchange. The uniqueness of commercial banks resides in their ability to create the means of payment. The ability of the commercial banking system to retain the reserves lent to a far greater degree than is possible for nonbank intermediaries has been likened by Tobin to the widow's cruse.

Two characteristics of commercial banks differentiate them sharply from other financial intermediaries: (1) the liabilities of commercial banks, at least their demand deposit liabilities, serve as widely acceptable means of payment, along with coin and currency in public circulation as money; (2) the preferences of

the public normally play no role in determining the total volume of deposits or the total quantity of money.

Financial intermediaries other than banks do not create money and they cannot count on receiving deposits to match every extension of their lending. The commercial and only the commercial banks, in other words possess the widow's cruse—the multiple creation of bank credit and bank deposits. And because they possess this key to unlimited expansion, they have to be restrained by reserve requirements.

The "New View": In the late 1950's and early 1960's, a great deal of work on the money supply theory was directed from two different quarters, as represented by (1) Cagan, Friedman and Schwartz, Brunner and Meltzer and the Federal Reserve Bank of St. Louis, and (2) Radcliffe and Sayers, Gurley and Shaw, Roosa and Tobin. The new view on money opposite to the traditional view was developed largely by James Tobin. Tobin gave the name "new view" to the group.

Those adhering to the so called "new view" hold that commercial banks are not unique but produce only one of a spectrum of differentiated products which are substitutes for each other in the portfolios of wealth owners. The "new view" asserts that the commercial banks are like all other non-bank financial intermediaries, each merely providers of a differentiated product. Considerations such as maximising profits, which limit the size of other intermediaries are shown in the "new view" to effectively limit the size of commercial banks. The "new view" treats a commercial bank as traditional micro theory treats the firm.

The modern banking institutional framework, the desired

maximization of profits is subject to a constraint imposed by legal reserve requirements.

The "new view" is not directed to diminish the existing differences in the regulatory treatment of banks and competing intermediaries, either by relaxing constraints on the one or by tightening controls on the other.

Monetary growth theory is concerned with the role of money in a growing economy. Tobin first presented the neoclassical monetary growth model in 1965, and development was made possible by the pioneering work of Robert Solow and T.W. Swan. Most models of economic growth are non-monetary. The non-monetary neo-classical growth models offer no place for significant choices of the second kind-portfolio choices. They admit only one type of asset that can serve wealth owners as a store of value namely reproducible capital.

Tobin in 1955 generalised Lloyd Metzler's wealth effect into a theory of portfolio balance in which the rate of interest equates the public's desire to old monetary and non-monetary wealth with the existing stocks of monetary and non-monetary wealth. As a consequence, portfolio balance became the necessary and sufficient condition for price stability and macro economic equilibrium in general. Tobin considers money to be an alternative asset or a partial substitute for real capital for the wealth-portfolio holders. In the case of money being government debt or "outside money", the monetary authority by controlling its rate of growth, can affect the economy's steady-state properties.

Neoclassical monetary growth models developed by James Tobin, David Levhari and Don Patinkin

and others use portfolio balance as the mechanism that may explain a non-neutrality of money in the long-run. The purpose of Tobin's paper on "Money and Economic Growth" is discussing the roles of monetary factors in determining the degree of capital intensity of an economy. Tobin's monetary growth theory is concerned with the influence of money on the rate of growth and steady-state characteristics of a growing economy.

The core of the path-breaking neoclassical monetary growth theory, that is, the notion of portfolio balance and its implied assumption that money and real capital are substitutes as assets, has been recently criticised by E. Shaw (1973) and R. McKinnon (1973). Based on observations concerning less developed economies, Shaw and McKinnon believe that any positive correlation among the propensity to save, stocks of monetary assets, and rates of growth necessitates a reconstruction of monetary growth theory along lines that view money and real capital as complements rather than substitutes.

New Campaign

The discussion of "net economic welfare" on NEW is drawn from William Nordhaus and James Tobin, "Is Growth Obsolete?" (National Bureau of Economic Research, Columbia University Press, New York, 1972). The earlier concept, a measure of economic welfare (MEW) has been replaced by a more informative label net economic welfare (NEW). "Net economic welfare is an adjusted measure of total national output that includes only consumption and investment items that contribute directly to economic well-being." (Paul A. Samuleson and William D. Nordhaus, Economics, McGraw-Hill Book Company, New York,

1989, p. 117). William Nordhaus and James Tobin launched a new campaign against growth aiming to acquire a life style, which has as its goal maximum freedom and happiness for the individual, not a maximum Gross National Product.

GNP and NNP are measures of production rather than of welfare and they count many activities that are evidently not directly sources of utility themselves. An obvious shortcoming of GNP is that it is an index of production, not consumption. "The goal of economic activity, after all is consumption" (Nordhaus and Tobin). 'Per capita' rather than aggregate consumption is the welfare objective. "The economic profession has been slow to develop, either conceptually or statistically, a measure of economic performance oriented to consumption, broadly defined and carefully calculated" (Nordhaus and Tobin). In proposing a welfare measure Nordhaus and Tobin in no way deny the importance of the conventional national income accounts or of the output measures. Their MEW (or NEW) is largely a rearrangement of items of the national income accounts.

The wealth interpretation of income as the primary determinant of consumption is dominant in the 'General Theory' of J.M. Keynes (1936). Keynes himself alluded to the possible influence of "Unforeseen changes in money value of wealth". He even catalogued "changes in expectation of the relation between the present and the future level of income". Recent emphasis on permanent (M. Friedman, 1957) and lifetime income (A. Ando and F. Modigliani, 1963; F. Modigliani and R. Brumberg, 1954) has brought the wealth interpretation to the fore.

G. Ackley (1951) and other

earlier writers urged the importance of wealth in the consumption function. They viewed that saving may be motivated by the desire to market bequests of other transfer of wealth to the next generation, as well as by the need to even out consumption over the saver's lifetimes. The adequacy of wealth to meet a bequest target will then be one of the determinants of current saving and consumption.

A.C. Pigou (1947) emphasised the wealth effect in the course of an abstract theoretical attack on the whole structure of Keynes's 'General Theory'. Pigou pointed out that the real value of private wealth could be indefinitely increased by price deflation. The reason is that deflation would increase the purchasing power of money. As the owners of assets become saturated with real wealth, their propensity to consume is bound to increase. Via what has come to know be as "the Pigou effect", the absolute price level—because of its effect on the real value of private wealth—has a bearing on the propensity to consume.

Walter Dolde and James Tobin (1971) in a Wealth Model of Consumption illustrated that all wealth, human and non-human, future yields of labour as well as future yields of bonds and stocks is available at its capitalised value for consumption now or any future time. Wealth is completely fungible between periods. At the level of individual households in budget surveys, past saving of course supports the dissaving recorded for the lower brackets. As pointed out by Tobin (1951), differences in the wealth available to households at a given real income can help to explain the differences observed in different surveys in their propensities to save or to dissave. This explanation is not inconsistent

with those by which Duesenberry, Friedman, and Modiglian in the same phenomenon.

The q Ratio

Investment is a theoretically complex topic. Tobin and Brainard (1977) in a pioneering effort formulated a financial approach to investment. Tobin devised a way of relating investment demand to financial variables, which is amenable to empirical treatment. Investment is hypothesised to depend positively on the q-ratio, where $q = p / a$. Valuation Ratio = rate of return on investment/cost of capital. Firm's investment is expected to be higher, the larger is q.

Tobin's logic is whether the firm should expand or contract can be judged by the market value of a firm's stock relative to the current cost of its assets. This has led Tobin to conclude that a firm should expand (by investing in new plant and equipment) if its q is greater than one ($q > 1$). J.M. Keynes in his "General Theory" (1936) has pointed out this connection between investment and market value relative to cost. Tobin has argued that q is the channel through which financial market events influence real economic activity. Events that raise market value relative to replacement cost stimulate physical investment. The observed value of q is both a yardstick by which investment should be judged and also a barometer for predicting investment activity. Stock prices are used in many macroeconomic models to help explain investment and to predict the future course of the economy. The policy makers and macroeconomic model builders use aggregate q data to monitor the over all course of the economy. An aggregate q index provides a broad measure of the incentives for aggregate income. Tobin's q is very

helpful in formulating the theory of investment demand. When the optimal capital stock has been reached the market value of the marginal investment equals its replacement cost.

Conservatives like Milton Friedman of Chicago and liberals like James Tobin of Yale agree that it will be both cheaper and more humane to replace or supplement the incoherent set of income-support programmes of welfare system for the poor with a single unified programme of cash assistance, called the 'negative income tax'. Yale's James Tobin explores the new idea of the "negative income tax", which actually has the government pay out money to the poor, rather than collect it from them. The proposal is that the government pay any family, which falls below a certain income a fraction of the short fall. The payment would be a matter of right, like an income tax refund. A family with no other income at all would receive a basic allowance scaled to the number of persons in the family. Family above the "break-even" point would be taxpayers.

Poverty saps earning capacity. The new system would enable people to retain their self-respect and initiative that would help to break the vicious circle. The present system of welfare payments does not provide motivation of useful work experience. He, or more likely she, is essentially forced to be both idle and on a dole. Tobin's idea of negative income tax aims at assuring decent living standards in the absence of earning capacity. The new approach is to supplement earnings from the public fisc. Minimum wage, laws, trade union wage pressures, or other devices will not help people. □

CAREER GUIDANCE

Biotechnology and Bioinformatics

Jayanti Ghose

BIOTECHNOLOGY IS the use of living organisms or other biological systems in the manufacture of drugs or other products or for environmental management, as in waste recycling, genetically engineered bacteria to produce human hormones and monoclonal antibodies to identify antigens. Biotechnology is the group of technologies that share two things in common: they manipulate living cells and their molecules and have a wide range of uses that can transform our lives. Biotechnology is the fastest growing applied science of our times; it is rapidly becoming the cornerstone of industrial development. The biotechnology boom is due to genetic engineering in which simple life forms are created to make entirely new products. Genetic engineering takes materials provided by nature, uses specialised knowledge and purpose-built tools to modify them in particular ways, and assembles the pieces to make the final structure. Genetic engineering helps scientists to insert into an organism a single gene, and the desirable trait it produces, without transferring other genes and their desirable traits.

Bioinformatics is the convergence of biotechnology and IT. It deals with the creation and maintenance of databases of biological information such as nucleic acid sequences and protein sequences. Bioinformatics is an

emerging discipline and has applications in frontline areas of biotechnology like drug design, gene therapy, diagnostics, crop improvement biochemical processes, etc. It refers to applications of IT in data analysis, mainly in the creation of extensive electronic databases on genomes and protein molecules, and in three-dimensional modelling of biomolecules and biologic systems. Right now the field that is driving bioinformatics is the drug discovery process that includes data mining, scientific visualisation, information storage and retrieval of special structure data and simulation of very long DNA sequences.

Education and Training

Basic groundwork preparation for entry into these fields of study would be the Science stream at the Plus Two level. From here one could follow-up through various paths.

A degree in agriculture, veterinary science and animal husbandry, medicine, life science, genetics, pharmacy, microbiology, botany, zoology, chemistry, chemical engineering/technology agricultural engineering food technology, human biology and allied subjects. Then proceed with a master's degree in biotechnology. Often an admission test is involved in the selection process.

One could also start off with biotechnology/genetics as a subsidiary/applied/applied

component/subject at the graduation level after a Plus Two in the science group. Someone aspiring for careers in the field of genetics/genetic engineering/biotechnology should preferably study maths, chemistry and physics in Plus Two in addition to biology. After Plus Two science (PCMB) choices are to apply for:

- * 5 years Integrated M. Tech in Biochemical Engg. and Biotechnology at IIT Delhi;
- * 5½ years Integrated M. Tech Biotechnology & Biochemicals Engg at IIT Kharagpur Admission is through IIT-JEE.
- * 4-year B Tech Industrial Biotechnology at Anna University, Chennai-600025 admits through a national level admission test after Plus Two with physics, chemistry and Mathematics.

Genetics at the undergraduate level is offered in very few universities presently, but is sometimes a component of the biological sciences and interdisciplinary courses such as microbiology. Post-graduate in genetics or biotechnology or an allied subject among those mentioned above is a must.

B Tech in Biotechnology/Bioinformatics after 12th Science (PCB/M) at:

- Vellore Institute of Technology, (Deemed University) Vellore-632044
- Jaypee Institute of Information

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Technology at Solan (HP) and NOIDA (UP)

Specialist study in biotechnology or bioinformatics would mean preparing for years of study beyond the post graduate degree as you are automatically looking at careers dealing with academic study and practical research projects research laboratories/R&D organisations in the private and public sector.

A doctoral programme along the path of specialisation would be entirely in order. One could take the CSIR-UGC—JRF examination to work on a research project leading to a doctorate with a fellowship.

Bioinformatics is such a new discipline that courses are still evolving all over the world. In India, the best choices are for postgraduates in the sciences or medicine, engineering, pharmaceutical, agricultural and allied graduates who are admitted to 1-year Advanced Post Diploma courses. For those with biology background, bioinformatics could be a gold mine if they could master in-depth computing skills.

Institutions

Master's in Biotechnology/allied

- University of Allahabad, Allahabad-211002
- Banaras Hindu University, Varanasi-221005
- Calicut University, Kozhikode-673635
- Devi Ahilya Vishwavidyalaya, Indore-452001
- GB Pant University of Agriculture and Technology
- Goa University, Taleigao Plateau, Goa-403206

- Gujarat University, Ahmedabad-380009
- Guru Nanak Dev University, Amritsar-143005
- Himachal Pradesh University, Shimla-171005
- University of Hyderabad, P O Central University, Hyderabad-500046
- Jawaharlal Nehru University, New Delhi-110067
- MS University of Baroda, Vadodara-390002
- Madurai Kamaraj University, Madurai-625021
- Punjab University, Chandigarh-160014
- Pondicherry University, Pondicherry-605014
- Pune University, Pune-411007
- Punjabi University, Patiala-147002
- Tezpur Univ, Tezpur-784001
- University of Jammu, Jammu Tawi-180006

Combined Entrance Examination is conducted by JNU every year for admission to M Sc Biotechnology/M Sc (Agri) Biotechnology/MV Sc (Animal Biotechnology) and M Tech Biotechnology at various universities in the country including most of the above.

M Sc in Genetics

- Punjab Agricultural University, Ludhiana-141004
- Rajendra Agricultural University, Samastipur-848125
- Barkatullah Vishwavidyalaya, Hoshangabad Road, Bhopal-462026 (also M Sc. Fish Genetics)
- Ch Charan Singh Haryana Agricultural University, Hisar-

125004, Haryana

- University of Delhi, Delhi-110007
- Osmania University, Administrative Building, Hyderabad-500007 (also Genetics in B Sc)
- Kakatiya University, Vidyaranyaपुरi, Warangal-506009 (Genetics offered as a B Sc subject)
- Andhra University, Visakhapatnam-530003 (M Sc Human Genetics and Phy.Anthropology)
- Guru Nanak Dev University, Amritsar-143005 (B Sc Human Genetics too)
- University of Kerala, University P.O. Thiruvananthapuram-695034 (M.Sc. Genetics & Plant Breeding)
- Sri Ramchandra Medical College & Research Institute, Porur, Chennai-600016

Advanced PG programmes in Bioinformatics

- Bioinformatics Centre, University of Pune, Pune-411007. 1 year Advanced Diploma in Bioinformatics at University of Pune (<http://bioinfo.ernet.in/diploma>)
Eligibility: Postgraduate in any science faculty, M V Sc, M Sc (Agriculture), M Pharm, MD, ME, MCA or B E, MBBS, B Tech with a least 60% marks (55% for reserved category)
- Jawaharlal Nehru University, New Delhi 110067 (<http://www.bic.jnu.ac.in>) 1-year Advanced (Post-Graduate) Diploma in Bioinformatics
Eligibility: M.Sc. in any branch of Biological Sciences, such as, biochemistry, biophysics, microbiology, molecular

biology, biotechnology, life science, botany, zoology, MBBS, in High Second Class (with at least 55% marks or equivalent grade) and mathematics upto 10th level. Entrance test in May.

- Bioinformatics Centre, School of Biotechnology, Madurai Kamaraj University, Palkalai Nagar, Madurai-625 021

1-year Advanced Diploma Course in Bioinformatics

Eligibility : First class M Sc degree in Physical or Mathematical or Life Science or Computer Sciences (Physics, Chemistry, Mathematics, Biotechnology, Biophysics, Botany, Zoology, Biochemistry, Microbiology, Pharmacology, Computer Science or equivalent) or M Tech or MBBS degree of a recognised Indian or Foreign University. Industry sponsored candidates will also be considered. Selected candidates to be paid a stipend of Rs 3000 per month

- International Institute of Information Technology, Gachibowli, Hyderabad-500019 (www.iiit.net)

1 year Post Graduate Diploma in Bio-Informatics

- Bharathiar University, Coimbatore - 46 (www.bharathiaruni.org) M Sc Bioinformatics
- University of Hyderabad, P O Central University, Hyderabad-500046 (www.uohyd.ernet.in) Advanced PG Diploma in Bioinformatics introduced in 2002-2003 session.
- Institute of Bioinformatics & Applied Biology, G-05, Tech Park Mall, ITPL, Whitefield Road Bangalore-560066 (www.ibab.ac.in)

The Govt of Karnataka in association with ICICI has established the Institute of Bioinformatics & Applied Biology.

1-year Postgraduate Programme in Bioinformatics

Eligibility : A recognised bachelor's or master's degree in any branch of science or engineering.

- The Kaashyap Radiant System Limited and SIES-Indian Institute of Environment Management offer 16-months PGD in Bioinformatics to M Sc (Microbiology, Biochemistry, Biotechnology, Virology, Genetics), B E/B Tech (Biochemical/Biomedical Engg), MBBS or equivalent (e-mail: bioinformatics@kaashyapvertech.com)

Prospects

The setting up of a separate Department of Biotechnology, under the Ministry of Science & Technology in 1986 gave a new impetus to the development of biotechnology in India. An Integrated Human Resource Development Programme has been implemented to generate a critical mass of well-trained scientific personnel for the various biotechnological research, training and industrial activities in the country. The postgraduate teaching and post MD/M S training programmes are being implemented in 60 universities and R & D institutions. About 550 students are admitted. Annually, 20-25 overseas associateship are awarded for research in frontier areas of biotechnology. Other programmes supported every year include seminars, symposia, lectures and short-term training courses. Incentives and awards have been given to top eminent

scientists/researchers for promotion of biotechnology research. Ten national Bioscience awards for career development have been instituted for young bioscientists below 45 years and three special awards for women scientists have been instituted.

India has evolved a National Bioinformatics Network (NBN) for sustainable utilisation of biological data through online or offline methods with an apex centre, 10 Distributed Information Centres (DICs) and 44 Sub DICs. These centres have built up capabilities to carry out Bioinformatics R&D activities towards the development of computational tools for the biotechnology applications.

India already has 800 biotech firms and with venture capitalists looking for new places to park their fund; that number is expected to grow dramatically in the next few years. Till recently considered to be at the nascent stage, the budding Indian bioinformatics industry is supposed to grow significantly in the next couple of years. Biotechnology companies such as Biocon, Astra Zeneca, Dr Reddy's Labs are all investing in bioinformatics as are IT companies.

Until now public attention was focused on the other great revolution—computers and telecommunications or Information Technology. Today analysts say that the Biotechnology sector will be the driving force of the markets in the years to come. The marriage of computers and genes will forever alter our reality at the deepest level of human experience. In the biotech century our way of life is likely to be more fundamentally transformed in the next several decades than in the previous thousand years. □

E-ENABLED ...*(Contd. from page 30)*

worldwide E-commerce. As establishing incidence of tax in case of E-commerce transactions become difficult, this, thus, provides ample scope for tax evasion.

Digital Illiteracy and Consumer Psyche: At present, digital illiteracy is one of the formidable problems E-commerce is facing in India. On the other hand, the continuous exodus of skilled computer engineers to other countries has denuded India of Software Engineers. This has posed a real threat to the India's IT industry. Obviously, solution to this problem lies in curbing the computer brain-drain and use the same in the country.

The Indian consumer is also characterized by his unique psyche. Usually, the Indian consumer does not go long distances for having any good of his choice when a neighbourhood store provides him whatever he wants. That is why the

consumer does not browse the Net knowing the consequent hassles of connectivity and other botherations. Added to this is that building trust on the electronic media also takes long time more especially when the vendor is situated at a very far off remote place like NER.

Virus Problem: That computer virus is also a formidable problem in the execution of e-transactions is confounded by the recent computer virus originated in Manila. A computer virus logged "I Love You" originated in Manila, the Philippines on May 5, 2002 ripping across world, infecting millions of computer files causing colossal loss of US \$7 billion to the governments and the businesses.

With the type of highly competitive market environment the 21st century has created, competency in E-commerce is considered as a prerequisite to survival and success in any business enterprise be it large or small business. The future of the Indian business is, thus, hooked on to E-

commerce. Therefore, business enterprises more especially small enterprises everywhere in the country cannot afford the attitude of wait and watch.

E-commerce is certainly poised for growth in the country and also for the matter in the NER. However, inspite of much hoopla and hype, E-commerce could not take off so far in the NER of India mainly due to the problems of infrastructure and digital illiteracy. Hence, it is imperative that the government takes all the steps to put required infrastructure in place and also create digital literacy in the NER to make E-commerce take place and succeed. Sooner it is done, better will be E-commerce in the NER of India. Any further procrastination in the introduction of E-commerce in small enterprises in the region will mean pushing the region further backward from the mainstream of the country and, thus, aggravate the feelings of backwardness, isolated and neglected already it assumed alarming proportions and symptoms in the region. □

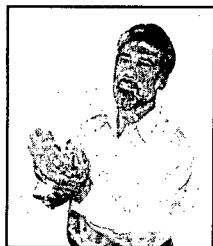
A NEW CHAPTER ...*(Contd. from page 24)*

line. Even a star HDI performer like Kerala has not experienced high economic growth. There is not only considerable unemployment in Kerala, but also a high suicide rate.

What has been lacking is a high rate of investment and job creation.

The report comes at a time when the Tenth Five Year Plan has just become operational and may be useful to policy makers to articulate modifications. For economic prosperity and human development, the overall economic management has to be improved so that the reforms have a human face. With less corruption, poverty alleviation programmes can be implemented.

With more accountability of panchayati raj institutions, people can be made responsible for their own economic well-being. Various controls obstructing investments will have to be replaced by more investor-friendly policies. In the final analysis, all economic policies have to be judged by their ability to bring down poverty, create jobs and improve the well-being of the people. □



*East Timor's first elected
President Mr Xanana Gusmao*

Xanana A Nation is Born—East Timor

Formerly a Portuguese colony, East Timor, finally regained its independence on 20th May 2002. With a population of 8 lakhs the new nation will be the 190th member of the United Nations. The veteran leader Mr Xanana Gusmao was elected the President in Dilli, the capital, by a whopping margin.

The country has a per capita income of \$ 500. About 85 percent of its people live in rural areas.

Pusan Asian Games: A Great Sporting Spectacle in Offing

D K Bharadwaj

THE 14TH Asian Games is scheduled to be held at Pusan, the burgeoning port city of South Korea, from Sunday September 29 to Monday October 14, 2002. This is the second time South Korea is hosting the Asian Games. These Games are not only symbolic of the hopes and aspirations of the people of Asia but are also a testimony to the unique oriental flavour of their apparently diverse yet compact cultures. While projecting the modern face of dynamic Asia so eager to leave its mark at the global level, these Games would also reflect the traditional grandeur of the East.

India can rightly pride itself on its catalytic role in getting the Asian Games launched. Prof Guru Dutt Sondhi, who was in the vanguard of the Asian Games movement, made untiring efforts to make the dream of resurgent Asia a reality. Maharaja Yadvendra Singh of Patiala too played an imported role in the Asian Games movement. The first Prime Minister of India, Pandit Jawaharlal Nehru, the great statesman and a true sports lover at heart, was a big source of inspiration and support. When the Asian Games Federation was formed in New Delhi in February 1949, Maharaja Yadvendra Singh was elected its first President and Prof G D Sondhi its Secretary-cum-treasurer.

New Delhi: Thanks to the dedication of Prof Sondhi, perseverance of Anthony de Mello, the Organizing Secretary, generosity of Maharaja Yadvendra Singh and constant encouragement from Pandit Jawaharlal Nehru, the first Asian Games were held in New Delhi from March 4 to 11, 1951 after a few initial hiccups. The sportspersons from eleven countries, namely, Afghanistan, Burma (Now Myanmar), Ceylon (now Sri Lanka), Indonesia, Iran, Japan, Malaya (now Malaysia), the Philippines, Singapore, Thailand and the host India took part in various events of six disciplines – athletics, swimming, football, basketball, cycling and weightlifting. China and Nepal sent observers. It may be pointed out that the organizers of the first Asiad adopted – “Play the game in the spirit of the game” as a motto for the Games, which was based on the stirring message of Pandit Jawaharlal Nehru.

Expectedly Japan topped the medals table by capturing 24 gold, 20 silver and 16 bronze medals, thanks to the fine performance of its women athletes who won all the nine golds at stake. India came second with 15 gold, 16 silver and 21 bronze medals. Lavy Pinto was India's star performer who recorded a fine double by winning both 100 M and 200 M sprints.

India also won the prestigious football gold beating Iran in the final through star striker Mewalal's spectacular goal. Sailen Manna was the captain of the Indian football team.

Manila : The second Asian Games were held in Manila, the capital of the Philippines from May 1 to 9, 1954 in which athletes from 18 countries took part in 8 disciplines. In Manila Games, cycling was dropped, while boxing, shooting and wrestling were added to the competition programme. Japan again topped the medals table with 38 gold. The host Philippines came second with 14 gold, South Korea was third with 8 gold and India was placed fourth with 5 gold-all won in the athletics; Parduman Singh of India scored a golden double winning shot put and discus events.

Tokyo: Tokyo, the Japanese capital hosted the Third Asian Games from May 24 to June 1, 1958 in which athletes from 20 countries participated in 13 sports. Hockey, volleyball, tennis and table tennis were the new sporting disciplines while cycling was re-introduced in the competition programme. Once again, Japan showed its unquestioned supremacy by capturing 67 gold, while the Philippines and South Korea finished second and third respectively with 8 gold each. India was placed overall seventh with 5 gold, once again won in athletics.

Mr D K Bharadwaj is a sports writer based in Delhi.

The "Flying Sikh" Milkha Singh emerged as India's new superstar with gold in 200M and 400M races. Parduman Singh repeated his success in shot put, thereby winning third gold in the Asian Games. However, India received a big jolt when it finished second behind Pakistan in hockey despite a goalless draw in the final. Incidentally, it was India's first failure in hockey at the international level.

Jakarta: Controversy over the participation of Taiwan and Israel somewhat marred the fourth Asian Games which were held in Jakarta, capital of Indonesia, from August 24 to Sept. 4, 1962 in a grand manner. Japan showed its overwhelming superiority with 73 gold, 56 silver and 23 bronze medals. Indonesia was second with 11 gold, 12 silver and 28 bronze medals. India was placed third with 10 gold, 13 silver and 10 bronze medals. India won 5 gold in athletics, 3 gold in wrestling and one gold each in football and boxing. While the Indian football team registered a creditable 2-1 victory over South Korea in the final, the hockey team disappointed losing to Pakistan by a 0-2 margin in the final. Chuni Goswami was captain of the gold winning football team.

Bangkok: Japan's unquestioned domination of the Asian Games continued in the fifth Asian Games held in Bangkok, the Thai capital from Dec. 9 to 20, 1966. Athletes from 18 countries competed in 14 sports in these Games. Japan topped the medals table with 78 gold, 35 silver and 33 bronze medals, South Korea came second, the host Thailand third, Malaysia fourth and India fifth in the medals standings. India bagged 7 gold, 3 silver and 11 bronze medals. But

India's most satisfying victory was in hockey as it defeated arch rivals Pakistan in the final for the prestigious gold. Kamaljit Sandhu also created history for India when she won 400 M race gold to become India's first woman athlete to win an individual gold in the Asian Games.

Bangkok: The sixth Asian Games were originally allotted to South Korea, but as the original allottee expressed its inability to honour its commitment, Thailand was persuaded to host the Games second time in succession. Athletes from 18 countries participated in 13 sports in the sixth Asian Games, which were held in Bangkok during the same period as the previous Games. As expected, Japan topped the medals table with 74 gold, 47 silver and 23 bronze medals. This time too South Korea and the host Thailand finished second and third respectively. India maintained its fifth position with 6 gold, 9 silver and 10 bronze medals behind the fourth placed Iran. India's Joginder Singh (shot put) and Praveen Kumar (discus) retained their gold, but India lost its hockey gold to Pakistan 0-1 in the final.

Teheran : Iran with its immense wealth of petro-dollars staged the seventh Games in Teheran from Sept. 1 to 16, 1974. Athletes from 25 countries competed in 16 sports in these lavishly organized Games. China made its debut in the Teheran Games along with the Arab countries like Iraq, Kuwait and Bahrain etc. Japan as usual topped the medals table with 75 gold, 50 silver and 51 bronze medals, Iran was placed second, debutant China third, and India occupied the seventh place behind South Korea (Fourth), North Korea (fifth) and Israel (sixth).

This time India could win only 4 gold, besides 12 silver and 12 bronze medals. India's gold were won by its athletes-Vijay Singh Chauhan (decathlon), T C Yohanan (long jump), Sriram Singh (800M) and Shivnath Singh (5000M).

Bangkok: When the original allottee of the eighth Asian Games Pakistan expressed its inability to honour its commitment, Thailand once again stepped in to host the Games third time in 12 years, which were held from Dec. 9-20, 1978. More than 3,000 athletes from 25 countries took part in about 200 events of 19 sports. Though Japan once again topped the medals table, China through its formidable challenge sent loud and clear signals regarding the things to come in the future. India finished sixth behind China (second), South Korea (third), North Korea (fourth), Thailand (fifth) with 11 gold, 11 silver and 6 bronze medals. Spearheading India's challenge, its athletes won 8 gold. India's star was Harichand who scored a golden double by winning 5,000 M and 10,000 M races. Geeta Zutshi (800M) became second Indian woman athlete to capture a gold medal. Randhir Singh (trap) became India's first shooter to win a gold. The other two golds were won by the wrestlers Rajendra Singh and Kartar Singh.

New Delhi: Host of the inaugural Asian Games, India organized the ninth Asian Games in New Delhi from Nov. 19 to Dec. 4, 1982. The ninth Games were the biggest held till then as athletes from 33 countries took part in 21 sports. Equestrian, golf, handball and rowing were included in the competition programme for the first time. China topped the medals

table with 61 gold, 51 silver and 41 bronze medals relegating Japan to the second position in the final standings for the first time in the history of the Games. India finished fifth with 13 gold, 19 silver and 25 bronze medals behind the two Koreas. India dominated the two new events golf and equestrian. Other highlights of India's performance included a gold by M D Valsamana in women's 400M hurdles and two silvers by the budding runner P.T. Usha in the sprints.

Seoul : In a fierce competition with the hosts South Korea for the top honours in the medals standings, China emerged successful by a whisker in the tenth Asian Games held in Seoul from Sep. 20 to Oct. 5, 1986. China captured 94 gold, 82 silver, and 46 bronze, while South Korea won 93 gold, 55 silver and 76 bronze. Japan was a respectable third, but Iran and India finished distant fourth and fifth respectively in the medals table. India's P T Usha was the undisputed star of the Seoul Games as she captured 4 gold including a relay gold and a silver in athletics. India's only other gold was won by wrestler Kartar Singh in 100 kg category. In all, India won 5 gold, 9 silver and 23 bronze medals.

Beijing : The hosts China demonstrated overwhelming superiority over its main rivals South Korea and Japan in the eleventh Asian Games held in Beijing from Sep. 22 to Oct. 7, 1990. China totalled an amazing tally of 183 gold, 107 silver and 51 bronze medals leaving South Korea (54 gold, 54 silver, 73 bronze), Japan (38 gold, 60 silver, 76 bronze) and North Korea (12 gold, 31 silver, 39 bronze) far behind. This was India's worst ever performance in the Asian Games as it could win only one gold medal, that too in the newly

India In the Asian Games

Year	Venue	G	S	B	Total	Position
1951	New Delhi	15	16	21	52	2nd
1954	Manila	5	4	9	18	4th
1958	Tokyo	5	4	4	13	7th
1962	Jakarta	10	13	11	34	3rd
1966	Bangkok	7	3	11	21	5th
1970	Bangkok	6	9	10	25	5th
1974	Teheran	4	12	12	28	7th
1978	Bangkok	11	11	6	28	6th
1982	New Delhi	13	19	25	57	5th
1986	Seoul	5	9	23	37	5th
1990	Beijing	1	8	14	23	11th
1994	Hiroshima	4	3	15	22	8th
1998	Bangkok	7	11	17	35	9th
2002	Pusan	-	-	-	-	-

G = Gold, S = Silver, B = Bronze

introduced game of Kabaddi. Even redoubtable P T Usha could not win a gold this time, as she had to be content with three silver medals including two relay medals.

Hiroshima: Athletes from 42 countries took part in 34 sports in the twelfth Asian Games which were held in Hiroshima from Oct. 2 to 16, 1994. China again dominated the Games with an impressive tally of 137 gold, 92 silver and 60 bronze medals despite the fact that the presence of the former Soviet Republics of Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan and Tajikistan in the Asian Games for the first time had made the competition more wide and stiff. With 4 gold, 3 silver and 15 bronze medals. India finished eighth in the medals table. For the second time in the successive games, India failed to win a gold in athletics. P T Usha won her last medal-a silver-in 4 x400 m relay in the Asian Games. In the four Asian Games

from 1982 to 1994, the Indian legend had won 4 gold and 7 silver medals. In Hiroshima Games, apart from two tennis gold and a gold in Kabaddi, young Jaspal Rana won a gold in 25M centre fire pistol event.

Bangkok: In the thirteenth Asian Games held in Bangkok for a record fourth time from Dec. 6 to 20, 1998, athletes from 41 countries competed in 36 sports. China's domination of the Games continued unabated as the Asian powerhouse captured 129 gold, 77 silver and 68 bronze medals. Though India finished only ninth in the medals tables, its performance was much better than its showing in the Hiroshima, Beijing and Seoul Games as it won 7 gold, 11 silver and 17 bronze medals.

India's Jyotirmoyee Sikdar was toast of the nation as she won 800 M and 1500 M races in style besides helping the women's 4x400M relay team to capture a silver. Pugilist Dingko Singh won the bantam

Past Asian Games

No.	Year	Host City	Country	Period	Nations Competing	Official Sports	Top Nation
1.	1951	New Delhi	India	March 4-11	11	6	Japan
2.	1954	Manila	Philippines	May 1-9	18	8	Japan
3.	1958	Tokyo	Japan	May 24-June 1	20	13	Japan
4.	1962	Jakarta	Indonesia	Aug. 24-Sep. 4	16	13	Japan
5.	1966	Bangkok	Thailand	Dec 9-20	18	14	Japan
6.	1970	Bangkok	Thailand	Dec 9-20	18	13	Japan
7.	1974	Teheran	Iran	Sep 1-16	25	16	Japan
8.	1978	Bangkok	Thailand	Dec 9-20	25	19	Japan
9.	1982	New Delhi	India	Nov. 19 - Dec. 4	33	21	China
10.	1986	Seoul	South Korea	Sep 20- Oct 5	27	25	China
11.	1990	Beijing	China	Sep 22-Oct 7	37	27	China
12.	1994	Hiroshima	Japan	Oct 2-16	42	34	China
13.	1998	Bangkok	Thailand	Dec. 6-20	41	36	China
14.	2002	Pusan	South Korea	Sep. 29-Oct 14	-	-	-

weight (54 kg) gold in boxing, while Ashok Shandilya along with Geet Sethi excelled in the billiards event of the newly introduced cuesports. As expected, Indian kabaddi team swept aside the challenge of Pakistan, Bangladesh, Nepal, Thailand, Sri Lanka and Japan. But most satisfying was the performance of Dhanraj Pillay – led men's hockey team, which won the gold by defeating the defending Champion

South Korea in the final in a thrilling tie breaker. Women's hockey team too performed creditably by clinching the silver medal in a tough field.

Pusan : The Fourteenth Games in Pusan will certainly witness a fierce and exciting contest for the top honours between the two titans of Asian sports, China and South Korea. South Korea as the

host will have a big home advantage, while the mighty Chinese are more versatile. Japan will be the third main challenger. India once again will rely mainly on its athletes, shooters, boxers, tennis players, exponents of cuesports and of course women weightlifters. India's men's and women's hockey teams performance too will be watched with keen interest.

Questions

1. Which city hosted the Asian Games maximum number of times?
2. When did China make its first appearance in the Asian Games?
3. Who is the first Indian woman athlete to win an individual gold in the Asian Games?
4. In which sport India won its only gold medal in the Beijing Asiad?
5. Who is the most successful Indian sportsperson in the Asian Games?
6. Which country has dominated the Asian Games maximum number of times?
7. Who is the first Indian athlete to bag a sprints double in the Asian Games?
8. In which games the former Soviet Republics of Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan and Kyrgyzstan first took part?
9. Who is the first Indian to win a shooting gold in the Asian Games?
10. India won the football gold twice in the Asian Games. Name the Captains.

(Answers in Page 49)

NEW HEALTH POLICY...*(Contd. from page 27)*

potential of India as one of the eight global centres for plant diversity in medicinal and aromatic plants. The policy focuses on building up credibility for the alternative systems, by encouraging evidence-based research to determine their efficacy, safety and dosage and also encouraging certification and quality-marking of products to enable wider popular acceptance of these systems of medicine.

The policy also envisages the consolidation of documentary knowledge contained in these systems to protect it against attack from foreign commercial entities by way of malafide action under patent laws in other countries.

As regards the impact of globalisation on the health sector, the policy admits that there are

some apprehensions about the possible adverse impact of economic globalization on the health sector. Pharmaceutical drugs and other health services have always been available in the country at extremely inexpensive prices. India has established a reputation around the globe for the innovative development of original process patents for the manufacture of wide-range of drugs and vaccines within the ambit of the existing patent laws.

With the adoption of Trade Related Intellectual property Rights (TRIPS), and the subsequent alignment of domestic patent laws consistent with the commitments under TRIPS, there will be significant shift in the scope of the parameters regulating the manufacture of new drugs/vaccines. The policy observes that global experience has shown that the

introduction of a TRIPS-consistent patent regime for drugs in a developing country results in an across-the board increase in the cost of drugs and medical services. In this context, the policy merely states that it will address itself to the future imperatives of health security in the country, in the post-TRIPS era. However, it doesn't articulate any mechanism to regulate the exorbitant drug prices and the spiralling cost of health services to provide succour to a vast section of the population in the low-income group when they may need these facilities. Already, prices of various essential drugs and formulations have gone up. This becomes the biggest challenge for the successful implementation of the new health policy which the health authorities in the country should be paying more attention to in the coming years. □

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BOOK REVIEW

Great Potential in Crop Diversification

INDIAN AGRICULTURE : FOUR DECADES OF DEVELOPMENT By G.S. Bhalla & Gurmail Singh, Sage Publications, New Delhi.

The book is a result of research works, two of them done earlier during 1979 and 1989 and the other recently, in the project 'Recent Developments in Indian Agriculture-A District-level Study' financed by a grant from Planning Commission. In both the earlier studies published in 'Performance of Indian Agriculture: A District-wise study' by Bhalla & Alagh and 'Patterns in Indian Agricultural Development-A District level Study' by Bhalla & Tyagi, the growth performance of agriculture output was analysed at 1967-70 constant prices.

An attempt is made in this study to analyse in detail the changes in the level and growth of agricultural output at the district level during 1962-65 to 1990-93 in general and during 1980-83 to 1990-93 in particular. It covers 281 district units

obtained by clubbing 424 districts of 1990-93 in the 17 major states. The data coverage is also extensive-44 crops at the state level and 35 crops at the district level and the data are also provided.

The book is divided into 6 chapters, the first being an introduction and the sixth being on policy suggestions and conclusions. The second chapter is devoted to an analysis of the spatial changes in Indian agriculture at the state level. Together with growth in cropped area, output and yield, the spatial pattern is also considered. Chapter 3 is devoted to an analysis of yield levels of all the crops taken together at district level and impacts on productivity due to use of modern farm inputs. Growth rates of output and productivity are analysed in Chapter 4, whereas Chapter 5 is

devoted to an analysis of the levels and growth of male agricultural workers 'productivity at the district level.

The authors conclude that till the mid 80's the spread of Green Revolution was slow and impact of new technology was confined only to the north-west and some southern region. The period, mid 80's to mid 90's, saw a growth of value of output, distinct change towards oilseeds and other commercial crops and a rapid growth in male agricultural productivity. The authors have suggested some policy modifications separately for the north-western, eastern, central and southern regions. They are optimistic of the great potential in crop diversifications and export and stresses the need of adequate institutional build-up.

The study meticulously deals with the district-level agricultural scenario and provides a huge data-base both commodity-wise, cross-sectional and time-series. Some statistical techniques have been used to establish hypothesis and to investigate others. This book should go in as an excellent basic job for further future researches.

Subrata Dhar

Answers of the Questions of Page 47

1. Bangkok, the capital of Thailand hosted the Asian Games four times in 1966, 1970, 1978 and 1998.
2. China made its debut in the seventh Asian Games in Teheran (Iran).
3. Kamaljit Sandhu won 400 M race gold in Bangkok Games in 1970.
4. In Kabaddi India beat China, Japan, Pakistan, Nepal, and Bangladesh convincingly to win the gold medal.
5. P.T. Usha; she won 4 gold and 7 silver medals in four Asian Games held between 1982 and 1994.
6. Japan topped the medals table eight times in the Asian games from New Delhi Games in 1951 to Bangkok games in 1978.
7. Lavy Pinto won the 100 M and 200 M races in the first Asian games in New Delhi in 1951.
8. Hiroshima Games in 1994.
9. Randhir Singh won a gold in the trap event in the Bangkok Games in 1978.
10. Sailen Manna was the winning captain in New Delhi Games in 1951 and Chuni Goswami was captain in Jakarta Games in 1962, the two times India won the football gold.

Development Diary

UNDP Grant for Chhatisgarh

The Chhatisgarh government will receive a grant of Rs. 5 crore under the United Nations Development Programme for development in various sectors. The fund will primarily be used in seven sectors, including drafting of 'vision document' and various places of the state, preparation of human resource report, training of officers, welfare of tribal people and backward classes, implementation of information technology for the uplift of the economically backward sections of the society and drought control measures.

NTPC's New Plant

NTPC has launched recently its super thermal power stage-II to produce 1320 MW. The project is likely to be ready for commissioning in 36 months. This plant will feed the northern, western and eastern regions. During the VIII and IX Plans only 40 to 45 percent of generation target could be met, but by the end of X Plan, the generation is likely to go up to 40,00 MW.

Garment Exports Up

India's export of ready-made garments increased by almost 11 percent in value terms during April 2002 at \$ 324 million over the same period last year. As per provisional data compiled by the Apparel Export Promotion Council (AEPIC), ready-made garment exports were higher by 10.9 per cent in value terms compared to \$ 292.2 million in April 2001. In terms of quantity, exports in April 2002 were 16.8 percent higher at 94 million pieces compared to 80.8 million pieces in the same month a year earlier. Exports in rupee terms increased by over 16 per cent at Rs. 1587.3 crore compared to Rs. 1368.9 crore a year earlier.

Software Exports Up

India's software and services exports grew by 29 per cent during 2001-02 to Rs. 36,500 crore and are expected to grow 30 per cent to touch Rs. 47,500 crore this year. The growth of 29 percent in rupee terms is one percentage point lower than the rate projected by NASSCOM. In dollar terms, the growth during 2001-02 was 23 percent while for the current fiscal, NASSCOM has projected a growth rate of 23.5 per cent.

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