

NEWS WRAP

AGD

THERE HAVE BEEN HEIGHTened concerns that overlending by for-profit microlenders has created difficulties and hardships for the poor farmers and borrowers, they claim to be trying to help. Micro-loan recipients need special protection, given their low levels of financial literacy, and precarious economic circumstances. A spate of suicides by overindebted borrowers, point to external pressures on rural borrowers, which they are ill-equipped to absorb. The strong curbs introduced in Oct 2010 by the Andhra Pradesh State Government on microlenders, has led to a fall in collection rates in the state from 98% to 10 to 20%. India's commercial banks have frozen their credit lines to micro-finance institutions, creating a credit squeeze on the companies. Around 44 for-profit micro-finance companies comprise the industry. Recently the Reserve Bank of India has capped the interest rates on microloans at 10% over the cost of funds for large micro-finance companies, and 12% above the cost of funds for smaller ones. Previously the micro-finance companies were categorized as non-banking finance companies, the regulation of which did not include interest margin caps. RBI is now framing rules for the sector. Micro loans to the poor are to be capped at Rs 25,000 (\$550) per borrower. The borrowers will have flexible repayment schedules, having a choice of whether to make weekly, fortnightly or monthly repayments.

INDIA'S JOB MARKET

Out of 1.2 billion of India's population, over 770 million are below 35 years of age, and the country's average age is 25 years. China's average age is 34 years. India has the highest educational output, producing about 200,000 MBAs, 600,000 plus engineering graduates, and a higher number of ordinary graduates. But only a third to a fourth of these are employable. The curriculums, followed by the 7000 Industrial Training Institutes, are outdated and useless. Where about 13 million people seeking jobs in the labour market, the government is able to provide only 2.5 million vocational training seats. Steel makers in India plan to add 120 million tons of capacity between 2010 and 2020. The sector will require more than eight million people, mostly skilled and semi-skilled. Finding a skilled crane operator is difficult, and huge premiums are paid for low-valued skills, which adversely affects the companies' competitive advantage. The private sector has started investing heavily in training. The mushrooming of dubious private institutes for industrial training has widened the skill gap. Monthly job statistics reflect that apart from telecom, ITeS and banking which are dipping, the hiring across all sectors is expanding robustly.

KOLKATA PORT EXTENSION

Kolkata port is facing heavy siltation and falling drift. A recent government of India's notification extends the limit of Kolkata Port by 181 km south, nudging the border of Dhamra Port (Orissa). The extension would help Kolkata Port in launching trans-loading facilities in six months and revive sagging business. While no state has jurisdiction over international waters, the expanded Kolkata Port could diminish the business of Dhamra Port (being jointly developed by Tata Steel and Larsen and Toubro), and imperil other planned ports in Orissa like Bichitrapur, Chaumuhan, Bahabalpur, Chandipur, Ichudi and Chaudamoni.

MONGOLIA RAIL TRACKS TO RESOURCES

Mongolia is landlocked and has been long ignored. The country was freed from Soviet rule two decades ago. Unsettled by China's economic rise, Mongolia suffers from a sense of cultural alienation from China, and fears the growing economic dependence on its powerful neighbours. It has huge deposits of coal, that China requires to fuel its growth. Coal comes

from Tavan Tolgoi, a vast, untapped reserve in the South Gobi desert, which is located less than 200 km from the border with China. Aiming not to become captive to Chinese demands, Mongolia is planning an expensive rail network, a rail freight service covering 4769 km, linking Russia, its Pacific ports, and beyond to other Asian markets. Railway-building in Mongolia has now created a balance of interests, among the partners, working with Mongolia. Oyu Tolgoi, in southern Mongolia, has huge deposits of copper and gold. China is already receiving 70% of Mongolia's exports, long before full time production in these megamines. Some of the Mongolia-China trade is carried by trucks, along precarious roads, since there is only one railway line crossing the Chinese border. A private company plans to construct a short rail link running south from Tavan Tolgoi to China. While new lines to China are still planned, Mongolia had accorded priority to the Russian connection. The 1500 km rail link to Mongolia's north-east will connect with Russia's Trans-Siberian network. □□□