

# NEWS ALERT

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## Something to think about...

The spectre of drought looms large following the weak monsoon, and food prices are spiraling. The economy is awash with liquidity and further quantitative easing is clearly not advisable. It is time the RBI begins the process of tightening liquidity.

The Reserve Bank of India (RBI) is supporting market borrowings of the Government in the first half of the current financial year. It has undertaken a massive responsibility to relieve pressure on interest rates. Before each flotation of new securities, it buys the old ones, thus releasing funds to banks to facilitate their purchase, the proceeds of which accrue to governments.

Till August 20, such purchases were made to the extent of Rs 41806 crore, a record under its so-called Open Market Operations (OMO). There was a specious or spurious argument by the Government that it did not constitute a monetization of fiscal deficit.

After keeping a coy and discreet silence on the controversy, the central bank has more or less acknowledged the true nature of its support to government. The procedure is flawed as it violates the spirit of the Fiscal Responsibility and Budget Management Act (FRBMA), which prohibits any support from the central bank to the Government in the primary market for securities.

### **Ansari seeks fair regulatory system for N-power sector**

The vice president M Hamid Ansari has called for putting in place a fair and foolproof regulatory mechanism for the nuclear power sector, which is being opened up. "Our experience in regulation of a hitherto closed sector thrown open to private corporate and foreign investment has been a mixed one."

He said in various areas such as telecom and gas, electricity and infrastructure development, public perception of regulatory oversight has been dented as a result of allegations of regulatory bias and conflict of interest.



### **Air India chief warns of lay-offs, if crisis continues**

The Chairman and Managing Director of Air India, Mr Arvind Jadhav, for the first time warned employees of "lay-offs and retrenchment" if the crisis at the airline continues. Mr Jadhav put forth various scenarios that can emerge if the "cost platform was not managed well and in time," said a statement from the airline.

### **Domino's plans express counters**

Pizza chain Domino's is planning to launch express counters and facilitate online ordering services in the country.

With over 55% of its revenues coming from home delivery, Domino's is exploring the possibility of further strengthening this segment through its new services.