

A nation is a society united by delusions about its necessity and by common hatred of its neighbors
William Ralph Inge

Rise of the Right in Germany

Angela Merkel, the Chancellor of Germany, and her coalition of Christian Democratic Union and Christian Socialist Union have been able to retain power in Sunday's general elections but just that. The CDU/CSU combine has polled just one-third of the total votes cast, a fall of 8.6 per cent votes – the worst result in 68 years. What has caused alarm not only in Germany but all over Europe is the spectacular success of the extreme nationalist and far right party, Alternative for Germany (AfD). It is outspokenly anti-immigrant, especially anti-Islam, and its ideological position, as has been noted by the Press in the West, is very close to Nazism. Just as Donald Trump won the US election on the plank of a strongly anti-immigrant policy, championing the cause of the blue- and white-collar Americans, so has the AfD championed the cause of the native Germans as against the immigrants. Its vote-share of 12.6 per cent shows an upswing of 8.8 per cent.

Elated by the spectacular electoral success, the leader of the AfD Alexander Gauland declared: "I do not want to lose Germany to an invasion of foreigners and foreign cultures." The rise of the far right in Germany will, no doubt, come as a shot-in-the-arm for other Rightwing and ultra-nationalist forces in other countries of Europe. There are far right groups in almost every country. The number of their adherents is small but they do exist. The Bundestag election results may enthrone them. Germany's is the largest economy in Europe and it plays a cohesive role in the European Union. The rise of extreme nationalist and right-wing forces in Germany will be a cause of worry in other countries as well. Angela Merkel and her coalition will have to pause and ponder over their record of the past few years and find out the specific reasons for which traditional voters supporting them have gravitated to the far Right.

In Austria, the birthplace of Hitler, the Freedom Party has been there for close to sixty years. In public perception it is a 'neo-Nazi' party. Its first two leaders were former SS officers, notorious for their anti-Semitism. Other similar bodies, like the blousons noirs in France may be lying dormant now but will sprout again whenever the opportunity arises. The rise of Right-wing, ultra-nationalist forces is not confined to Europe alone. Even in the US and Latin America these forces are active. It would be a mortal blunder to underestimate the potential danger these forces have.

Bihar rocked by scams

REFLEX ACTION

Arun Srivastava

It is an irony that chief minister Nitish Kumar, whose political USP has been his claim of zero tolerance towards corruption and corrupt people, has been caught in the wrong company. What has been most scandalous is that an NGO, usually reviled by him for being the instrument for minting money, has been the public face of the biggest scam in Bihar. For the past six years most of the NGOs have had to suffer financial crunch 'bure dlm' as he had stopped the government grant to them on the plea that since the state has progressed and achieved extraordinary GDP growth, it has no place for NGOs and their activists.

Bihar has a large number of scams, but the Srijan scam, after fodder scam in which Lalu Yadav is the prime accused, is the mother of all scams. Precisely two decades ago Manorama Devi had founded Srijan Mahila Sahayog Samiti Ltd with two sewing machines in a one-room rented house in Bhagalpur. Within 20 years it grew as the most influential cooperative society with over 6,000 members, 60 staff and office premises spread over 24,000 sqft on government land. After Manorama's death on February 13 this year, Srijan is facing serious allegations of siphoning more than Rs1,000 crores. The growth of Srijan had an element of intrigue for the local people. Manorama's financial whack could be realized from the simple fact that when she fell ill in 2016, an air ambulance was hired to take her to Delhi for treatment. Officials say she 'meticulously' worked on the 'symbol of women empowerment', using the boost provided by Nitish Kumar's NDA government of 2006 to self-help groups.

The NGO would bribe bureaucrats and police officials using the system of granting loan. Manorama's reach to the social elites was amazing. In 2003, K P Ramaiah as the District Magistrate of Bhagalpur had launched several schemes to promote cooperative initiatives. He announced a subsidy of 50 per cent for purchasing sewing machines. Srijan purchased 1,000 machines. With this Manorama Devi established herself as the new social face. In 2005, she started a cooperative bank. At that time, Sabour had a

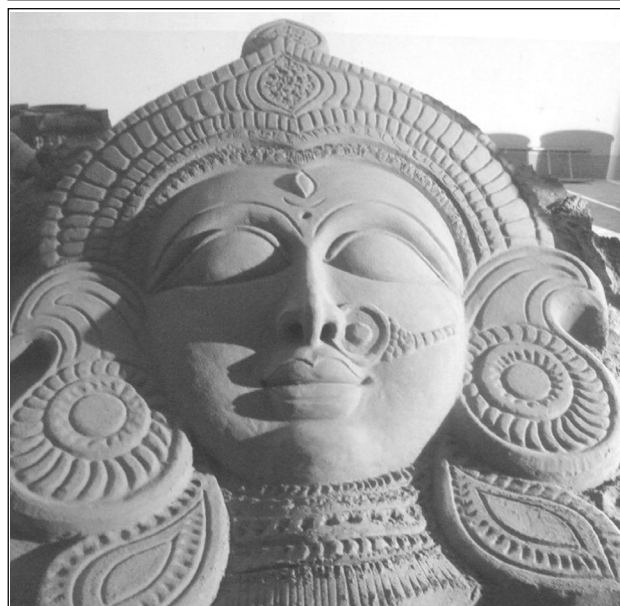
branch of only one nationalised bank. People started flocking to Srijan. By 2007, she started giving heavy loans to businessmen at an interest rate of 16 per cent. Her proximity to top politicians and bureaucrats was key to her ascendance. This prompted local officials to directly deposit government money with Srijan bank in outright violation of banking norms. This was discontinued after the DM issued an order in 2008 to the effect that government funds must be deposited only in nationalised banks. But by then Srijan had managed to get huge money as interest.

Sanjit Kumar, a whistle blower and chartered accountant based in Jharkhand, had in fact raised red flags about the scam long ago. He had emailed Chief Minister Nitish Kumar, the state Cooperative Department, and the then Union finance minister P Chidambaram about how a government cheque of Rs 73.2 crore had been deposited with the Srijan when it was neither authorised to function as a bank nor accept such high-value cheques, as per RBI norms. He had also alerted the Bhagalpur district administration about Srijan 'parking government funds'. It is intriguing why Nitish's 'clean and anti-corruption' conscience balked in taking action four year ago when the scam surfaced for the first time. Probably it was the involvement of some big power brokers that prevented him. A deeper look reveals that he was aware of the development but refrained from taking action. Though it transpires that Sanjit had written to the finance officials and even to Nitish in 2013, his present deputy Sushil Modi, who was also his deputy during those years, denied

receiving any such complaint. In May 2013, Modi had held a meeting on illegal non-banking financial companies. But he did not come across the name of Srijan. He said "During my tenure (then), I received only one complaint about a cooperative society, but not against Srijan."

Obviously for Lalu Yadav, waiting in the wings, this has come as the fit case to intensify the attack on Nitish who killed the grand alliance on the alibi of fighting corrupt practices of his big brother. Citing the Srijan scam, where an NGO allegedly siphoned off crores of public funds, Lalu alleged the campaign against Nitish and Modi would continue, until they submit their resignation. Lalu attacked the Nitish government as the NDA was in power for a major part of the scam period (2004-13). Lalu has also been tweeting photographs of Manorama Devi with NDA leaders, including BJP minister Giriraj Singh, Shah Nawaz Hussain, Sushil Kumar Modi and chief minister Nitish Kumar. If the local people are to be believed, Srijan virtually operated like a chit fund company from a premises close to the block office to give an impression to gullible village women that it was part of the government. In fact, Nitish has been quite angry with Lalu's campaign against him. On Monday he mocked at Lalu for holding a rally at Bhagalpur on the Srijan scam. Nitish also cautioned Lalu: "It was a suicidal street play (atmagathi nukkad-natak) which will cost him heavily".

On his part, Lalu accused Nitish of indulging in 'foul play'. He accused Nitish of 'destroyming' all the evidence. According to him, Nitish could be framed for entering into a conspiracy to hush up the case. Meanwhile, Leader of Opposition Tejashwi Yadav also alleged that 'Nitish Kumar and Sushil Modi are responsible for the Srijan scam. The state government led by them is busy eliminating evidence and trying to divert the issue to save their skin'. Tejashwi claimed that senior BJP leaders were involved in the scam. He said, 'Srijan scam in Bihar is bigger than Vyapam scam in Madhya Pradesh. Both scams took place in BJP-ruled states'. (IPA)



A sand sculpture of Goddess Durga crafted by sand artist Ranjan Kumar Ganguly, on the occasion of Maha Shashthi, at Puri Beach on Tuesday.

RBI maintains neutral stance on future prospects

Most of the capital market has begun to reason that the present rate cut cycle may be nearing an end – though we believe there is still some scope left. This is reflected from the fact that the RBI led MPC has been very circumspect about the potential spurt in inflation since Dec-16. While the inflation has been under projecting below RBI's target inflation rates regularly, the unpredictable events rising from systemic and political landscape have been complicating their decision calculus.

Even in the recently concluded monetary policy, the RBI while effecting a 25 bps rate cut, maintained a neutral stance on future prospects. RBI pointed out that there are several factors contributing to the uncertainty around the baseline inflation trajectory. Factors such as farm loan waivers by states as well as the states implementation of the pay commission could have a bearing on the inflation trajectory for the second half of the year. RBI projections may also be factoring in the first round impact of the implementation of the HRA (House Rent Allowance)

award by the Centre under the 7th Pay Commission. Also, the market is reading that the central bank believes that there is further scope for interest rate transmission amongst banks, thus mitigating the need for further cuts for now. We believe that there may be one more rate cut in the offing although it may be as late as next calendar year. The reason for this view is manifold. For one, today India has one of the highest real interest rates in the world. While that in itself is not bad for the saver, the issue is that the high capital mobilisation is not finding allocation opportunities. The low credit off take on account of weak private sector investments has hampered manufacturing, services and the overall GDP growth. This much has also been acknowledged by RBI in its previous monetary policy statement.

This high interest rate on the one hand has attracted a massive surge in capital inflows from offshore destinations and has also strengthened the Rupee considerably. This mix of high real interest rates, a strong currency and weak industrial growth present a case for further rate cuts. From investors view point, a goal based disciplined investment with planned asset allocation strategies would likely outperform wealth creation targets than any other approach. There are many opportunities for investment in the capital market through the mutual funds route.

FOCUS

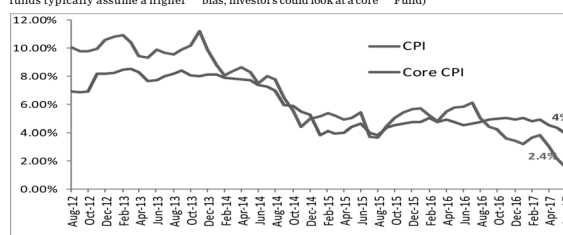
Lakshmi Iyer

But the investor needs to figure out which one provides the 'best fit' for his/her financial purposes. While duration funds do remain an option for a fixed income investor with a long term perspective, it does tend to be a tad more volatile than other fixed income avenues. Here is one place where there is potential for capital gains as also earning some coupon income from the investments made. This of course is more suited to investors willing to ride the interest rate volatility as these funds typically assume a higher

interest rate risk. Those unwilling to ride the interest rate curve can look at investing in corporate bond based accrual strategies to capture relatively high yields with low volatility (corporate bonds generally offer a higher coupon over government bonds). Such funds usually have lower portfolio maturities, and hence tend to be less exposed to interest rate fluctuations. In the current market scenario, where the view on rates is likely to be largely stable with a benign bias, investors could look at a core

portfolio of accrual/short term strategies, with a top of actively managed duration funds too. Often queries revolve around the need to exit duration funds at the current juncture. Given that we do not expect significant spikes in yield, we would desist from taking such a stance.

Staying investing in such strategies could very much retain possibilities of potential capital gains likely to arise from softening yields. Key is to assess ones risk appetite and more importantly the time horizon while undertaking such investments, and adhering to the same through the journey. It is pertinent to note that, in fixed income, one cannot lose capital, unless there is a credit default. Volatilities are part of investing, key is to remain belted and enjoy the ride. (Author is the CIO (Debt) & Head - Products, Kotak Mutual Fund)



QUICK CROSSWORD 1706

1	2	3	4	5	
6				7	8
9			10		
12	13			14	15
				16	
17				18	
19					

- Across**
1. Think of together (9)
6. Browned bread (5)
7. Unworldly (5)
9. Assassinate (4)
10. Sculpture (6)
12. Linen square (6)
14. Agile (4)
17. Sweet liquid (5)
18. Pointer (5)
19. Exposing to view (9)
- Down**
2. Shoulder warmer (5)
3. Pledge (4)
4. Set fire to (6)
5. Pollute (5)
6. Sale receipts (7)
8. Facial hair (7)
11. Impels (anag) (6)
13. Prize money (5)
15. Italian city (5)
16. Be unsuccessful (4)

Previous solution
Across: 1. Acromony, 7. Atlas, 8. Alien, 9. Dawdle, 10. Myth, 12. Urge, 14. Hawser, 17. Fjord, 18. Thing, 19. Underdog.
Down: 1. Allow, 2. Resul, 3. Mead, 4. Naisy, 5. Handcuffs, 6. Anchorage, 11. Datted, 13. Crown, 15. Swing, 16. Edges.

SUDOKU: 1987

7				8	3			
				8	1			6
		8			4			
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5			4		8			7
1	8		9	3				
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6			7	5				
	3	9						4

Yesterday's Solution 1986

5	8	4	3	6	9	1	2	7
6	7	1	4	2	5	9	8	3
2	3	9	8	7	1	4	6	5
4	2	8	6	1	3	7	5	9
7	9	3	5	8	4	2	1	6
1	6	5	2	9	7	3	4	8
8	1	6	7	3	2	5	9	4
9	5	7	1	4	8	6	3	2
3	4	2	9	5	6	8	7	1

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