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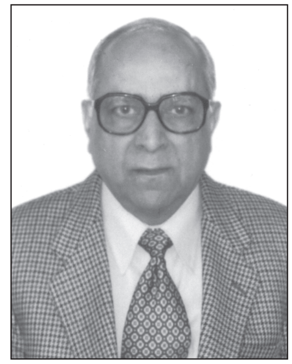
From The Editor's Desk

NATIONAL SECURITY AND THE ROLE OF INVESTIGATING AGENCIES

Ever since the dawn of political freedom in India, one thing that has proliferated was corruption at all levels of governance. Much has been said and debated in the media on the issue. I have expressed my concern twice in these columns earlier and focused on how corruption at high places had resulted in the unholy nexus between politicians, bureaucrats and corporate sector which led to concentration of wealth and power in a few hands. Each colluding partner misused public power for private benefit. Corruption had spread like contagious disease which has largely affected the poor people of this country. I was recently provoked by the statement of the Prime Minister on *'Corruption'* at high places to write another editorial. Corruption is a low-risk and high-profit activity in this country, since those indulging in corrupt practices are often let off by the courts or awarded insignificant punishments.

The Prime Minister while addressing the officers of CBI and State Anti Corruption Bureau had conceded that there was rampant corruption at high places in the country and advised them to launch a war against corruption and observed that *'the big fish often escaped punishment, while petty crimes were investigated fast"* and that they need to have *'clear focus on corruption prone areas so that high level corruption was pursued aggressively'*. Continuing, he further observed that the benefit of poverty alleviation programmes launched by Government in the past including subsidized food grains, loans, benefits of employment programmes etc. were not reaching the poor and added that *'pervasive corruption in our country tarnishes our image in the eyes of the world'*. There was general perception among the business community that anyone could commit any crime and violate any law or regulation and get away unscathed by paying bribes.Recently,few American Companies had paid heavy bribes to get supply contracts from some PSUs. Though U.S. Government had penalized such companies for making *'inappropriate payments'*, Indian Government has been sleeping over the matter. This matter was recently reported by Indian Ambassador to U.S. with full details. The massive illegitimate wealth amassed by most of the politicians and few senior bureaucrats was too well known to need any evidence. Colossal wealth of the country deposited with Swiss Banks by and large belonged to the politicians, bureaucrats and corporates and the Government has been intentionally evading its responsibility to expose such unpatriotic people and bring back the money for investment in social sectors like education and health-care etc. According to a study conducted by Institute of Public Finance and Policy, the size of the parallel economy (*black money*) in the country could be around Rs.16 lakh crore (*40% of India's GDP*) and the bulk of such funds were attributed to the politicians who have no fear of law and indulge in corrupt practices with confidence. The Government's indiscriminate protection of corrupt people raises some pertinent questions which the Prime Minister must answer to prove the credentials of his Government.



Shri K.K. Mudgil

The PM ought to know that corruption in the country was state-sponsored and if CBI was ineffective in rooting it out from high places it was entirely due to the protectionist approach of the party in power in shielding them. At present CBI was a toothless snake which cannot bite any body. The Prime Minister being the head of the government, instead of giving an advice should have initiated corrective steps to free the CBI etc. from the bondage of the government. In this connection, I am tempted to refer to a book titled ***"Who Owns CBI – The Naked Truth"*** authored by an illustrious Police Officer B.R. Lall (IPS, 1967) who functioned as Joint Director of CBI for about three years and recently retired as the Director General Police, Haryana. This book interestingly does not speak of theoretical aspects of the corruption in public life. The author has elaborately explained the anatomy of a few high profile corruption cases he had investigated during his tenure such as *"Jain Hawala Case; Midnight Deplaning of a Giant, V. Krishnamurthy; LoC Scandal in Assam; Animal Husbandry Scam in Bihar; Lakhubhai Pathak Case, Indian Bank Scam etc."*. These live instances conclusively prove that the party in power had protected the corrupt politicians and bureaucrats and saved them from the arms of law. B.R. Lall had made some interesting observations about the government's involvement in perpetration of corruption at high level**;**

- I discovered that in the CBI, naked uncovering of facts was neither acceptable, nor would it be tolerated beyond certain limits. The unwritten rule was that certain persons were not to be touched and if the line of investigation reached them, the investigations should be diluted, diverted or dropped and scuttled.

- The laws are violated, as the essence of being big is, the capacity to violate law and hold it in utmost contempt. The officials of law enforcement Agencies are insulted, intimidated and persecuted if they insist on discharging their lawful duties against the privileged sections of society, but if they align with the latter and spare them from operations of laws, such officials are duly rewarded.

- Whenever the name of a serving Prime Minister occurred in CBI investigations in the past, the investigations came to a halt. It was only in Hawala case that the team had the courage to suggest investigations against the Prime Minister.

- *The denial of Prosecution Sanction re-enforces the mindset that investigating bigwigs is practically a wasteful effort, which one should avoid right from abinitio.*

B.R. Lall's book commands wide circulation, not only in the country but outside as well, sending a clear message across that anything could be achieved in the country by paying bribe or enjoying the patronage of party in power. The instances given in the book were true happenings and if the government had differed with the findings they could have legally proceeded against the author. Nothing of this type happened and whatever Lall observed in his book was uncontrovertible. The Prime Minister, therefore, should have diagnosed the causes of this scourge and taken meaningful steps to tame his own flock.

The former Prime Minister of India, Shri Rajiv Gandhi had observed in 1985 that for every rupee meant for Aam Admi , only 17 paise reached him. This has been reiterated by the Deputy Chairman of the Planning Commission in a recently held seminar and observed that the panel study of PDS recently found that only 16 paise out of a rupee was reaching the targeted poor. This view was also echoed by Rahul Gandhi, M.P., who recalled his father's statement, only to add that the situation had worsened since. Looking to the extent of corruption in the poverty alleviation programmes, thousands of crores of rupees provided during the last 11 Five Year Plans have been siphoned off by the politicians and bureaucrats. Instead of empowering the poor and pushing them above the poverty line, the incidence of poverty has further aggravated with the result that about ***77%*** of the people in the country can spend only less than 20 rupees per day and majority of them are in the rural areas.

I wish to highlight the pervasive corruption among the internal security agencies undermining national security. Much has been said, aired and written in the wake of the Mumbai terror attack last year. The sad fact is that internal security agencies have also fallen a prey to widespread corruption.

The terrorists were, therefore, able to strike this country on various occasions and disturb internal peace by bribing the concerned people in the security set-up. The very fact that the terrorists transported huge consignment of weapons including bombs through sea from Karachi to Mumbai is a pointer towards corruption in the system. The society where corruption has seeped deep into the veins of every segment can never be patriotic and secure. It is not only our politicians who are corrupt. A large majority of our bureaucracy, government departments, police or judiciary are no less corrupt. In fact we have accepted corruption as a part of life and have stopped addressing it as a cancer that it is. Take the regional passport offices, regional transport offices, property registration offices and customs for example. All these four deptt. (among the host of others) touch our security in different ways. These deptts. were embroiled in corruption and one could get a license and/or violate any law or regulation by giving bribe. You have to pay a bribe to pay your registration taxes and if you are a big crook, you can manage to register the same property in several different names and collect your sale proceeds from all of them, leaving those poor souls to fight legal battles for the rest of their lives in another corrupt institution – namely the judiciary. Even our routine appointments and transfers in government services are not immune to corruption. If a constable or a teacher has paid a bribe for a position what commitment can we expect of them on the job. Corruption is inherently unpatriotic. And those who are unpatriotic cannot have the moral fibre to guard their society. The Prime Minister, therefore, should bestow his government's attention on rooting out corruption from the strategic places and atleast ensure proper internal security and guard the country against terrorists attack.

There is no denying that corruption was responsible for wide-spread poverty in the country and the Aam Admi has no access to public utility services except by paying heavy bribes. The government must initiate reforms in police force, judiciary, revenue deptts. and ensure efficient and honest delivery channels for implementing poverty alleviation programmes. To stamp out corruption from high places the Prevention of Corruption Act must be suitably amended to make it more stringent. Recently, Bihar Government has revamped its anti-graft law after finding that the existing anti-corruption laws needed more teeth and passed it on to the Centre for Presidential assent more than six months back. The proposed legislation provides for confiscating the property of the accused in disproportionate assets cases during trial. The Bill also provides for the trial of IAS and IPS officers of the state without seeking prior sanction of the Government of India. It further seeks to set up special courts to conduct speedy trial of corruption cases. The Chief Justice of India had also supported the Bihar Government move and favoured a statutory provision for confiscating the assets of those convicted under the Prevention of Corruption (PoC) Act. This view has also been supported by the Administrative Reforms Commission headed by Shri Veerappa Moily, now Minister of Law & Justice and Law Commission of India. The silence of the UPA Government over the Bihar Bill is quite understandable and reasons were not far to seek. The Prime Minister may consider introducing the above provisions in the PoC Act to promote probity in public life. The PM must, therefore, give serious thought to this national problem and match his advice with appropriate steps to give complete autonomy to investigating agencies in investigating such crimes. It is intriguing to observe, however, that CBI needed permission from the concerned government deptts./UPSC etc. to prosecute a public servant after probe against him is completed. The CBI has not been getting prosecution sanctions from the Government in most of such cases for years together for obvious reasons. This must be reversed. The poor and oppressed can no longer wait and remain a silent spectator to the loot going around to the detriment of public good.

{ K.K. MUDGIL }

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APPOINTMENTS

- Dr. S.M. Jaamdar, IAS has been appointed as Managing Director, Karnataka State Financial Corporation Ltd. {KSFC}, Bangalore vice Shri Kaushik Mukherjee, IAS.
- Dr. Niranjan Mardi, IAS has been appointed as Chairman & Managing Director, State Industries Promotion Corporation of Tamilnadu Ltd. {SIPCOT}, Chennai vice Shri N. Govindan, IAS.
- Dr. Arvinder Singh, IAS has been appointed as Managing Director, Punjab Financial Corporation {PFC}, Chandigarh vice Shri V.K. Ohri, IAS.
- Shri S. Ramaswamy, IAS has been appointed as Managing Director, State Infrastructure & Industrial Development Corporation of Uttarakhand Ltd., {SIDCUL}, Dehradun vice Shri Kunal Sharma, IAS.
- Shri M. Maheshwar Rao, IAS has been appointed as Managing Director, Karnataka State Industrial & Infrastructure Development Corp. Ltd. {KSIIDC}, Bangalore vice Smt. Vandita Sharma, IAS.
- Shri Umesh Kumar, IAS has been appointed as Chairman & Managing Director, Rajasthan Financial Corporation {RFC}, Jaipur vice Shri G.S. Sandhu, IAS

- Smt. Sushma Nath, IAS has been appointed as Finance Secretary, Ministry of Finance.
- Shri Shashi Kant, IAS has been appointed as Secretary, Deptt. of Financial Services, Ministry of Finance.
- Shri Sudhir Chandra, IRS has been appointed as Chairman of the Central Board of Direct Taxes {CBDT}.
- Shri Anand Sinha has been appointed as Deputy Governor, Reserve Bank of India.

HOW TO BALANCE GROWTH & ENVIRONMENT

The most enduring challenge facing the world today is providing goods and services for a reasonably meaningful existence of its 6.7 billion citizens in a manner which is both sustainable and equitable.

India being home to 17% of this population on a little over 2% of its global landmass has a disproportionate share of these challenges. Increasing environmental concerns, depleting natural resources and deepening compulsions for accelerated economic growth for effective poverty reduction make a heady concoction for social conflicts. While industrial growth is accepted as essential, it is often branded as anti-environment. Similarly, while infrastructure build-up is a must in this defining phase of India's growth, **"it eats up scarce greenlands"** is a common refrain. Concerns of industry, environment, growth and land almost never seem to converge.

Or do they? Can these conflicting aspirations be harmonised? Is there a balance possible? Can Industry, agriculture and infrastructure share national landmass without hurting the poor? Can growth be speeded up without disturbing environmental balance?

For many - and I am one of them - the answer doesn't lie in a 'Yes' or 'No'. Answer lies in the question: Do we have a choice? An accelerated and widely distributed economic growth is key to rapid reduction of poverty in India – an objective that looks more real and achievable today than ever before. A billion-people nation must build enough roads, ports, railways, airports, power plants and, indeed, schools and hospitals to improve the lot of its citizens. All this inevitably needs land, though contrary to popular belief, it need not and does not eat into rich pastures every time.

For a double-digit economic growth that India is moving towards, infrastructure build-up remains at the core. Infrastructural deficiencies hurt the poorest of the poor most and inefficient, low technology infrastructure hurts the environment.

Expanding infrastructure and replacing inefficient ones offer sustainable livelihood opportunities to millions in the **'bottom of the pyramid'.** For instance, expanding rural road infrastructure has more than integrated market place and brought numerous benefits to millions living in 550,000 villages of India – just as rural telephony has proved to be a unique enabler for equitable growth in rural hinterland.

So what can be done? How can the industry, government and citizenry combine their efforts to strike a balance in growth and environment?

It is important for the industry to ceaselessly pursue innovation and technological breakthroughs to make its operations less resource-intensive and more energy-efficient. And it is critically important for the government to support these efforts. That cars and planes and a host of products could be made lighter; roads, ports and flyovers must use more efficient designs and alternative building materials, and power plants must use a fraction of the water they guzzle today – are no more options. They are compulsions. We need to aggressively deploy innovations and propel ourselves beyond demonstration projects.

The government needs to deploy its best energies in agrarian reforms. In the Indian context, more than two-thirds of the population depends on agriculture which uses 45% of India's landmass and contributes around 17% of GDP. This imbalance clearly calls for sustained larger investment in agrarian infrastructure which must be recognized as a critical component of overall infrastructure. This alone will make India's agrarian economy more robust, intensive, scientific and employment-intensive.

Land is finite and has competing demands. We must ease pressure on agricultural land by more efficient utilisation of cultivated and cultivable land to support better food security and allow agriculture sector to yield lands wherever unavoidable for new infrastructure and industry. A second green revolution cannot wait any longer and must be ushered in. With single-minded commitment, India must utilise a whopping 45 million hectares fallow and wasteland for expanding agriculture and afforestation. If a portion of agricultural land must be used for infrastructural build-up, four times that size must be reclaimed for agriculture from this stock of unused land. And while doing this, we must make the land-owner a stakeholder in the growth of enterprise for which he surrenders his land.

Genuine environmental concerns and inclusion must take the centre stage in our growth philosophy as a rapidly defining shift in global climate has made us pause and think again. India has one of the most well thought-out environmental legislation and it is necessary that we implement them effectively. My two decades of association with the government has led me to believe that most of the environmental legislation in India do address need for Industrialization and in fact, provide for the process. Every new mine or power plant does not necessarily hurt poor : Indeed, their sustained absence does with millions of rural Indians still not having access to power.

Even while setting up more industries, power plants, fertilizer plants, ports and airports, it is possible to afforest swathes of fallow and waste lands, conserve natural aquifers, extend natural habitats of flora and fauna and, indeed, provide better breeding, living and growing conditions to the tigers, Gangetic Shark and Himalayan wolves and many more. There is, perhaps, a need to grow beyond silo-thinking and embrace a more holistic approach. More liberal exchange of ideas on how multiple concerns can be effectively addressed can help rather than standoffs which can easily derail what as a country we have set out to do. Infrastructure and industrial expansion cannot per se be harmful. Such growth tends to hurt sections of society if intra- and inter-generational equity concerns are compromised. As individuals and as a society, we need to ensure that this does not happen.

* * *

Courtesy : FINANCIAL EXPRESS

If any man seeks greatness, let him forget greatness and ask for truth, and he will find both.

MICRO FINANCE CRISIS IN ANDHRA PRADESH : SOME

Dr. P. Malyadri *

Today, Andhra Pradesh is second only to Bangladesh as the most microfinance 'saturated' place with nearly 17% of the population having a micro loan account. The number of multiple loans was as high as 82% in 2009, and it's known to have risen even further since then. The level of debt in the important agriculture sector has also continued to rise. (Around 82% of farm households were in 'serious debt' in 2009 compared to the Indian average of 49% and this figure too has been rapidly rising). There is hard-selling and 'client poaching', pressure on existing members to take out a new or 'top-up' micro loan; rising percentage of problematic micro loans. Suicides because of microfinance debt have been reported n the media.

Tragically, this was a 'boom-to-bust' crisis foretold. Along with the Bolivian microfinance crisis of 1999-2000, the precursor (mini-crisis) to today's full-blown crisis that took place in Andhra Pradesh itself in 2006. The series of boom-to-busts that have occurred in Bosnia, Pakistan, Morocco, Nicaragua and elsewhere in receipt years, and let's not forget to the granddaddy of them all—the sub-prime-led financial sector meltdown in the USA from 2007 onwards-, there were in fact a whole street full red lights flashing to warn policy –makers to avert the massive over-expansions of microfinance in Andhra Pradesh.

This disastrous tragedy can be traced back to the 1990s, when the state began to withdraw from the provision of rural finance, and the resulting vacuum was filled by private profit-seeking institutions, private moneylenders, and a number of NGOs. The expansion of microfinance was then massively hiked up from the mid-2000s onwards, thanks to the arrival on the scene of a number of aggressive commercialized for-profit MFIs.

KEY ASPECTS

In the past few weeks, we have heard several proposals for regulation of the microfinance sector. This impression has gained currency principally because Reserve Bank of India has chosen not to publicly reaffirm the fact that 80% of the microfinance sector is directly regulated by them. In fact all Non Bank Finance Companies (NBFCs) are regulated by the Reserve Bank of India, and the systemically important ones with an asset size over Rs. 100 crore are subject to stringent financial standards. These include monthly reporting requirements as well as a Fair Practices Code that specifically prohibits NBFCs from resorting to "undue harassment" for recovery of loans.

The RBI has made it mandatory for NBFCs to disclose explicitly in the application form for loan and other relevant documents, the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers. All of these regulations govern NBFCs that lend to rich as well as those that lend to the poor (popularly referred to as MFIs). The Fair Practices Code for NBFCs also makes it clear that the Board of each NBFC is free to "adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. If there is a need for more regulation on any aspect of the Ordinance is that it completely takes away the rights of the poor to decide for themselves—since it seems to specifically target "low income households" for these restrictions—presumably leaving all of those of us that hold multiple credit cards and home loans untouched, at least for the time being.

For example, it prohibits all those that are registered with State Government managed Society for the Elimination of Rural Poverty (SERP), which includes more than 50% of all women in the State, for taking more than one loan at a time. Research shows that people usually take multiple loans because one loan is not able to meet all their requirements. To illustrate, a woman needs at least Rs. 8,000 to buy a buffalo whereas an average SHG loan is only Rs.4,000. If all the other formal lenders are now barred from serving her, she will necessarily have to turn to the informal sources. The Ordinance requires all borrowers to repay all their loans only on a monthly cycle and to continue to pay interest on the loan for a longer period of time. Do the authors of the Ordinance think that these women have monthly salaries? Most of them have daily or weekly income from labor or small trade. Weekly repayments that take place at her door-steps are usually easier for her, because they match the wage frequency of most of them. Monthly repayment requires women, who usually do not have access to a safe place to save, to put sums aside and wait to repay till the end of the month hoping that money does not get stolen in the interim and to pay an additional amount of interest on the loan not having earned anything on the savings.

The ordinance will serve to further the outreach of traditional moneylenders in this manner and perhaps that is its true intent. The fact that women were the main beneficiaries of these programs makes the situation even more poignant because they are the ones who will bear most of the burden of these failures and despite that, given their powerlessness within the community, their voices of protest are not being heard.

In all this talk about 'crisis', let us not forget that collection rates were in the high nineties prior to the State Government of Andhra Pradesh stepping in with its ordinance and directly causing this crisis. It must also be noted that outside of Andhra Pradesh, MFI collections continue to be high. Comparisons to the US sub-prime are ridiculous because in this case, the customer has forcibly been prevented from repaying the lender. Government cited a few anecdotal, impossible- to-verify-or attribute events as the basis of such a massive intervention.

RECOVERIES THROUGH MERGER

The most obvious option is through a merger with a stronger institution, which can retain the MFIs operational capacity and provide the needed capital to continue issuance of new loans. Unfortunately, the breadth of the current crisis reduces the chances that other large MFIs would be in a position to effect such a buyout.

One could draw useful lessons from the 2006-07 AP crises in the Krishna District. That crisis had a similar pattern- repayments were stopped by way of government action, but after a year-long hiatus, MFIs were able to restart collections. Though the final results of these collections have not been made publicly available, a source familiar with the effort has estimated the ultimate recovery rate for one of the large affected MFIs at 60-65%, collected over a period of two years. It's worth noting that a similar recovery rate from the current crisis could be catastrophic for the MFIs most exposed to AP, even if collection happened over a shorter time period. The scale of the crisis this time around is far broader, affecting the entire state (and potentially more), as opposed to a few districts. Moreover, the current political climate and lack of liquidity from banks suggests that MFIs will probably not have the option of relying on rapid growth to escape the overhang from so many bad loans.

However, for creditors seeking recoveries, a 60% recovery rate for affected micro credits is not bad at all. Though unlikely to cover everything, their losses would be mitigated the unaffected parts of the portfolio and the additional cushion of equity that could absorb some 15-20% of losses. So absent acquisition by a well- capitalized entity, do creditors have another option option for recovering on these loans?

ROOT CAUSE OF THE PRESENT CRISIS

The main allegations against the MFIs are that they are charging opaque and usurious interest rates as well as using strong-arm techniques for collections..... and thereby are accused of profiteering at the cost of poor women. What started as a concern about the reported suicides by some harassed MFI borrowers soon grew into a major crisis that is now threatening the entire sector? The Government in the State of Andhra Pradesh has issued an Ordinance requiring MFI to register with local government offices which will also monitor any incidents of harassment/ complaint from MFI clients. In case the compliant is found to be prime facie tenable, criminal cases will be lodged against MFI staff members. As a consequence of the Ordinance and the silently brewing political/ regulatory storm, interest rates may be capped, priority sector lending may be halted, and registration under the new

Ordinance seems set to significantly hinder operations and worse may yet come.

WHAT IS NEEDED?

If the MFIs had paid more attention to building client relationship and offered quality services to their customers, instead of focusing exclusively on "sales" and reducing their clients to numbers, the situation could have been different. Given the sensitivities involved and the vulnerability of MFIs' target customers, it is imperative those MFIs pay more attention to the basics of their business and the missions for which they exist: listening to and providing clients needed and appropriate financial services. 'Micro Save' has long been concerned about the rate of growth of Indian MFIs and their loss of relationship with their clients for several years now:

FOR MFIS, THE NEED NOW IS TO:

- Take steps towards ensuring client delight through offering a range of high quality, client-centric and flexible financial products in a manner that is appropriate and suitable for client.
- Follow stricter policies around client protection principles and do no harm. Maintaining transparent and fair pricing/ interest rates, addressing multiple borrowing/ lending and ensuring appropriate collection practices is the starting point (and the bare minimum). Understanding clients' perspectives of what client protection actually entails is also essential.
- Develop a strategy that makes sense for the company, the management and the mission-not copy- paste from others.
- Improve communication with the stakeholders such as government officials, media about the social side of the microfinance, the nature of, and the benefits for, clients served.
- Grow and expand, but at rates that are manageable and enables human resources to be integrated into the situation rather than becoming loan disbursal machines.
- Meeting these challenges not only helps MFIs meet their mission and social performance needs but also clearly makes business sense and enhances risk management (including strategic and reputation risks).

Micro Saves's approach to Social Performance Management (SPM) addresses these issues and more. The approach provides financial institutions the tools and mechanisms to periodically assess their social performance, fill in the gaps and communicate the efforts in an effective way. The methods are quick, low cost, practical and market led, helping the MFIs improve not only social performance but also business performance. The assessment is backed up/ action planning exercise and follow-up visits to help the MFI further identify and implement a solution for their priority areas identified in the action planning.

MFIs and banks will lose money in the form of defaults; poor households will find it difficult to access much needed financial services and eventually government will attract public criticism for cutting off the only legitimate source of adequate credit in most communities. MFI must consider this as a wake-up call and look inside for deficiencies including operational methodologies, incentive structures, product offerings, governance, management capacities, MIS and public relations, On the other hand Government should devise policies and programs that promote transparency, healthy competition, client protection, financial literacy, public private partnership and responsible lending. The differences must be resolved and gaps filled at the soonest in the larger interest of the society. The longer it takes the harder it gets to restore normalcy and, as always, the innocent poor will be the biggest losers at the end of the day.

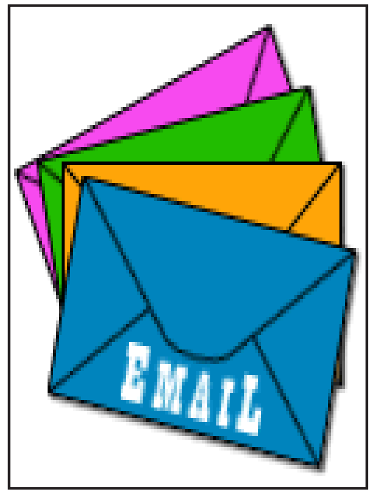
* * *

***The author is Principal, Govt. Degree College, Tandur-501141. Andhra Pradesh**
Courtesy : Kurukshetra ~ A Journal of Rural Development

LETTER TO THE EDITOR

Dated : February 21, 2011

Dear Editor,



I have been regularly receiving the "COSIDICI COURIER", a bi-monthly Journal, being published by your goodself. There is marked improvement in every new issue brought out by COSIDICI. It is appreciable that the COSIDICI is providing a common platform to SLFIs for ventilating their problems and grievances to the Government of India and All India Financial Institutions and also serves as a mouth piece of the sector for influencing policies of the Government. I am sure the efforts of COSIDICI would go a long way to achieve its overall objective.

My sincere compliments to you in bringing out such an informative and useful magazine. Hoping to read more such insightful articles penned by you in future.

With kind regards,

Yours sincerely,

Sd/-
{H.D. SHARMA}
Ex-C.A. to HOD,
Comml. Branch,
Northern Railway
Baroda House,
New Delhi.

Make A Rule, And Pray To God To Help You To Keep It: Never, If Possible, To Lie Down At Night Without Being Able To Say. "I Have Made One Human Being, At Least, A Little Wiser, A Little Happier, Or A Little Better This Day." - Charles Kingsley

PROFILE OF MEMBER CORPORATIONS

HARYANA STATE INDUSTRIAL & INFRASTRUCTURE DEVELOPMENT CORPORATION LTD. (HSIIDC)

HSIIDC- Corporate Profile

Established in 1967, HSIIDC is a Public Limited Company wholly owned by the Government of Haryana, set up as a catalyst for promoting and accelerating the pace of industrialisation in the State. It has facilitated in the transformation of Haryana from a primarily agrarian society to one of the most highly industrialized States of modern India. The Corporation provides a wide spectrum of financial services under one roof. Being an intrinsically customer - oriented organization, HSIIDC helps in giving concrete shape to the destiny and vision of thousands of entrepreneurs . It has generally taken on the role of a trusted friend and guide, providing crucial support and created an environment where nascent projects are able to attain their function and become vibrant industries.

Mission and Objectives of HSIIDC

HSIIDC was setup for promoting medium and large scale industries so as to ensure balanced regional development of Haryana, by acting as an institutional entrepreneur and a financial institution. HSIIDC serves as the single most important platform for providing services in the following areas:

- Providing financial assistance by way of term loans,equipment re-finance/equipment leasing and working capital. Infrastructural development in the State of Haryana. Performing Agency functions on behalf of the State Government/ IDBI/SIDBI
- Performing Agency functions for entrepreneurs and established industries for enhancement of capacity/modernisation.

HSIIDC Quality Policy

Accepting Quality as a major competitive factor and striving for customer satisfaction is the ever evolving guiding philosophy of HSIIDC which spells:

- High Productivity
- Success
- Innovation
- Dynamism
- ¨ Commitment

ISO 9001:2000 Certification


Shri Rajeev Arora IAS

In keeping with the Quality Policy of HSIIDC, the organisation has been certified as an ISO-9001:2000 company.

Trail of Achievements

"Corporation has constituted its high growth for the fourth year and made a trajectory of consistent record by posting gross income of Rs. 14682 lakh. The net profit before dividend is Rs. 5365 lakh against the previous record of Rs. 4128 lakh during the previous year and thereby registered an increase of 29.97/ %. The Corporation during the year 2008-09 has declared a dividend of Rs. 750 lakh out of profit to its equity shareholders i.e. State Government. The net worth of the Corporation has increased many folds i.e. Rs. 9794 lakh in 1998-99 to Rs. 85767 lakh in 2008-09.."

64 projects have been successfully set up in the Public/Joint/Assisted sectors, with an equity participation of Rs.38.88 crore, catalyzing an investment of Rs. 795.25 crore, in the State of Haryana. HSIIDC has so far sanctioned loans aggregating Rs.1293 Crore to 1055 proposals upto 31.03.2005. 39 industrial estates have been developed epitomizing HSIIDC's commitment to galvanize industrialization. 66360 jobs have been created through HSIIDC-assisted projects. The State Government has declared HSIIDC as the Nodal Agency for development of Industrial Infrastructure in the State of Haryana. HSIIDC has also been declared by the Haryana Government as the implementing agency for the development of Kundli-Manesar-Palwal Expressway in the State of Haryana.

People - The Prime Asset

HSIIDC is a "service oriented" organisation, where the emphasis is on people - both outside - the customers - and inside the organisation - the staff members. HSIIDC recognizes the importance of the Human Resources and is a well-knit team of highly experienced financial experts, engineers, professionals, administrators and technicians.

Activities Portfolio

The role and scope of HSIIDC has widened and adapted itself to suit the growing needs of industry. The services now being provided include:

- Infrastructure Development
- General Term Loan
- Equipment Finance Scheme
- Working Capital Term Loan
- Line of Credit Scheme
- Scheme for Corporate Loan

Project Promotion

In the Public Sector, HSIIDC or the State Government holds 51% to 100% of the equity share capital, in the joint sector the investment of Corporation and co-promoters is 26% and 25% respectively and remaining 49% comes from public participation. In assisted sector the Corporation's investment is limited to 15% of equity. HSIIDC associates in promotion of the projects identified by private promoters in the assisted sector under the Memorandum of Understanding Scheme. As a promotional organisation, HSIIDC extends its full support to the co-promoters in implementing the projects expeditiously with all technical, managerial and financial skills available with it. The Scheme envisages disinvestment of HSIIDC's shareholding after a period of three years from the date of commercial production or five years from the date of first disbursement, whichever is earlier or as per the terms of Financial Collaboration Agreement. The shareholding is bought back by the private promoters under the buy back arrangement provided in the agreement & promoters executed between HSIIDC.

Industrial Infrastructure Development

HSIIDC is the nodal agency of Haryana Government to develop industrial and its support infrastructure in the State. A Township named Ch. Devi Lal Industrial Model Township, Manesar near Gurgaon is being developed over an area measuring about 5000 acre has already become the destination of many Multi National Companies like Denso, Honda, Suzuki, Norcool, Barco, Mitsubishi, Duracell, NHK, to name a few. HSIIDC is also developing Industrial Growth Centre at Bawal over an area measuring 1200 acre which has also emerged as the destination of Multi-National Companies like YKK, , Nerolac etc.

A multi functional complex is also being developed at Kundli popularly known as Rai-Kundli Multi-functional Complex. It is in this complex that Export Promotion Industrial Park, Food Park, Cold Chain Complex have been developed by HSIIDC.HSIIDC has also developed Industrial Infrastructure Development Centre (IIDC) at Rai, Barhi near Gannaur, Sirsa and Manakpur in Yamunanagar District. Industrial Growth Centre and a Food Park has also been developed by HSIIDC at Saha in Ambala District together measuring 415 acre. The Industrial Growth Centre has been sanctioned by Govt. of India, Ministry of Commerce and Food Park has been sanctioned by the Ministry of Food Processing. Plots are readily available for general industry and also for food processing and packaging industry at Saha.To relocate the Plywood Industry from congested area of Yamunanagar, HSIIDC is acquiring about 345 acre land in Yamunanagar on Yamunanagar - Radaur Highway. HSIIDC has also acquired land at Barhi (Ph-II) over an area measuring 330 acres in continuity of IIDC. The land will be available for allotment to the Hosiery and Textiles processing, knitting units etc. HSIIDC has also plans to develop state-of-the-art and high security zone for Gems and Jewellery Park at Gurgaon. HSIIDC has also plans to set up two more Food Parks in the State at Narwana and Dabwali. Land at Narwana has already been acquired. The available infrastructure in the industrial estates has also been refurbished for smoother functioning.

* * *

You must have long range goals to keep you from being frustrated by short term failures.

PIPDIC, Pondicherry

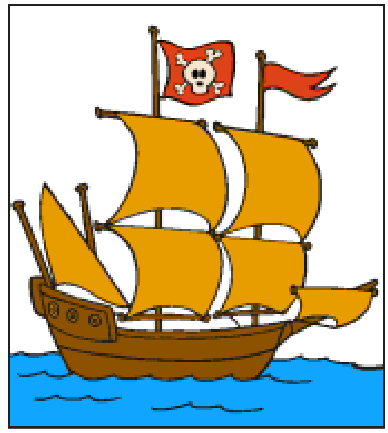
PIPDIC to enter micro financing, service sectors

Widening its role in promoting industrial activity in the Union Territory, the Pondicherry Industrial Promotion Development and Investment Corporation (PIPDIC) is exploring its option to enter micro financing and service sectors. So far, PIPDIC's role was mainly confined to promoting small-scale and medium-scale industries.

PIPDIC is trying to ascertain the viability of introducing micro finance to skilled persons. The scheme would be to help persons who have got skill and self-help group members unable to start units for the lack of funds.

The agency would be able to provide 85 per cent of the project cost and the rest should be borne by the promoter. The interest would be attractive, the official said, adding that a maximum of Rs. 10 lakh would be given as loan. Similarly, PIPDIC also planned to provide funds to establish shops and super markets. So far, around 4,000 small scale units had been assisted by PIPDIC and more than 20 applications are pending for setting up of small-scale units. Since the inception of the corporation in 1974, a sum of around Rs. 370 crore had been given to entrepreneurs. Approximately a sum of Rs.125 crore, including Rs. 75 crore as principal amount, had to be recovered. The special drive launched recently had yielded results, with PIPDIC collecting Rs.16.5 crore, compared to around Rs. 8 crore collected during the same period last year. Till 1987, the corporation was not getting collateral security and hence the loan amount could not be recovered. Now, the Revenue Department had been requested to initiate steps to attach properties of defaulters.

OSFC, Orissa



OSFC to Resume Lending To MSMEs Soon

Following the signing of the tripartite agreement among the Orissa State Finance Corporation (OSFC), the Orissa government and the Small Industries Development Bank of India (SIDBI), OSFC has decided to resume lending to small-scale industries (SSIs) in the state. "SIDBI has obtained its board approval to open a line of credit for OSFC and the board of OSFC has also approved the proposal to resume lending to the small scale sector," Industries Secretary, Shri Saurabh Garg said.

OSFC, which has assisted more than 28,000 MSMEs in Orissa, helping in the generation of over 200,000 jobs in the state, hopes to advance around Rs 20 crore to the SSIs in the remaining months of the current fiscal. OSFC has already started identifying potential borrowers to resume its lending activity. The tripartite agreement signed in the middle of November last year has enabled the state-owned lender to get refinance from SIDBI, as OSFC was able to attain a positive net worth and capital adequacy ratio (CAR) of 6.25 per cent. Apart from getting a new line of credit, OSFC will be able to repay the outstanding loan of about Rs.140 crore to SIDBI. The infusion of Rs 352 crore by the state government and the support provided by SIDBI in restructuring outstanding loans have gone a long way in turning around the health of OSFC.

DSIIDC, Delhi

DSIIDC has been given the mandate to re-develop Vikas Bhawan, I.P. Power Station and DTC Head Quarters and Bus Depot at IP Estate.

- The Project will change the sky line of Central Business District of New Delhi.
- The DSIIDC will :
  - Develop an integrated office complex at the existing DTC Depot on the left over land of around 3 acres out of the 6 acres.
  - Provide office space within the outer envelope of the existing IP Power Plant by making suitable modifications and providing facilities for bus parking in the low lying area used for coal storage for the Power Plant.
  - Re-develop the Vikas Bhavan land to construct an integrated office complex.
- Project Cost Rs. 735 crores
- Project Benefits :
  - Optimal utilization of land / asset
  - Green building
  - A time bound effort by DSIIDC
  - Access to state of art commercial office facilities
  - Construction of bus parking ~ 600 buses
  - Reduction in pollution levels with decommissioning of the power plant.
- Project Timeline : Five Years.

HSIIDC, Chandigarh

HSIIDC gets Rs. 163-cr term loan proposals

Haryana State Industrial and Infrastructure Development Corporation (HSIIDC) has accepted 15 term loan proposals worth Rs163 crore which are likely to catalyse an investment of over Rs. 500 crore. While stating this Shri Rajeev Arora, managing director of the corporation said these proposals were received at a business contact programme in Delhi. The projects received were from different fields of industry such as automobile tools, pharmaceuticals and food cereals, etc.

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The quality of a person's life is in direct proportion to their commitment to excellence, regardless of their chosen field of endeavor.

The talent of success is nothing more than doing what you can do well and doing well whatever you do.

NEWS FROM STATES

Punjab receives Rs 3,775 cr from Nabard for agri push

Punjab has received Rs 3,775.46 crore in form of financial assistance from Nabard for sustainable development of agriculture, allied activities and Rural Infrastructure Development Fund (RIDF) during the first nine months of 2010-11 Rs The state had received Rs 2,111.44 crore in the same period last year. The state has also got an amount of Rs 2,716.74 crore as production credit for crop loans during the current fiscal. Under investment credit, the amount disbursed totaled Rs 816.17 crore while the amount disbursed under Rural Infrastructure Development Fund (RIDF) stood at Rs 242.55 crore.

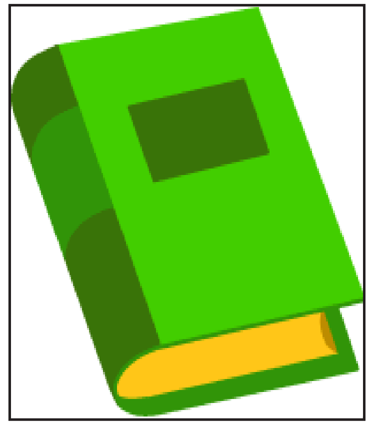
Since the inception of RIDF, 5,757 schemes, with a total outlay of Rs 5,868.83 crore, have been sanctioned including RIDF assistance of Rs 4,375.76 crore for roads and bridges, public health and drinking water, animal husbandry and rural education. Punjab's projected requirement for crop loans during 2011-12 would be about Rs 36,160 crore. The state has projected a total agriculture credit need of Rs 35,420.96 crore out of the total priority sector credit need of Rs 55,522.37 crore for the current fiscal.

Ludhiana hosiery cluster sales record 40% growth

Ludhiana's hosiery sector has recorded an over 40% growth in sales this winter season over the same period last year and manufacturers are forced to prolong their production schedules due to unprecedented increase in demand. Intense cold has led to a jump in demand for winter garments which in result has pushed up the sales of hosiery makers by at least 40-45% in ongoing (winter) season so far. Ludhiana hosiery sector is the country's oldest clusters in the country and it is famous for its winter garments like jackets, sweaters, thermals, pullovers, inners, shawls etc.

UP approves to Ganga Canal Expressway project

The Uttar Pradesh government has given its approval to go ahead with the proposed eight-lane Upper Ganga Canal Expressway (UGCE) project. The 212-km expressway flanking the Upper Ganga Canal is proposed from Sanauta Bridge in Greater Noida to Purkazi on the Uttar Pradesh-Uttarakhand border.



Haryana to promote health tourism

The Haryana government has decided to promote health tourism and such projects involving an investment of Rs. 100 crore or above would be given the status of industry for the purpose of incentives. While stating this an official spokesman said that the Industrial and Investment Policy-2011 seeks private sector investment in heath and healthcare sector to facilitate establishment of quality healthcare institutions within the framework of set standards and norms.

Haryana holds great potential for development as centre of medical tourism. It also has potential for investment in the health sector through establishment of hospitals offering primary, secondary and tertiary level healthcare facilities and allied services like pharmacies, diagnostics, pathological labs, training and skill development for para-medical services.

The state government would work towards establishment of the facilities like common bio-medical waste treatment facilities for proper disposal of biomedical waste generated by hospitals, laboratories and research and development centres, effluent treatment plants for treatment of liquid effluent generated from government hospitals and liquid oxygen plants in hospitals with bed-strength of more than 100. Hospitals are also permitted in the agriculture zone in relaxation of zoning regulations in the public interest by the government.

New agri institute to raise productivity in Haryana

Farmers in Haryana are learning new techniques to improve crop productivity at the Centre of Excellence for vegetables. The centre is being set up in collaboration with the Israel government at the cost of Rs. 6 crore at Ghrounda in Karnal. It will spread over 15 acres and will be formally launched by the January end next year. "We are informing farmers about the latest techniques of protected cultivation that can improve productivity by 8-10 times as compared to open cultivation methods. About 40-50 farmers are visiting centre everyday," joint director horticulture Shri Arjun Singh Saini, said.

"Seedling production has started in the hi-tech nursery with a capacity of 5.80 lakh seedlings for a cycle of 3-4 weeks. Seedlings are also being given to the farmers at a cost of 80 paise to Rs. 1.20. Production of tomato, cucumber, capsicum, watermelon and chillies is being undertaken in the nursery. Demonstration of crops is done under naturally ventilated polyhouse, insect net house and walk-in tunnel. Further, the department is exploring tie ups with private companies for post-harvest methods demonstrations as well as marketing activities."

Gurgaon-Manesar-Bawal region gets Auto Hub tag

Gurgaon-Manesar-Bawal region of Haryana has been identified as an Auto Hub by the Centre and the state government has taken initiatives to give further boost to this sector. While stating this the Haryana industries minister Shri Mahender Partap Singh said the state would continue to accord priority to this sector in allotment of developed industrial land for the existing manufacturers for meeting their expansion requirements as well as the new entrepreneurs.

Haryana State Industrial and Infrastructure Development Corporation (HSIIDC) had earlier allotted eight acre to Automotive Research Association of India (ARAI) in IMT Manesar for setting up of an Automotive Testing Laboratory, which is being run by National Automotive Testing, Research and Development Infrastructure Project (NATRIP). Another site measuring 46 acre has been allotted at concessional rates in IMT Manesar. The availability of testing and research and development facility at this centre will facilitate further development of auto and auto components industry in the state. It is proposed to create a railway siding facility in IMT Manesar for smooth transportation of the manufactured goods from out of the IMT area for export and across various destinations in the country.

Haryana to exempt agricultural land sale from capital gains tax

Haryana government has taken up the issue of absolving those farmers, whose land was acquired by the Centre, from capital gain tax purview. Agriculture, being reserved for the states under the Indian Constitution, the Centre is not entitled to tax the agricultural income. Agricultural income is, therefore, exempt under income-tax laws. Profit on the sale of agricultural land is also exempt from capital gains under income-tax laws. But two types of agricultural land does not come under the capital gains tax ambit – one that is located within municipal or cantonment board limits, where the population of the municipality/cantonment board is at least 10,000 and the second is land which is within certain notified distance (of up to 8 km) from the limits of notified municipalities/cantonment boards. Agricultural land that is situated in these areas would be a capital asset and the sale of such land would, therefore, be subject to capital gains tax. It is only in the case of agricultural land located outside these areas that capital gains tax liability would not arise on sale.

However 2% of land acquisition compensation amount will be set apart by HUDA/HSIIDC/HSAMB for expending on creation of community development /infrastructure works in the respective villages and 1% of the amount will be set apart and expended on skill development initiatives for the dependents of oustees and other landless persons.

Haryana to setup global cargo airport

Haryana chief minister, Bhupinder Singh Hooda on January 17, 2011 said that the government intended to set up an international cargo airport in the NCR region and 3,000 acre of land has been identified for the project at Bhaini Maharajpur and Bhaini Bhairon villages.

The Airport Authority of India has conducted the site survey and given go-ahead. Application has been filed with the Union ministry of civil aviation for formal approval of the project. The chief minister said that the HSIIDC has signed MoU with consortium of Japanese companies comprising Toshiba, Tokyo Gas and NEC for building 'Smart Communities' or 'Eco Cities' in the Delhi-Mumbai Industrial Corridor (DMIC) region, the country's showpiece of futuristic developmental model. Opportunities exist for the Japanese investors in development of infrastructure under the initiatives of DMIC, Global Economic Corridor along the KMP Expressways and other initiatives by the various departments in social sectors and for setting up of industrial units.

The State has so far received an investment of Rs. 4,282 crore from the Japanese multinational Companies, which constitutes more than 33% of the total foreign direct investment received in the state.

Centre clears 9 solar projects for Haryana

The Centre has approved nine solar power projects of 8.8 mw capacity to be set up in Haryana by independent power producers. These projects would get commissioned by September 2011. The Haryana power minister Shri Mahender Partap Singh said Haryana Renewable Energy Development Agency (Hareda) had invited proposals from independent power producers for installation of solar power generation plants of 100 kilowatt to 2 mw capacities in the state under Jawaharlal Nehru National Solar Mission. After state government approval, Hareda issued pre-registration certificates to 22 developers for setting up of solar power projects of 20 mw capacity, out of which nine projects had been approved by the Centre.

Haryana govt to line up 34 projects under public-private partnership

"Haryana government has taken new initiatives to increase public private partnership in several sectors. A total of six projects worth Rs. 114.94 crore under PPP have been completed so far and 21 projects with estimated cost of about Rs. 64,336.58 crore are under implementation. 34 PPP projects having estimated cost of about Rs. 2,095.82 crore are in pipeline in the state." This was stated by Haryana chief secretary, Ms. Gulati while launching the state's website on public private partnerships. PPP approach has been recognised one of the efficient tools to deliver public services.

The public works (B&R) department in Haryana had undertaken a project in PPP mode for Gurgaon-Faridabad and Ballabhgarh-Sohna roads in Gurgaon and Faridabad districts in partnership with Reliance Infrastructure, Mumbai. The project corridor provides major inter-state North-South connectivity between Rajasthan, Gujarat and Maharashtra to northern states of Haryana, Punjab, Himachal Pradesh and Jammu and Kashmir. This four-lane corridor also connects NH-8 at Kotputli to NH-10 at Rohtak.

The public health engineering department had undertaken a project for installation of water treatment plants based on reverse osmosis (RO) technology in 100 selected villages in under PPP mode with Naandi Foundation, an NGO from Hyderabad. HSIIDC had undertaken the development of Kundli-Manesar-Palwal Expressway (Western Peripheral Expressway) project in the PPP mode. On completion of the project, vehicular congestion in Delhi would be reduced to a large extent.

Haryana govt chalks out new schemes for development

Haryana Chief Minister, Shri Bhupinder Singh

Hooda said that the state government has formulated new schemes for urban and rural development under Rajiv Gandhi Urban Development Mission, and Rs. 2,500 crore and Rs. 5,000 crore would be spent for urban and rural development, respectively.

The Chief Minister said every year, Rs. 500 crore would be spent for urban development and Rs. 1,000 crore for rural development in a phased manner. Training centres will be set up at divisions level, on the pattern of Haryana Rural Development Training Centre at Nilokheri, so as to apprise the elected representatives of panchayati raj institutions about their functioning. Every year Rs. 38.50 crore would be spent for development of 10 villages in each district.

Haryana industrial Policy to give backward areas a facelift

The Haryana Cabinet on 30th December, 2010 approved the "Industrial & Investment Policy-2011" of the state. The highlights of the industrial policy are as under : -

- Inclusive growth through balanced and participative regional development
- Special focus on agro & food processing sector
- Focus on development of the micro, small and medium enterprises
- Focus on development of industrial estates in backward areas with the involvement of private sector under the PPP model
- The existing Land Acquisition Intervention Policy of May 2006 has been modified
- The ceiling for allotment of industrial plots under the 'prestigious category' has been reduced from Rs.30.00 crore to Rs.20.00 crore for 'B' category areas and Rs.10.00 crore for the 'C' category areas
- An NRI Cell has been constituted to address the various issues relating to the NRIs

Uttarakhand, UP lead in high-tech manufacturing

Uttarakhand and Uttar Pradesh lead the country in computer, electronics and optical products manufacturing. The two states together account for well over a third of the country's output of computers and high-tech devices — both in terms of making and assembling them. Uttar Pradesh has a slight edge over Uttarakhand in manufacturing but in adding value to the output by high-tech assembly, the latter leads with a share of 34.33%.

The Annual Survey of Industries for 2008-09, released by the government, pegs the share of Uttar Pradesh and Uttarakhand in India's computer and electronic products production at over 36% with Maharashtra running a close third. The proximity of Noida to major markets in the north is a major attraction for producers. An array of tax sops, offered by Uttarakhand, improved power supply, abundant water and good local talent has attracted companies like HCL, HP, Wipro Infotech, Videocon, Intex and TVS Electronics which manufacture computers, printers, servers and high-end electronic products such as LCD televisions.

U'khand, HP units get a further boost

In a major relief to industries in Uttarakhand and Himachal Pradesh, the Centre has ruled that manufacturing units given a 10-year excise exemption under hill-state incentives would be entitled to expand and introduce new products. The clarification comes in a note from Shri Ravindra J Dange, joint secretary, Central Board of Excise & Customs. Trade and industry chambers had sought a clarification on the expiry of excise exemption provided to industries set up between 2003 and March 31, 2010. This means the expansion projects or new production lines of eligible industrial units would also enjoy excise exemption. However, analysts pointed out that the benefit would accrue only up to 10 years from the initial date of commercial production. In other words, the excise exemption would be available for the remaining period even for new products.

Tata Motors, Hero Honda, Ashok Leyland and Nestle are among the roughly 5,000 companies that have set up new units in the two hill states. In Uttarakhand alone, 2,446 units were set up during the eligibility period at an investment of over Rs 26,000 crore. Most of these companies still have six to 10 years left before their exemptions expire. Tata Motors has added Nano car production at its Pantnagar plant, where it earlier produced only commercial vehicles.

Pharma companies that had set up new units were growing increasingly concerned about the issue of increasing capacity or changing formulations for future demand. Companies like Ranbaxy, Elder Pharma, IPCA Laboratories and others had already started production in their new units. The anxiety among these firms grew following an earlier CBEC clarification that companies could not introduce new formulations on the same machine. The new move, will give tremendous boost to industries in both Uttarakhand and Himachal Pradesh.

NCR gets 2nd highest FDI

Maharashtra and the National Capital Region accounted for over 50% of foreign direct investment inflows into the country during the first half of 2010-11, says the latest industry ministry data. Delhi's National Capital Region (NCR), including parts of Uttar Pradesh and Haryana, received $1.96 billion (Rs 8,961 crore) of FDI during the period. NCR accounted for 20% of the total FDI in the country. During the period, India attracted $11 billion of FDI, the data said.

Maharashtra attracted the maximum foreign direct investment (FDI) of about $2.67 billion (Rs 12,275 crore) during April-September, 2010, accounting for 34% of the total FDI in the country during the period. According to experts, the good infrastructure of states like Maharashtra and Delhi made them more attractive FDI destinations than states with poor roads and power facilities.

Karnataka was the third-most preferred FDI destination in the country, attracting $1.04 billion during the period, followed by Andhra Pradesh ($491 million), Madhya Pradesh ($398 million) and Tamil Nadu ($331 million). FDI flows into different states in India have increased steadily since the early 1990s, when the Indian economy was first opened up to foreign investment. Less developed states like Rajasthan received $13 million of FDI during the period, while Orissa and Uttar Pradesh attracted $11 million and $80 million, respectively.

The sectors that attracted the maximum FDI include services, telecommunication, metallurgical industries, power, computer hardware and software and construction. At $25.88 billion, foreign direct investment into the country in 2009-10 was 5% lower than the $27.33 billion FDI seen in the previous fiscal.

Tehsil-level facilities for farmers in J&K

To provide better market access to farmers, the Jammu and Kashmir government has decided to establish marketing facilities at every tehsil headquarters across the state. "The government is establishing marketing facilities at tehsil headquarters for the facilities of farmers as their local products will be procured by the government from their doorstep," state minister for horticulture and floriculture, Shri Sham Lal Sharma said. The region has high potential for agriculture, horticulture, floriculture, poultry farming, fisheries and animal husbandry. Shri Sharma appealed to the youth to participate in these sectors.

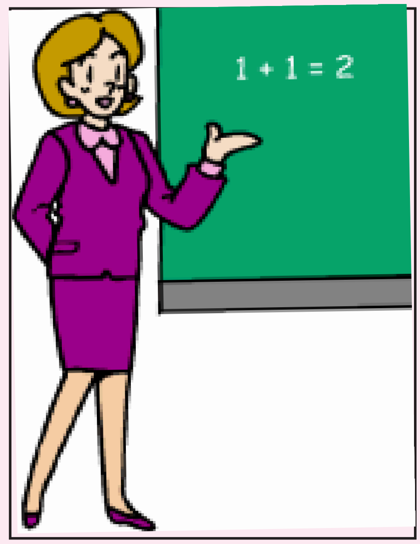
* * *

If better is possible, good is not enough.

QUESTIONS OF CYBERQUIZ ~ 28

1. What does the name BenQ - a manufacturer of mobile phones and other electronic gadgets - stand for ?

   [a] Better Entertainment and Quality; [b] Bringing ENjoyment and Quality to life; [c] Best Entertainment and Quality; [d] Better, Economical, Quality.



2. Co-founder of this company, Marc Ewing, used to wear his grandfather's favourite old red Cornell lacrosse team cap between his classes. People used to refer to him as "that guy in the red hat". name the company Ewing founded.

   [a] Adobe Systems; [b] Cisco Systems; [c] Red Hat, Inc; [d] Widow PC, Inc.

3. Which optical networking company is named after a tree that lives for more than 500 years ?

   [a] Sycamore Networks; [b] Juniper Networks; [c] Signate; [d] Mikrotik.

4. What is the connection between spreadsheet software Lotus and Indian spiritual guru Maharishi Mahesh Yogi ?

   [a] Maharishi Mahsh Yogi's ashrams worldwide were at one time the biggest purchasers of Lotus 1-2-3; [b] Lotus Development Corporation had donaed each of the ashrams of the guru a copy of Lotus 1-2-3; [c] Lotus Development Corporation got the name from the Lotus Position or Padmasana as taught by the Yogi; [d] The Yogi, guru of the founder of the company, was fond of lotus flower.

5. Nero Burning ROM is a CD-ROM burning (recording) utility from Nero Ag, a German software company. How has it got its name ?

   [a] From its popular product's name Nero Burning ROM; [b] From the founder's name; [c] From the founder's boss" name; [d] The founder of the company is fond of Rome. He named the company after the Roman emperor Nero.

For Answers See **Page No. 33**

DO YOU KNOW ?

COUNTRIES LISTED BY CONTINENT

AFRICA	ASIA	EUROPE	N. AMERICA	OCEANIA	S. AMERICA
Algeria	Afghanistan	Albania	Antigua &	Australia	Argentina
Angola	Bahrain	Andorra	Barbuda	Fiji	Bolivia
Benin	Bangladesh	Armenia	Bahamas	Kiribati	Brazil
Botswana	Bhutan	Austria	Barbados	Marshall Islands	Chile
Burkina	Brunei	Azerbaijan	Belize	Micronesia	Colombia
Burundi	Burma	Belarus	Canada	Nauru	Ecuador
Cameroon	Cambodia	Belgium	Costa Rica	New Zealand	Guyana
Cape Verde	China	Bosnia	Cuba	Palau	Paraguay
Central African	East Timor	Bulgaria	Dominica	Papua New Guinea	Peru
Republic	India	Croatia	Dominican Rep	Samoa	Suriname
Chad	Indonesia	Cyprus	El Salvador	Solomon Islands	Uruguay
Comoros	Iran	Czech	Grenada	Tuvalu	Venezuela
Congo	Iraq	Republic	Guatemala	Vanuatu	
Congo	Israel	Denmark	Haiti		
(Dem. Rep.)	Japan	Estonia	Honduras		
Djibouti	Jordan	Finland	Jamaica		
Egypt Kazakhstan	France	Mexico			
Equatorial Guinea	Korea (north)	Georgia	Nicaragua		
Eritrea	Korea (south	Germany	Panama		
Ethiopia	Kuwait	Greece	St. Kitts &		
Gabon	Kyrgyzstan	Hungary	Nevis		
Gambia	Laos	Iceland	St. Lucia		
Ghana	Lebanon	Ireland	St. Vincent &		
Guinea	Malaysia	Italy	the Grenadines		
Guinea-Bissau	Maldives	Latvia	Trinidad &		
Ivory Coast	Mongolia	Liechtenstein	Tobago		
Kenya	Nepal	Lithuania	United States		
Lesotho	Oman	Luxembourg			
Liberia	Pakistan	Macedonia			
Libya	Philippines				
Madagascar					
Malawi					
Mali					
Mauritania					
Mauritius					
Morocco					
Mozambique					
Namibia					
Niger					
Nigeria					

UNION BUDGET AT A GLANCE : 2011-12

The Hon'ble Union Finance Minister, Shri Pranab Mukherjee presented the Union Budget for 2011-12 in the Parliament on February 28, 2011. He reported that in the fiscal year 2010-11 India had shown a high economic growth. The growth rate of GDP in 2010-11 was 8.6% in 2010-11. Agriculture is estimated to have grown at 5.4 per cent, industry at 8.1per cent and services at 9.6 per cent. All three sectors are contributing to the consolidation of growth. The economy has also shown remarkable resilience to both external and domestic shocks. Due to the recovery in developed countries India's trade performance has improved. Exports have grown at 29.4 per cent to reach US Dollar 184.6 billion, while imports at US Dollar 273.4 billion have recorded a growth of 17.6 per cent during April-January 2010-11, over the corresponding period last year. Indian economy is expected to grow at 9 per cent. Inflation which has been a cause of major concern during the year is expected to be lower next year and the current account deficit smaller. Both are expected to be better managed with higher domestic saving rate and stable capital inflows.

The table below gives estimates and revised figures of revenue and expenditure for the last year i.e. 2010-2011 and the figures proposed for the next year 2011-2012 and deficits of revenue, fiscal and primary as percentage of GDP:

S.No.	ITEM	2010-2011 (BE)	2010-2011 (RE)	2011-2012 (BE)
1.	**Receipts:**			
	(a) Revenue Receipts	682212	783833	789892
	(i) Tax Revenue (Net to Centre)	534094	563685	664457
	(ii) Non-Tax Revenue	148118	220148	125435
	(b) Capital Receipts	426537	432743	467837
	(i) Recoveries of Loans	5129	9001	15020
	(ii) Other Receipts	40000	22744	40000
	(iii) Borrowings and Other Liabilities	381408	400998	412817
	Total Receipts (a) + (b)	**1108749**	**1216576**	**1257729**
2.	**Expenditure**			
	(a) Non-Plan Expenditure	735657	821552	816182
	(i) On Revenue Account of which,	643599	726749	733558
	(ii) Interest Payments	248664	240757	267986
	(iii) On Capital Account	92058	94803	82624
	(b) Plan Expenditure	373092	395024	441547
	(i) On Revenue Account	315125	326928	363604
	(ii) On Capital Account	57967	68096	77943
	Total Expenditure (a) + (b)	**1108749**	**1216576**	**1257729**
3.	**Revenue Expenditure**	958724	1053677	1097162
4.	**Capital Expenditure**	150025	162899	160567
5.	**Revenue Deficit**	276512	269844	307270
		(4.0)	(3.4)	(3.4)
6.	**Fiscal Deficit**	381408	400998	412817
		(5.5)	(5.1)	(4.6)
7.	**Primary Deficit**	132744	160241	144831
		(1.9)	(2.0)	(1.6)

The break-up of estimated receipts and expenditure both under the revenue and capital heads in terms of percentage is given as under :

S.NO.	RECEIPTS		EXPENDITURE	
A.	**Tax Receipts**	**62**	**Revenue Expenditure**	**53**
	Excise Duties	11	Defence	11
	Customs Duties	10	Subsidies	9
	Corporate Tax	24	State Share of Taxes and Duties	17
	Income Tax	11	Non-Plan Assistance to States & UTs	5
	Other Tax	6	Other Non-Plan Expenditure	11
B.	**Non-Tax Receipts**	**38**	**Capital Expenditure**	**47**
	Borrowing and Other Liabilities	27	Central Plan	22
	Non-Debt Capital Receipts	3	State UTs Plan Assistance	7
	Non Tax Revenue	8	Interest	18
	TOTAL	**100**		**100**

Highlights of the Budget :

Micro, Small & Medium Enterprises

- Rs. 5,000 crore provided to SIDBI for refinancing incremental lending out of the shortfall of banks on priority sector lending targets.
- Provided Rs.3,000 crore to NABARD, in phases for handloom weavers.

Agriculture Growth

¨ Allocation of Rashtriya Krishi Vikas Yojna (RKVY) increased from Rs.6,755 crore in 2010-11 to Rs.7,860 crore in 2011-12.

(a) Agricultural Production

- Rs. 400 crore allocated for green revolution in Eastern region.
- Rs.300 crore provided to promote 60,000 pulses villages in rainfed areas for increasing crop productivity and strengthening market linkages.
- Rs.300 crore provided to bring 60,000 hectares under oil palm plantation, by integrating the farmers with the markets.
- Rs.300 crore provided for implementation of vegetable initiative to set in motion a virtuous cycle of higher production and incomes for the farmers.
- Rs.300 crore provided to promote higher production of millets, upgrade their processing technologies and create awareness regarding their health benefits.
- Rs.300 crore provided to promote animal based protein production through livestock development, dairy farming, piggery, goat rearing and fisheries in selected blocks.

(b) Credit support to farmers

- For the year 2011-12 the target of credit flow to the farmers increased from Rs.3,75,000 crore this year to Rs.4,75,000 crore in 2011-12.
- The additional subvention for short term loans increased from 2 to 3 percent in 2011-12. Thus, the effective rate of interest for such farmers will be 4 per cent per annum.
- NABARD's capital base to be strengthened by refusing Rs.3000 crore, in a phased manner, as Government equity. Rs. 10,000 crore given to NABARD's Short-term Rural Credt Fund for 2011-12 from the shortfall in

priority sector lending by Scheduled Commercial Banks.

(c) Reduction in wastage of produce

- 24 cold storage projects with a capacity of 1.4 lakh metric tonnes sanctioned under National Horticulture Mission. In addition, 107 cold storage projects with a capacity of over 5 lakh metric tonnes approved by the National Horticulture Board.
- It is proposed to recognize cold chains and post-harvest storage as an infrastructure sub-sector.

Infrastructure

- Rs.2,14,000 crore provided for infrastructure which is 23.3 per cent higher than current ear. This amounts to 48.5 per cent of the Gross Budgetary Support to plan expenditure.

Housing Sector Finance

- Subvention of 1 per cent on housing loans extended to housing loan upto Rs. 15 lakh where the cost of the house does not exceed Rs.25 lakh from the present limit of Rs. 10 lakh and Rs.20 lakh respectively.
- The existing housing loan limit enhanced from Rs. 20 lakh to Rs. 25 lakh in urban areas.
- Provision under Rural Housing Fund enhanced Rs.3,000 crore from the existing Rs.2,000 crore.

National Manufacturing Policy

- Government to come out with a manufacturing policy, which will bring down the compliance burden on the industry through self-regulation and help make Indian industry globally competitive.

Financial Sector

- Provision of Rs.20,157 crore for infusion in the Public Sector Banks to maintain Tier I to Risk Weighted Asset Ratio (CRAR) at 8 per cent and increase government equity in some banks to 58 per cent. Provided a sum of Rs.6,000 crore for the year 2011-12 to enable Public Sector Banks to maintain a minimum Tier I CRAR at 8 per cent.
- Rs.500 crore provided to Regional Rural Banks (RRBs) during 2011-12 to enable them maintain a CRAR of at least 9 per cent as on March 31, 2012.
- "India Microfinance Equity Fund" of Rs.100 crore proposed to be created with SIDBI. To empower women and promote their Self Help Groups (SHGs), a "Women's SHG's Development Fund" with a corpus of Rs. 500 crore created.
- The corpus of RIDF XVII raised to Rs.18,000 crore in 2011-12 from Rs. 16,000 crore in the current year. The additional allocaton would be dedicated to creation of warehousing facilities.

Inclusive Development

- National Food Security Bill (NFSB) to be introduced in the parliament during the year. Rs.1,60,887 crore allocated for social sector n 2011-12 an increase of 17 per cent over current year. It is 36.4 per cent of the total plan allocation.
- Banks have identified about 73,000 habitations having population of over 2000 for providing banking facilities. Banks to cover 20,000 villages during the year.
- To boost development in the North Eastern Region and Special Category States, the allocation doubled to Rs.8,000 crore for 2011-12. Out of this Rs.5,400 crore has been allocated as united Special Central Assistance
- Rs.8,000 crore provided for Jammu and Kashmir's development needs.

Direct Taxes

- The exemption limit for the general category of individual taxpayers enhanced from Rs.1,60,000 to Rs.1,80,000 this year.
- For senior citizens :-
  - Reduced the qualifying age, from 65 years to 60 years;
  - Enhanced the exemption limit from Rs.2,40,000 to Rs.2,50,000;
  - Created a new category of Very Senior Citizens, eligible for a higher exemption limit of Rs.5,00,000.
- The current surcharge of 7.5 per cent on domestic companies reduced to 5 per cent. As a measure to ensure equal sharing of the corporate tax liability, it is proposed to levy Minimum Alternate Tax (MAT) on developers of Special Economic Zones as well as units operating in SEZs.
- To attract foreign funds for financing of infrastructure, it is proposed to:

- ❖ create special vehicles in the form of notified infrastructure debt funds;
  - ❖ subject interest payment on the borrowings of these funds to a reduced withholding tax rate of 5 per cent instead of the current rate of 20 per cent;
  - ❖ exempt the income of the fund from tax.
- The additional deduction of Rs.20,000 for investment in long-term infrastructure bonds notified by the Central Government in 2010-11 extended for one more year.
- The benefit of investment linked deduction extended to businesses engaged in the production of fertilizers to boost agriculture.
- Investment linked deduction to be given to businesses which develop affordable housing under a notified scheme.

Indirect Taxes

- Certain changes in the Central Excise rate structure proposed. Exemption withdrawn on 130 of items exempt from central Excise Duty that are mainly in the nature of consumer goods.
- A nominal Central Excise duty of 1 per cent imposed on the 130 items that are entering the tax net. Basic food and fuel would continue to be exempt.
- The optional levy converted into a mandatory levy for garments and made ups industry at a unified rate of 10 per cent. Credit of tax paid on inputs, capital goods and input services to be available to manufacturers of these products. Full SSI exemption also extended to these products. Export of these items would continue to be zero-rated.
- To improve the availability of storage and warehouse facilities for agricultural produce as well as to incentivize food processing the following exemptions have been proposed;
  - ❖ Extending full exemption from excise duty to air conditioning equipment and refrigeration panels for cold chain infrastructure;
  - ❖ Including conveyor belts in the full exemption from excise duty to equipment used in cold storages, mandis and warehouses.
- Basic Customs duty reduced on :
  - ❖ specified agricultural machinery to 2.5 per cent.
  - ❖ micro-irrigation equipment from 7.5 per cent to 5 per cent.
  - ❖ certain textile intermediates and inputs for chemicals, ferro-alloys and paper from 5 per cent to 2.5 per cent;
  - ❖ certain specific inputs for manufacture of certain technical fibre and yarn from 7.5 per cent to 5 per cent.
  - ❖ two critical raw materials of cement industry viz. petcoke and gypsum is proposed to 2.5 per cent.
  - ❖ solar lanterns from 10 per cent to 5 per cent and on a few more inputs used in the manufacture of solar modules/cells is being reduced to Nil.
- Import duties reduced on specified raw material for the manufacture of syringes and needles to 5 per cent basic and 4 per cent CVD;
- Excise duty reduced (and hence CVD) on parts of ink-jet and laser-jet printers from 10 per cent to 5 per cent.
- The rate of export duty enhanced for all types of iron ore at 20 per cent ad valorem.
- Excise duty reduced on kits for conversion of fossil fuel vehicles to hybrid vehicles and their part from 10 per cent to 5 per cent.

Service Tax

- Service tax levied on the following new services:
  - ❖ Hotel accommodation, in excess of declared tariff of Rs. 1,000 per day with an abatement of 50 per cent so that the effective burden is only 5 per cent of the amount charged;
  - ❖ Service provided by air conditioned restaurants that have license to serve liquor, by giving an abatement of 70 per cent. Thus, the effective burden will be 3 per cent of the bill.
- Service tax raised on air travel by Rs. 50 in the case of domestic air travel and Rs.250 on international journeys by economy class. Tax proposed on travel by higher classes on domestic sector at the standard rate of 10 per cent to be brought on par with journeys by higher classes on international travel.

* * *

SUCCESS STORY OF MPFC ASSISTED UNIT

M/s GEI INDUSTRIAL SYSTEMS LTD., BHOPAL

GEI was established in the year 1970 by Mr. C E Fernandes with an idea to develop on its own - Indian substitutes for imported parts and to provide Innovative Engineering Systems and Solutions. The mission of GEI is to provide Innovative and Reliable Engineered Products and Services in the Global Energy Sector at competitive prices, enhancing shareholders' value.

The works is situated in the city of Bhopal in Central India. GEI is spread over 6.5 Acres having infrastructure for design, engineering, manufacturing and testing of medium and large Air Cooled Heat Exchangers and Air Cooled Steam Condensers.

GEI is accredited with ISO – 9001-2000 Certification for quality system and hold ASME "U" and "R" Stamp Certificates for fabrication of Pressure Vessel and Heat Exchangers both in the factory and at the field or site.

GEI has about 650 qualified professionals and experienced workforce and is one of the leading Companies dealing with Heat Transfer Products such as Air Cooled Heat Exchangers and Air Cooled Steam Condensers for the Energy Sector.

The products manufactured by GEI, find application in Oil / Gas Production, Gas Processing, Oil / Gas Transport, Petroleum Refining, Petro-Chemical and Power Generation. GEI has supplied Heat Transfer Products to Africa, Australia, Europe, Middle East, South East and Far East Asian Countries and also to North and South America.

Over the years the Company has had a consistent growth, which has made GEI to emerge a winner in the fields of design, engineering, manufacturing, erection and commissioning of the Air Cooled Heat Exchangers and Air Cooled Steam Condensers.

GEI offers optimum solutions of Steam Condensing using Atmospheric Air Thermal Power Plants. GEI has the credential of having installed more than 45 units of Air Cooled Vacuum Steam Condensers and the unique distinction of presently executing orders for 40 units of Air Cooled Steam Condensers which include 4 units, each of 150 MW Plant Capacity. Riding on import substitution of yesteryears it has become a formidable player in Air Cooled Heat Exchangers and Condensers Market.

Madhya Pradesh Financial Corporation is associated with GEI since long and witnessed the phenomenal path of growth achieved by the Company. GEI has achieved turnover of INR 2500 Million.

Madhya Pradesh Financial Corporation wishes that a GEI and its Associates sustain the growth momentum.

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I am here today to be the best that I can be, seize the day, and be a zenith.

ECONOMIC SCENE

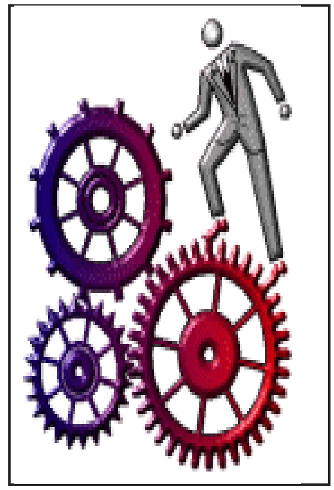
Exporters get Rs.500-cr incentives:

To help exporters fight the shrinkage of markets in the west, the commerce ministry on 11th February, 2011 announced certain incentives amounting to Rs. 500 crore. The fiscal incentives would be given to a select list of exporters under schemes such as the Focus Products and Focus Markets. Sectors from agriculture products, engineering, plastics, textiles and chemicals are going to benefit from it. Under the Focus Market Scheme merchandise exporters get duty credit of 3% on the total value of consignments. Exporters to over 15 countries including Brazil, Australia, New Zealand, China and Japan are going to avail the benefit from the scheme. The Focus Product Scheme, exporters avail duty credit of 5%.

Shri Anand Sharma commerce minister said that despite the concerns of a slow turnaround in European markets, the total exports would still touch $200 billion by the end of the financial year. In fact over the last 15 months, exports have shown signs of a remarkable turnaround growing at nearly 30%. In the April-December period exports stood at $164.7 billion. In December merchandise exports grew 36.5% to $22.5 billion, the highest in 33 months. The commerce ministry has now set up a team of officials to explore ways to double exports to $400 billion in the next three to four years.

Growth in Economy may be 9.1 percent

The Union finance ministry in December signalled that the economy was on track and could grow by as much as 9.1 per cent this financial year, the highest in three years, though rising domestic debt and fiscal deficit remained areas of concern. This is higher than the growth rate of 8.25-8.75 per cent projected by the government in the Economic Survey in February.



In its mid-year analysis of the economy, the finance ministry estimated that growth in 2010-11 would be 8.75 per cent with a variation of 0.35 per cent on either side. It, however, cautioned economic conditions in the Europe posed a downside risk to this growth. The review further said sustaining a high level of growth would require deepening of reform initiatives.

The review pins its hopes on the farm sector, saying production may rise “sharply” this year after the heaviest monsoon rains in three years, helping to boost spending in the countryside, where three-fifths of Indians live, and keeping food prices under control.

* * *

Success without honour is an unseasoned dish. It will satisfy your hunger, but it won't taste good.

ACTIVITIES OF COSIDICI

Executive Committee Meeting:

The Executive Committee Meeting of COSIDICI was held on January 18, 2011 at India International Centre, New Delhi. Shri S. Babu, E.D., APSFC requested the Secretary General, COSIDICI to approach NABARD so that it may be extend refinance to the SFCs in respect of their Agri loans. Shri K.K. Mudgil, Secretary General, COSIDICI informed that COSIDICI had already approached NABARD which was providing refinance to RRBs, Cooperatives and Cooperative Banks for their agri loans. A COSIDICI delegation had met the then Chairman, NABARD, Dr. Y.S.P. Thorat on April 23, 2007 in Mumbai with a request to include SFCs as 'eligible institutions' under the refinance scheme of NABARD. As the institutions borrowing from NABARD are required to be notified by the RBI, COSIDICI was told to approach the Apex Bank. Dr. Thorat also indicated that NABARD was under great pressure for increasing the flow of credit to agri sector and had been borrowing heavily from the market through the Govt. of India. Besides its cost of funds had gone up due to the rising interest rates but it was bound to provide cheap resources to the State Cooperative Banks and other PLIs under the special scheme of the Govt. of India. Therefore, the matter pertaining to SFCs would be reviewed in the light of the above factors. COSIDICI had thereafter approached the Dy. Governor, RBI to allow NABARD to declare SFCs as "eligible institutions" under its refinance scheme. The RBI had, however, informed that as SIDBI is the apex institution of the SFCs and has adequate resources the SFCs may garner funds from SIDBI rather than from any other institution. Shri Mudgil then apprised the members that COSIDICI had also approached Khadi and Village Industries Commission {KVIC} to implement KVIC's margin money scheme through the SFCs. But SIDBI had advised the Commission that since the implementation of the scheme required the project to be located in a rural area with a population not exceeding 20,000 the SCBs with their wide network of branches might be better suited to implement the scheme than SFCs. The Executive Committee, therefore, Resolved that:-

"As the SLFIs needed funds at low cost to service their rapidly expanding agri related business like plantation and marine processing units they may approach the RBI again for subsidy from NABARD."

Shri Mudgil informed the Executive Committee that a COSIDICI delegation had met CMD, National Housing Bank in April, 2001 wherein the proposal to make SIDCs eligible for refinance in respect of their housing loans was discussed. NHB had indicated its willingness to support the SIDCs which undertake residential housing and township development projects. It was also keen to be associated with the resettlement programmes for the Economically Weaker Section {EWS} of SIDCs. DSIIDC had been successful in implementation of this programme. NHB had advised that SLFIs need to float a separate subsidiary having a main object clause of Housing Finance to enable NHB to consider extension of refinance facility.

Shri W.V. Ramana Murthy, M.D., EDC Goa informed that as EDC Goa is already financing micro housing it would like to venture further into this business. Secretary General offered to arrange a meeting with the Chairman, NHB on a mutually suitable date so that the Corporation could foray into this activity on a larger scale.

Financial Restructuring and Revitalisation of SFCs:

The SFCs form an integral part of the financial set up in the country as they take development to the far reaching corners of the country. To carry out their mandated work of bringing about 'inclusive growth' these organisations need to work in tandem with COSIDICI as well as each other. In this connection, the Secretary General informed the

Executive Committee that COSIDICI had over the years held continuous discussions with Government of India, RBI and SIDBI which had yielded positive results.

Shri R.C. Agarwal, DGM, PFC informed the Executive Committee that as the SSI sector in Punjab is flourishing, the PFC has a lot of scope for work there. However, SIDBI is not refinancing the Corporation due to its high level of NPAs. The Corporation is paying interest from the amount recovered by it. It has also paid Rs.100 crore of interest to SIDBI. However, it has yet to pay the outstanding of the principal amount. In this connection, Shri W.V. Ramana Murthy advised him to generate revenue either by selling a commercial asset or internally to pay off debts and start the process of turnaround. He said that EDC could advise the Corporation and help them turnaround. He suggested that a nodal agency comprising COSIDICI, EDC & APSFC be formed to give consultancy to the Corporations on devising strategies for their turnaround to put their internal systems in place so as to achieve better productivity and to streamline their operations for greater efficiency.

Shri Hussain, General Manager, Jammu & Kashmir State Industrial Development Corporation, Jammu, informed the Executive Committee that the Corporation was mainly into infrastructure activity at present. It had earlier been sanctioning loans but due to the law and order situation had been unable to make any perceptible recovery. He was informed that SIDBI gave refinance only on outstanding loans to the industry. It would be better for the Corporation to solicit the support of the State government. Shri K.K. Mudgil, Secretary General, COSIDICI, felt that as the line of disparity between the SFCs and SIDCs was slowly getting blurred the best solution would be to merge the SFC and SIDC of each State resulting in a stronger organisation to face competition from Banks. The merged entity would be stronger as it would be a company and then could finance industrial units and work as an infrastructure company. It could also have access to public deposits thus reducing its cost of funds. He further informed the Executive Committee that at its meeting held on September 24, 2010 it had been decided that SFCs alongwith SIDBI may meet the Union Finance Minister to seek cheaper and adequate funds. A meeting of some SFCs with SIDBI was scheduled to be held in Mumbai on September 28, 2010. The outcome of the discussions held therein had to be informed to COSIDICI so that a delegation from COSIDICI could meet RBI to discuss the matter. As none of the participant SFCs had reverted back to COSIDICI the council had not sought a meeting with the RBI or Union Finance Minister. The Executive Committee, therefore, Resolved that:-

"each Member Corporation may appoint a nodal officer who will beep COSIDCI informed about the developments taking place in their respective Corporation. This would facilitate interaction between COSIDICI and Member Corporations as well as with each other. It would also help COSIDICI to take immediate and timely action where required."

Proposals For Amendment In SFCs Act, 1951:

The Secretary General COSIDICI informed the Executive Committee that COSIDICI vide its letters dated 2nd November 2010 and 2nd December, 2010 (copy already forwarded to all SFCs) had requested SIDBI to recommend the amendments to the SFCs Act 1951 as proposed by our members to the Government of India. In response to the above COSIDICI has received SIDBI's letter dated January 06, 2011 wherein it has advised that the amendments suggested by COSIDCI have been examined by it and that it will soon be making its recommendations to Government of India. SIDBI had further advised COSIDICI that SFCs will have to comply with all the guidelines of RBI as well as meet all the criteria stipulated by it before being allowed to accept fixed deposits. The SFCs would have to approach the RBI directly for the following issues :-

- RBI may be convinced to allow acceptance of Fixed Deposits by SFCs;
- Shortfall in meeting priority sector lending by Commercial Banks may be deposited with the concerned SFC in the State by the banks through their branches functioning in the State;
- The unutilized funds out of Budgetary allocation being provided by Central Government under MSME Act may be made available to SFCs at cheaper rate, so that the

SFCs can improve the credit flow to micro and small enterprises aggressively.

Training Programmes for Officers of SLFIs :

As the National Federation of the SLFIs, COSIDICI had made arrangements with the CAB {RBI}, Pune of the apex bank to provide training to the officers of our Member Corporations. This activity had been initiated by COSIDICI for upgradation of the professional skills of the officers as well as to increase their level of preparedness to meet the challenges thrown up by deregulation of the financial sector. The CAB (RBI) Pune had till date provided training to more than 550 officers. Its On-site programmes were much appreciated as the Corporation could provide a high level of training to a large number of officers at comparatively low cost. Shri W. V. Ramana Murthy, MD, EDC ltd., Goa requested for an on-site training programme for the Corporation and was advised to write to COSIDICI in the matter.

Shri K.K. Mudgil, then informed that Shri Kaushik Mukherjee, IAS, the then MD, KSFC, had requested at the previous Executive Committee Meeting that CAB may provide information on training programmes on subjects of interest to SLFIs which it is holding in abroad. He felt that a few deserving officers may be sent for such programmes as new techniques and methods thus learnt could be applied here to improve the working of the Corporation. Considering the vital role played by Micro, Small and Medium Enterprises (MSMEs) in economic development, the banks and the policy makers have been actively pursuing growth of the MSME sector focusing on the encouragement of entrepreneurship in the private sector. CAB (RBI) Pune had designed an International Exposure Visit Programme to Thailand and Malaysia for bankers, financial institutions, policy makers and other institutions engaged in supporting / building capacity of MSME sector from 25th October to 4th November, 2010. The 1st two days of the training were in the college campus at Pune and were followed by one week in Malaysia and Thailand in collaboration with Asian Institute of Technology (AIT) a reputed education and training institute in Asia Pacific region. Two officers from KSFC had attended the above programme.

Bi-monthly Journal~"COSIDICI COURIER":

The members appreciated the Journal and felt that it was a very powerful vehicle for dissemination of information amongst the Member Corporations. Shri K.K. Mudgil, Secretary General, COSIDICI told the members that its value will be further enhanced if they sent information in the form of articles, success stories and their working operations etc. regularly to be published in the "COSIDICI COURIER". In this connection, Shri M. S. Manivannan, IAS, MD, AFC, Guwahati, suggested that at every Executive Committee Meeting a presentation should be made by the Chief Executive Officers of two Corporations. The presentation would be about the working of the corporation, new schemes introduced by it, any changes brought about in its operations which might have proved to be beneficial and success stories. The Executive Committee welcomed the suggestion and Resolved that:-

"at every Executive Committee Meeting a presentation would be made by the Chief Executive Officers of one SFC and one SIDC on the working of their corporations. This may include new schemes, success stories or any other aspect of their operations, which have contributed to the Corporation's efficiency."

The Executive Committee further decided that at the next meeting the presentation would be made by AFC and HSIIDC.

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Link yourself to your potential, not to your past.

Govt. clears 27 proposals to set up MSME clusters

The government has approved 27 proposals for setting up clusters with common infrastructure facilities for the micro and small units, at a total cost of Rs.73 crore. The projects spread across the country would be developed in the public private partnership mode. Of the total project cost of Rs.73.40 crore, the government assistance would be Rs.51.75 crore and the rest would be funded by private players. The micro, small and medium enterprises (MSME) ministry cleared four proposals for establishing common facility centres and 17 diagnostic study report centres.

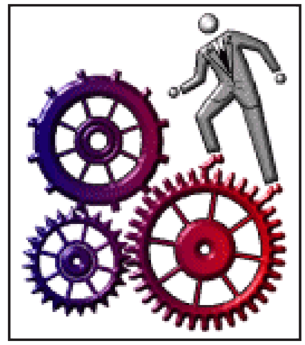
Besides these, six proposals for setting up of new industrial estates and upgrading the existing ones, under the Industrial Infrastructure Development Scheme (IIDS), were also approved.

Cabinet approves enhanced subsidy for MSMEs in J&K

The government on December 15, 2011 decided to double subsidy for micro, small and medium enterprises (MSMEs) in Jammu and Kashmir, at par with North Eastern states.

The capital investment subsidy for the MSMEs in the state will be enhanced to 30% of the investment on plant and machinery. Also, these units will now be eligible to claim subsidy each time they undertake expansion as long as the total investment on plant and machinery does not exceed the prescribed ceilings. The limit for units in the manufacturing sector is Rs. 10 crore and for the services sector Rs. 5 crore.

The scheme is one of the components of the industrial packages announced for J&K in June 2002 and for NER in April 2007, for boosting industrialisation in these states. The other industrial incentives include 100% excise duty exemption, income tax exemption, interest subsidy of 3% on working capital loan and reimbursement of comprehensive insurance premium on capital.



These changes have been made as per the recommendations of a Task Force on MSME, which was set up by the Prime Minister, Shri Manmohan Singh in September 2009, under the chairmanship of the Principal Secretary Shri T.K.A. Nair. It was formed to look into issues like non-availability of easy credit, infrastructure, taxation and labour laws as the MSME sector was badly hit due to the global economic slowdown

Haryana to address SME concerns through new cluster-based policy

Realising the adverse impact of the slowdown on micro, small and medium enterprises, the Haryana government's new Industrial and Investment Policy-2011 aims to give the state's MSMEs a fresh lease of life through the adoption of a cluster-based approach.

A roadmap has been drawn up to indicate how to proceed in the cluster-based development approach. This time 10-12 sectors have been identified where cluster development will be targeted. These will seek financial support from the ministry of MSME under various schemes available for small units.The clusters will meet the requirement for common facilities such as product design and development, quality certification, laboratory testing and effluent treatment.

Individual SMEs lack the resources to invest in facilities like product designing and marketing networks; the cluster approach is expected to take care of this. Steps have already been initiated to set up such clusters for scientific instruments at Ambala, light engineering goods at Faridabad and the handloom industry at Panipat. Besides this, an e-governance system for efficient delivery of services and the development of a content-rich portal for dissemination of information to MSMEs have also been planned.

Rs. 2,500-crore tech fund for MSME on cards

The Ministry of Micro, Small and Medium Enterprises (MSME) is set to launch a Rs. 2,500 crore technology acquisition and upgradation fund for the MSME sector. The fund, aimed at enabling the small scale sector to upgrade its technology, would be managed by a Special Purpose Vehicle comprising experts and people from the industry. This was informed by Shri Uday Kumar Varma, Secretary, ministry of MSME, while speaking at the inaugural session of the 7th IFEX (Indian Foundry Exposition) at Chandigarh on 11th February 2011.

Shri Varma also informed that his ministry has launched two other important programmes aimed at development of the industry in small sector and increasing its competitiveness. The first, National Manufacturing Competitiveness Programme has ten components which are aimed at increasing the competitiveness of this important sector, while the Cluster Development Programme, which comprises diagnostic study of the sector and interventions is aimed at developing the small scale industry clusters in a planned manner. Though the MSME sector has been doing quite well, it still faced many challenges such as the challenge of getting adequate credit, need for upgradation of technology, appropriate infrastructure, skilled manpower and marketing skills.

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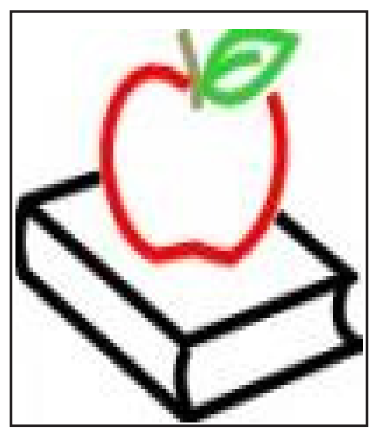
ANSWERS OF CYBERQUIZ ~ 28



1.[b] Bringing ENjoyment and Quality to life : BenQ Corporation is a Taiwan-based company specializing in the manufacturing of computing, communications, and consumer electronics devices.

2.[c] Red Hat, Inc : He lost the cap and had to search for it desperately. The manual of the beta version of Red Hat Linux had an appeal to readers to return his Red Hat if found by anyone !

3.[a] Sycamore Networks : It was co-founded by Gururaj Deshpande in 1998. It develops and markets intelligent optical networking products that transport voice and data traffic over wavelengths of light.

4.[c] Lotus Development Corporation got the name from the Lotus Position or Padmasana as taught by the Yogi : Lotus founder Mitch Kapor got the name from “The Lotus Position” or “Padmasana” in the Indian yoga practice. Kapor used to be a teacher of Transcendental Meditation technique propounded by the yogi.

5.[a] From its popular product’s name Nero Burning ROM : German name for Rome is Rom. There is a popular legend that Nero was playing his fiddle even as Rome was burning. So the product name is a king of pun as recording on CDs is called burning it.

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Exports from SEZs rise 47 percent in April-Dec

Exports from Special Economic Zones (SEZs) stood at Rs.2,23,132 crore in the April-December 2010 period, a rise of 47 per cent, compared with Rs.1,51,785 crore in the same period of the last financial year, according to data released by the Export Promotion Council for export-oriented units (EOUs) and SEZs.

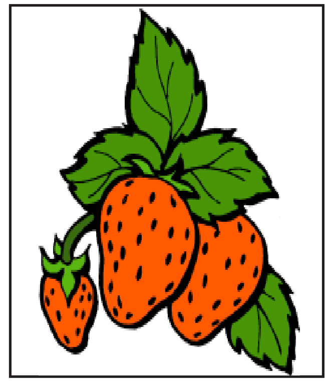
So far, the government has approved 582 SEZs, of which, 374 have been notified. Currently, a total of 130 SEZs are under operation and these contribute to exports from these zones. As on December 31, 2010, the total investment in SEZs stood at Rs.1,95,348 crore, according to the data. During 2009-10, total exports from SEZs stood at over Rs.2,20,711 crore. Exports from EOUs and SEZs account for 36 per cent of the country's total exports.

WB approves $ 1.5 bn for rural roads in North

The World Bank on December 22, 2010 approved a $1.5-billion credit and loan for India's Pradhan Mantri Gram Sadak Yojana (PMGSY) aimed towards improving rural accessibility of roads. The new project will concentrate on the states of Himachal Pradesh, Jharkhand, Meghalaya, Punjab, Rajasthan, Uttarakhand, and Uttar Pradesh.

Over the next five years, the project will aim to provide these states with an average connectivity of around 91% by constructing 24,200 km of all-weather roads to benefit an estimated 6.1 million people. The project will also develop a system for maintaining these roads in good condition in the long run. "A good road network can generate many commercial and social benefits for rural economies through increasing access to goods as well as services such as health and education."

The credit and loan is from the International Development Association (IDA)—the World Bank's concessionary lending arm, which provides interest-free loans with 35 years to maturity and a 10-year grace period, and from the International Bank for Reconstruction and Development (IBRD) which has a 5-year grace period, and a maturity of 18 years.



While the PMGSY has since added 2,74,000 km of new roads, the vast parts of the country, especially in economically weaker and hilly areas, continue to remain inaccessible. The project also includes $60 million in technical assistance to build the capacity of the rural roads agencies, especially in the ongoing management of assets and the sustainable maintenance of roads.

ADB to give Bihar $ 300 m to upgrade Roads

Bihar has built roads in the state at the cost of $420 million in collaboration with the Asian Development Bank. ADB also plans to release $300 million this month to bring another 1,000 km of rural roads to the standard of state highway.

The most significant piece of change is the coming up of 1,054 km of state highways, the Patna-Gaya link being one of them. The process started in 2006 when the Bihar government began the process of upgradation of district and rural roads to state highways. The process is now over and the government has declared that another 827 km of roads would be upgraded to the standard of state highway.

The first tranche of $420 million loan funded 820 km of state highway project costing Rs.1,654 crore. The Bihar government has been able to withdraw $117 from the total agreed loan amount, which is ahead of the estimated target of withdrawing $110 million.

World Bank lends $ 1.7 b for roads, fighting cyclones

The World Bank on January 14, 2011 pledged $1.72 billion in loans to India, mainly for building 24,000 km of roads in rural areas which is the largest roads project to be approved by the bank according to the World Bank President, Mr. Robert Zoellick.

The World Bank also pledged $255 million to the first phase of a project that aims to mitigate effects of cyclones.

"India has shown the world its ability to recover from the global crisis, and we stand ready to be a partner," Mr. Zoellick said. He further said that the bank's funding and technical resources are to be used quickly to build infrastructure to sustain high growth and overcome the bottlenecks.

Maharashtra scraps Maha Mumbai SEZ notification

Signalling an end to the Reliance-led Maha Mumbai Special Economic Zone (SEZ) in Raigad, Maharashtra government has said farmers are free to utilise their lands as they deem fit.

"The government has taken an important decision to remove the remark on their 7/12 (land record) extracts which so far mentioned that the land was reserved for the SEZ," an official said. The decision has been taken by Revenue Minister, Shri Balasaheb Thorat "in the interests of farmers" as process of land acquisition for the SEZ wasn't completed in the stipulated period.

The period of two years allotted under the Land Acquisition Act to acquire land for the ambitious project had lapsed in December 2009 but the government had so far made no official announcement on the issue.

This meant the 7/12 (land record) extracts of farmers in the project area, comprising 45 villages in Uran, Pen and Panvel talukas, continued to carry the remark that the land was reserved for the SEZ project, preventing farmers from selling, buying, or transferring their lands. "Farmers were in a dilemma so far, but now they are free to use their lands as they wish."

The land acquisition procedure for the proposed SEZ project, spread over 35,000 acres in Raigad, was started in May 2006 but the company managed to acquire only 13% of the land within the stipulated period and faced strong opposition from farmers. In September 2008, the state government conducted a referendum, in which the villagers voted against the project.

ADB to fund tourism infra projects in HP

The Asian Development Bank (ADB) has agreed to fund tourism infrastructure projects in Himachal Pradesh. This is the first time when the state will be receiving direct foreign assistance in this prime sector and also marketing state's tourism potential internationally. "Himachal lays great significance to the development as ADB funding would make a huge difference to the tourism sector".

ADB would provide funding of $ 95 million to the tourism and civil aviation department for development of tourism related infrastructure in the state. The funding would be to upgrade tourism infrastructure in the heritage, eco and cultural sectors.

The state is set to introduce houseboats in prominent lakes. The HPTDC is also planning to announce a special package for visitors to woo foreign tourists to the hills. Health tourism, sports, adventure and pilgrimage tourism are also being promoted.

Haryana SEZ land will cost RIL more

Reliance Industries (RIL) will now have to spend more to acquire land for its proposed 25,000-acre special economic zone (SEZ) at Jhajjar in Haryana. The Haryana government has raised the rates of land in the region to Rs 20 lakh per acre from the earlier Rs 16 lakh.

RIL has so far acquired 9,000 acre for the project at Rs 16 lakh per acre and needs to acquire another 9,000 acre. The rest of the acquisition would be facilitated by the state government. Haryana State Industrial and Infrastructure Development Corporation holds 10% stake in the SEZ as a joint venture with RIL.

The state government has also made it mandatory that the company must pay an annuity income of Rs.40,000 per acre to farmers selling land for the next 30 years.

Govt to infuse Rs.4,156 cr in seven banks

The government will infuse fresh capital aggregating Rs.4,156 crore in seven state run banks by subscribing to their preferential issues Indian Overseas Bank will receive Rs.1,054 crore, UCO Bank – Rs.940 crore, Syndicate Bank- Rs.635 crore, Andhra Bank – Rs.618 crore, United Bank of India – Rs.308 crore, Corporation Bank – Rs.309 crore and Allahabad Bank - Rs.292 crore. The Board of Directors of all the seven banks have approved the preferential allotment to the government. The capital infusion will enable these banks to boost their capital adequacy ratio. The allotment of capital in the form of preferential allotment will also raise the government's stake in these banks marginally between two to four per cent. The Finance Minister, Shri Pranab Mukherjee announced capital infusion of Rs.15,000/- crore into public sector banks during the current fiscal to ensure that these entities are able to attain a minimum 8% Tier-I capital by March 31.

Banks exposure to infra companies CDS capped

The RBI on February 23, 2011 said banks exposure to credit default swaps of infrastructure companies would be capped at 10% of their investment portfolio. The central bank is also in favour of foreign institutional investors or FII participation in this market to hedge their credit risk. Investors use CDS to hedge themselves against risk on corporate bonds. In its draft guidelines on credit default swaps for corporate bonds the RBI has included FIIs in the user category. These entities the RBI said, "Would be permitted to buy credit protection only to hedge their underlying credit risk on corporate bonds."

RBI raises Capital Adequacy Ratio for Deposit-taking NBFCs

The Reserve Bank of India on February 17, 2011 raised the minimum capital adequacy ratio (CAR) for deposit-taking non-banking financial companies (NBFCs) from 12 per cent to 15 per cent, effective from March 31, 2012. It expects that tightening of prudential norms will provide a cushion to these NBFCs in times of stress. So, for every Rs 100 advance, NBFCs should have Rs 15 as core capital. Capital adequacy ratio is a measure of core capital expressed as a percentage of assets weighted credit exposures. Non-deposit taking NBFCs are already required to maintain a CAR of 15 per cent.

NABARD loan for Haryana

NABARD has extended Rs.209.20 crore loan for remodeling of 462 water course projects and construction of 14 bridges in Haryana.

The bank also sanctioned 15 drinking water supply projects in the Mahendergarh district of the state. The remodeling of watercourses projects will bring an area of 42,518 ha under irrigation. The proposed bridge projects will connect 336 villages with 34 marketing centres and will also reduce a distance of 68 km. Another 15 projects of drinking water supply will result in safe drinking water to 23 villages in Mahendergarh district. These projects would generate non-recurring employment of about 22.89 lakh man-days and 3,988 recurring jobs.

IFC offers Rs.160 cr lifeline to microfin co Bandhan

International Finance Corporation, an investment unit of the World Bank, proposed to invest Rs.160 crore in Bandhan. India's Rs.25,000 crore micro-finance sector is under siege after reports of some unsound practices by some of the companies in lending and recovery of loans. The Reserve Bank of India has formed a panel under Chartered Accountant, Shri Y.H. Malegam to suggest ways to regulate microfinance companies. The investment would enhance Bandhan's networth to Rs.510 crore from Rs.350 crore now. According to IFC's internal report, the investment would increase the MFI's outreach in the 18 states where it operates as well as expand its operations in other states, where access to finance is most scarce.

Islamic investment firms gets Kerala HC approval

The Kerala State High Court approved the setting up of a Sharia Complaint Islamic Investment Company in Kerala. Kerala government was hoping to float an NBFC in the name of Al Barakah Financial Services Company through the state-owned Kerala State Industrial Development Corporation (KSIDC) in association with some Kerala based entrepreneurs who are averse to an interest-based system.

"Islamic teaching encourages trading, investment and charitable giving, but frowns on the giving or receiving of interest, or riba, which it categorises as usury. Sharia stipulates against earning fixed returns such as interest, warns against excessive speculation and shares the risk of the business," he said.

Important Banking and Financial Developments in 2010

January

- Cash reserve ratio (CRR) of scheduled banks increased by 75 basis points from 5.0 per cent to 5.75 per cent of their net demand and time liabilities (NDTL) in two stages.

February

- A new category of non-banking finance companies (NBFCs) known as infrastructure finance companies (IFCs) introduced. To be classified as an IFC, a nondeposit taking NBFC should have : (i) a minimum of 75 per cent of its total assets deployed in infrastructure loans; (ii) net owned funds of ' 300 crore or above; (iii) minimum credit rating of 'A' by an accredited rating agency; and (iv) capital to riskweighted assets ratio (CRAR) of 15 per cent.

March

- Definition of infrastructure sector expanded, for the purpose of availing ECB, to include "cold storage or cold room facility, including for farm level pre-cooling, for preservation or storage of agricultural and allied produce, marine products and meat".

April

- SCBs directed to switch over to the new system of base rate in place of the earlier benchmark prime lending rate (BPLR) system from July 1, 2010.
- Banks permitted to engage any individual, including those operating common service centres as business correspondents (BCs), subject to banks' comfort level and their carrying out suitable due diligence as also instituting additional safeguards as may be considered appropriate to minimise the agency risks.

May

- All SCBs including RRBs and local area banks advised not to accept collateral security in the case of loans up to ' 10 lakh extended to units in the medium and small enterprises (MSE) sector.
- The Reserve Bank clarified that loans granted by banks for agricultural and allied activities would be eligible for classification under priority sector, irrespective of whether borrowing entity is engaged in export or otherwise.
- The Reserve Bank directed that while granting finance to housing/development projects, NBFCs should stipulate as a part of the terms and conditions that: (i) the builder/ developer/ owner/company should disclose in the pamphlets/brochures/ advertisements etc., the name(s) of the entity to which the property is mortgaged; and (ii) the builder/developer/ owner company should indicate in the pamphlets/brochures, that they would provide no objection certificate/permission of the mortgagee entity for sale of flats/property, if required.

June

- Banks permitted to waive margin/security requirements for agricultural loans up to ' 1 lakh. The earlier level was Rs.50,000.

July

- Take-out financing arrangement through external commercial borrowing (ECB) permitted under the approval route for refinancing of rupee loans availed of from domestic banks by eligible borrowers in the sea port and airport, roads including bridges and power sectors for the development of new projects.

August

- General permission granted to domestic scheduled commercial banks {other than regional rural banks (RRBs)} to operationalise mobile branches in Tier 3 to Tier 6 centres (with population up to 49,999 as per Census 2001) and in rural, semi-urban and urban centres in the North-Eastern States and Sikkim.

September

- SCBs including RRBs and local area banks (LABs) permitted to engage companies registered under the Indian Companies Act, 1956, excluding NBFCs, as business correspondents in addition to individuals/ entities permitted earlier.

October

- Banks and select all-india financial institutions (AIFIs) advised that the promoter's sacrifice and additional funds required to be brought in by the promoters should be brought in upfront.

November

- Well managed and financially sound UCBs that have a minimum assessed net worth of Rs.50 crore, allowed to extend their area of operation beyond the state of registration as also to any other state/s of their choice, subject to conditions.

December

- SLR for SCBs reduced from 25 per cent of their NDTL to 24 per cent from December 18, 2010.
- The risk weight for residential housing loans of Rs.75 lakh and above, irrespective of the LTV ratio, to be 125 per cent.
- In view of the higher risk associated with housing loans sanctioned at teaser rates, the standard asset provisioning on the outstanding amount, in respect of such loans, increased from 0.40 per cent to 2.0 per cent.

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MISCELLANY

REGULATORY AUTONOMY

What is regulatory autonomy ?

Financial market regulators like the Reserve Bank of India, the Securities Exchange Board of India (SEBI) and the Insurance Regulatory Development Authority (IRDA) have their jurisdiction over different segments of the market. Their activities are overseen by the government, though they are supposed to be autonomous - meaning the government will not interfere in their daily functioning or in the rules and guidelines they formulate for market participants. But there is a regular interface between the government and the regulators over several issues.

How does this interface work?

In case of RBI, its most essential function is that of public debt management on behalf of the government. RBI performs an important function of regulating the volume and the value of money in circulation in the system, both locally as well as globally. So whether and how should the money created by RBI be used for government expenditure becomes an issue of conjecture.

In which areas do regulators interact with the Government ?

There are three areas where autonomy of the regulator interacts with the powers of the legislature - matters of appointment, matters of monetary policy making and matters of finance of public debt, as a whole, maintenance of financial stability of the economy. In matters of appointments, we refer to the extent of the government's involvement in appointment, dismissal and terms of procedures of central bank top officials and the governing body. Autonomy in financial matters, refers to RBI's power to manage the limit of its credit to be used for servicing government's expenditure. Finally autonomy in terms of policy making refers to the autonomy of RBI to formulate and regulate the monetary policy.

Have there been instances of clashes between RBI and the Government in the past?

The differences were summarized by former Governor, Shri Y.V. Reddy. Reserve Bank of India came to be nationalized in 1948. Back then there were minimal areas of conflict as price inflation was modest. But differences have always been there. For example, during the five-year plans in the 1950s, RBI did not approve of financial planning being substituted with "Physical Planning", but it had little autonomy to oppose it. The differences between the RBI and the government led to resignation by Governor Rama Rau. In the '60s Governor Iyenger identified four areas of conflict between the RBI and the Government - interest rate policy, deficit financing, co-operative credit policy and management of sub-standard banks. But in the post-liberalization period, the relationship between the two took a new turn. In 1994, RBI and the legislature mutually disabled the ad-hoc treasury bills, the move moderated the magnetization of government deficits

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According To Recognised Aerotechnical Tests, The Bumble Bee Cannot Fly Because Of The Shape And Weight Of Its Body In Relation To Its Total Wing Area. The Bumble Bee Doesn't Know This, So It Goes Ahead And Flies Anyway.

HOW TO BALANCE GROWTH & ENVIRONMENT

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