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*The views expressed in the journal are those of the contributors and not necessarily of
the Council of State Industrial Development and Investment Corporations of India.*



FROM THE DESK OF THE EDITOR

ROLE OF DEVELOPMENT FINANCIAL INSTITUTIONS (DFIs)

Role for the State

Well developed infrastructure and key/basic industries are a prerequisite for and facilitators of growth in other sectors of an economy. However, both these sectors are characterised by long gestation lags, higher risk and lower monetary returns. Most savers/investors would not like to lock up their capital for long periods especially in projects that are inevitably “risky”. As a result, in the market for finance there is bound to be a shortage of long term capital, with savers looking for investments that are more short term, are “liquid” in the sense that they can without too much difficulty be converted into cash and are not too risky. Further, even to the extent that long term capital is available, it’s owners would be less than willing to enter certain areas if driven purely by private incentives. Hence, if private rather than social returns are to drive the allocation of financial savings, these key sectors would receive inadequate capital, even though their capital-intensive nature demands that a larger share be invested in them. This “*short-termism*” can result in inadequate investment in these crucial sectors with long-term potential from the point of view of growth and would obviously constrain long term sustainable growth as also the rate of growth.

Experience indicates that the State has the capacity to assess and guide the allocation of investment towards infrastructure and basic industries as well as towards a growth-oriented pattern of production of goods and services to match global opportunities and own economic capabilities using a range of mechanisms such as directed credit and differential interest rates, besides public investment financed with taxation. Through its financial policies, the State must ensure an adequate flow of credit at favourable

interest rates to companies investing in these crucial sectors, so that they can not only make investments in frontline technologies and internationally competitive scales of production, but also have the means to sustain themselves during the



V.S. RATHORE
Secretary General, COSIDICI

long period when they expand market share. Since one of the objectives of these actions is to guide investment to chosen sectors, the rate of interest on loans to these favoured sectors may have to be lower than even the prime lending rate offered to the best borrowers, judged by credit-worthiness. That is, differentials in interest rates supported with subsidies or enabled by cross-subsidization is part of a directed lending regime.

Development Financial Institutions

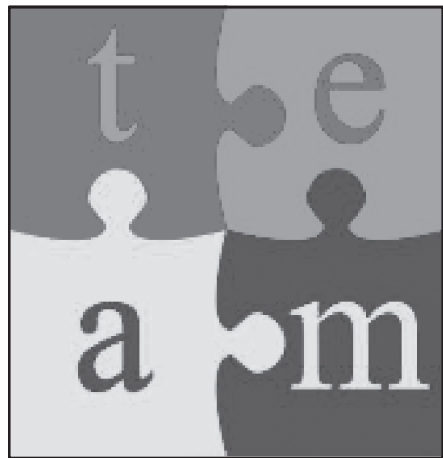
Development Financial Institutions (DFIs) or *development banks* have been major conduits, particularly in developing countries, for channelling funds to these crucial/favoured sectors. DFIs mainly provide long-term finance and/or investments to capital-intensive sectors and long gestation projects. Since such lending often leads to higher than normal debt to equity ratios, development banks, in order to safeguard their loans/investments, closely monitor the operations/performance of the companies they lend to by nominating directors on the boards of the assisted companies so as to have an insider’s view of their functioning and finances. This enables them to take timely corrective action in case of any signs of wrong decision-making or operational weaknesses in these companies.

In addition to providing financial assistance, DFIs often provide 'technical assistance' viz. drawing up project plans, identifying technology, implementing the project and in some instances even guidance in operating the plants. They also undertake some of the entrepreneurial functions, such as determining the scale of investment, the choice of technology and the markets to be targeted. This requires more than just financial expertise, and hence DFIs build a team of technical and managerial (besides financial) experts. This close involvement makes it possible for DFIs to invest in equity as well and as a result these institutions also provide merchant banking services to companies they lend to, including mobilising equity capital by underwriting equity issues, resulting in increased equity exposure. Thus, *development banks* both lend and invest, and also monitor the performance of assisted companies - in fact they leverage lending to influence investment decisions. In other words, they are a component of the financial structure which can guide and influence investments decisions so as to ensure that lending leads to productive investment that brings about planned economic development and accelerates growth.

The Indian experience

In India *development banking* has been successfully used as a mechanism to address the issues of late industrialization and under developed economy. In fact, development banking was indispensable for India post Independence in view of two more specific features of the Indian economy, viz. inadequate accumulation of own capital in the hands of indigenous industrialists; and absence of a market for long term finance (such as bonds or active equity markets), which companies could access to part finance capital-intensive projects. Lending to industrial investors making long term investments requires allocating large sums to single borrowers, with the loans being risky and substantially illiquid over long periods of time. Expecting *commercial banks* to

be prime lenders for infrastructural and other long gestation investments would result in significant maturity, liquidity and risk mismatches.



In fact there are limits to which *commercial banks* should be called upon to take on the responsibility of financing long-term investments. Commercial banks attract deposits mainly from many small and medium (besides, of course, large) depositors, who have relatively short savings horizons, would prefer to avoid income and capital risk, and expect their savings to be relatively liquid, so that they can be easily withdrawn at short notice and from time to time.

In a commercial bank-dominated financial system as was in India at the time of independence, there would always be shortfall in the availability of long term finance for which other sources had to be found. This was the gap that the State promoted *development banks* sought to fill. This financial infrastructure was created over a relatively long period of time with the setting up of multiple institutions with different mandates. Funds for the various development banks came from multiple sources other than the 'capital market' viz. the Government's budget, the surpluses of the Reserve Bank of India, and bonds subscribed by other Financial Institutions. Given the reliance on Government sources and the implicit sovereign guarantee that the bonds issued by these institutions carried, the cost of capital was relatively low, facilitating lending for long-term purposes at concessional rates of interest.

Over the years, after independence, India has created an elaborate *development banking*

structure. There were a number of *development banks* established over time, catering to different segments of industry and/or different regions. The process started immediately after Independence, with the setting up of the Industrial Finance Corporation (IFCI) in July 1948 to undertake long term term-financing for industries. In addition, State Financial Corporations (SFCs) were set up under an Act that came into effect from August 1952 to encourage financing and promoting small and medium-sized industries, particularly by first generation entrepreneurs, in various States by providing concessional industrial credit as well as technical guidance and support. There was another initiative by the States in the 1960s, when State Industrial Development Corporations (SIDCs) were set up to promote industrial development in the respective States. In January 1955, the Industrial Credit and Investment Corporation of India (ICICI), the first DFI in the private sector was established with the support of the World Bank in the form of a long-term foreign exchange loan and backed by a similar loan from the US government.

As *development banks* are special institutions, the *central bank* – Reserve Bank of India has played a significant role in the evolution of an enabling financial structure for the growth of DFIs. An Industrial Finance Department (IFD) was established in 1957 within the Reserve Bank of India and in June 1958, the Refinance Corporation for Industry was set up, which was later taken over by the Industrial Development Bank of India (IDBI) in 1964. With a view to supporting various term-financing institutions, the RBI set up the National Industrial Credit (Long-Term Operations) Fund from the year 1964-65. Specialized financial institutions set up subsequently included NABARD (1981); EXIM Bank (1982) - which took over some functions related to export-oriented units from IDBI; National Housing Bank (1988); the Tourism Finance Corporation of India (1989), set up by IFCI; Small Industries Development Bank

of India (SIDBI in 1990) - with functions relating to the micro, medium and small industries sector taken out of IDBI; North Eastern Development Finance Corporation (NEDFi) (1995), and IDFC (1997).

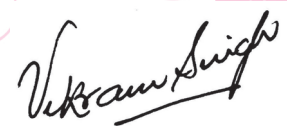
India's experiment with *development banks* which began with the establishment of the Industrial Finance Corporation of India (IFCI) in July 1948, and continued to grow till 1993-94, started to decline post liberalization in mid-nineties but continues to this day, though in considerably diminished form. There have been *three phases* in the evolution of *development banks* in India. The *first* began with Independence and extends to 1964 when the Industrial Development Bank of India was established, which was the phase of creation and consolidation of a large development-banking infrastructure. The *second phase* stretched from 1964 to the middle of the 1990s when the role of the DFIs gained in importance, with the assistance disbursed by them touching 10.3 per cent of Gross Capital Formation in 1990-91 and 15.2 per cent in 1993-94. The *third phase* after 1993-94 has seen the decline in importance of *development banks* with the decline being particularly sharp after 2000-01, as liberalisation resulted in the exit of some DFIs by 2003-04. As a result, assistance disbursed by the DFIs came down drastically to just 3.2 per cent of Gross Capital Formation in 2011-12. In so far as assistance to small and medium sector industries are concerned, the specialised institutions set up to support small and medium industries at the state and national levels (*SIDBI, the SFCs and the SIDCs*) accounted for between 15 and 30 per cent of disbursements in the 1990s. Even the small industry-focused financial institutions saw a decline after 2000 for a short period, but registered a revival as the SIDBI took on an important role. However, after 2011-12, SIDBI's role has also been declining together with the decline in operations and closing of a number of SFCs.

The pattern of resources raising for DFIs also began to change in the late 1980s when the availability of foreign finance from the private financial market (as opposed to the bilateral and multilateral development aid network) opened up, largely because of changes in the international financial system. This access was seen as providing an opportunity to pursue a more outward oriented development strategy based on all-round liberalisation and de-regulation. An important component of the economic reforms was financial liberalisation that provided for a growing role for domestic and foreign firms in the financial sector, and offered all financial institutions greater flexibility in mobilising resources and in lending/investing them. It was at this point that these domestic and foreign private institutions resented the ability of the DFIs to obtain concessional finance to fulfil their mandate, and thereby compete with them and keep them out of areas that they were earlier least interested in entering, but were now looking to enter. The resulting pressure to create a 'level playing field', to which the government succumbed not because that was unavoidable but because its own commitment to liberalisation triggered the process of transforming leading DFIs into commercial banks, starting with the Industrial Credit and Investment Corporation of India (ICICI) in 2002 and the Industrial Bank of India (IDBI) in 2004. Though the period since then is relatively short, India's experience during the heydays of *development banking* and during its early phase of decline offers much in support for the revival of

DFIs based on the stellar role these specialised institutions have played in the economic and industrial development in India.

Conclusion :

State intervention is needed because the relationship between financial structure, financial growth and overall economic development is indeed complex. If the financial sector is expected to autonomously evolve and is left unregulated, market signals would determine the allocation of investible resources and therefore the demand for and the allocation of savings would be mainly intermediated by private financial enterprises. This could result in the problems conventionally associated with a situation where private rather than overall social returns determine the allocation of financial savings and investment. It could also limit the flow of savings to sectors that are a pre-requisite for industrialisation and sustainable economic growth. This is all the more true for our country even today where there is still a pressing need for revival of suitable DFIs to play the much needed supportive role in providing development finance for building state of the art infrastructure, in other favoured sectors and more important to promote new generation entrepreneurs in the small and medium scale sectors.



(V.S. RATHORE)



Life would be perfect if: some girls had mute buttons, some guys had edit buttons, bad times had fast forward buttons, and good times had pause buttons.



APPOINTMENTS

- ♦ Shri Sanjeev Ahuja, IAS has been appointed as Managing Director, Delhi State Industrial & Infrastructure Development Corporation (DSIIDC), New Delhi vice Smt. Gitanjali Gupta Kundra, IAS.
- ♦ Shri D.V. Prasad, IAS has been appointed as Chairman & Managing Director, Karnataka State Financial Corporation (KSFC), Bangalore vice Smt. Vandita Sharma, IAS.
- ♦ Smt. Samita Bharadwaj, IAS has been appointed as Managing Director, Madhya Pradesh Financial Corporation (MPFC), Indore vice Shri K.C. Gupta, IAS.
- ♦ Dr. Anwaruddin Choudhury, IAS has been appointed as Managing Director, Assam Financial Corporation (AFC), Guwahati vice Shri D. Malakar, IAS.
- ♦ Shri S.V. Naik has been appointed as Managing Director, Goa Industrial



Development Corporation (Goa-IDC), Panaji, Goa vice Shri Menino D'souza.

- ♦ Shri T. Karikalan has been appointed as Managing Director, Pondicherry Industrial Promotion Development and Investment Corporation Ltd. (PIPDIC), Puducherry vice Shri T.M. Balakrishnan, IAS.
- ♦ Shri Ajay Kumar Pandey has been appointed as M.D. & Group CEO of Global Financial Services hub Gujarat International Finance Tec-City (Gift-City).



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IT'S TIME TO REFORM THE HR POLICIES OF PSUs

** Dr. A. Jagan Mohan Reddy*

Introduction

It's the people in an organization that carry out many important work activities. Managers and HR professionals have the important job of organizing people so that they can effectively perform these activities. This requires viewing people as human assets, not costs to the organization. Looking at people as assets is part of contemporary human resource management and human capital management. The term human resource refers to the total knowledge, creative abilities, skills, talents and aptitudes of an organization's work force and development means enhancement of the skills and abilities of the employee in the present job as well as making him capable of doing so in the future assignments too.

A question may arise as to why it's so important ?

All other resources, in the competitive environment of today, are available, accessible and affordable to all the companies and it's only the human resource, which appears on both "Demand and Supply side", that can provide required cutting edge to the companies. The importance of this vital resource can be gauged from the following statements:

"Some growth of course can be had from the increase in more conventional capital even though the labour that is available is lacking both in skill and knowledge. But the rate of growth will be seriously limited. It is simply not possible to have the fruits of modern agriculture and the abundance of modern industry without making large investments in human beings. So no organization can neglect the factor of human resources while formulating its business strategy".

-TW Schultz (1962)-Noble Laureate

"Access to machinery and equipment is not the differentiating factor. Ability to use it effectively is. A company that lost all of its equipment but kept the skills and know-how of its workforce could be back in business relatively quickly. A company that lost its workforce, while keeping its equipment would never recover"



Dr. A. Jagan Mohan Reddy

-Robert Mclean on HR'

What More ?

'A significant portion of the nation's wealth resides in its people'.

- Adamsmith

The education, experience and expertise portfolio of the employees makes a significant difference in the quality of business in any economy – developing or developed. Human Capital – therefore – represents a strategic advantage in the increasingly competitive international economy in which we all participate. Let's look at the change in the Outlook towards HR:

We started with Personnel Management, wherein the emphasis was on management of people employed treating it as a cost centre. Subsequently, Human Resource Management took its place, with a holistic approach, emphasizing on social and psychological factors and treating it as a profit centre. In the modern times of today, the shift is towards aligning people / policies with that of Business Strategy, i.e., Strategic HR.



Before we go further, let's have a look at **Major Challenges in Managing Human Resources**

- ◆ Competitive Advantage - How to Manage and Incorporate HR's
- ◆ From Routine/Reactive to Proactive and Strategic Management of HR's
- ◆ Success - formulation and implementation of HRS.

Need of the Hour

- ◆ Integrating HR systems and practices with Business Strategy.
- ◆ Facilitating enabling environment leading to enhanced levels of employee engagement, cost competitiveness higher retention, enhanced organizational effectiveness and profitability.

What is the Issue ?

A recent newspaper report says, "To ensure uniform minimum wages across the country, the Centre has hiked the national floor level from Rs137 per day to Rs160 a day with effect from 1 July 2015." Last such revision was two years back when the revision was from Rs115 a day to Rs137 per day. As more and more jobs are going out of the organized sector and employment of all unskilled labour and skilled labour in many sectors are being sourced through 'service providers' the bench-mark minimum wage becomes more relevant in present day India.

Our country, right from the First Five Year Plan has been giving due importance [in terms of Industrial Policy Resolution of 1956-Commanding Heights of Economy] for a vibrant and growing public sector in the nation's economic development. In fact, certain sectors like defence production, Railways, Post and Telegraph were almost monopolized by public sector till a change in policy becomes necessary post-LPG (Liberalisation-Privatisation-Globalisation). The policy shift has thrown up many challenges before the government and the organizations in the public sector.

Presently, the Indian public sector is ailing from lack of autonomy, indecent competition arising from a wrong understanding of the unique position of our country and irrelevant comparisons. Unique position because, our per capita geographical area, availability of resources, literacy rate, development needs, system of governance and so on are not amenable to comparison with most of the developed and developing countries of the world. Day in and day out, India is given a rank or rating among the assortment of nations in the world, many of them together can be accommodated in one of the states of India.

We are persuaded to believe that corruption and inefficiency exist only in government and public sector. In fact there is nothing farther than truth than this belief. The pre-IT success stories of Railways, Posts & Telegraph, Oil sector, Space Research, Defence Production and several other sectors, which functioned efficiently and where corrupt practices were brought to light quickly and remedial action initiated departmentally are easily and conveniently forgotten. If Human Resources related issues in the government and public sector are given the attention they deserve, many of the present problems can be solved.

Why HRM is an Issue in PSUs ?

This is an issue for the following reasons:

- ◆ PSU's employ large no of employees
- ◆ Success of these PSUs depends on Efficient Management of Skills and Capabilities of its people.
- ◆ New challenges like Talent Retention, Motivation etc.,
- ◆ The shifting of Roles from Reactive to Proactive and curative to preventive.
- ◆ Triple bottomline-people,profit and planet
- ◆ Ensuring Productivity and Quality of Life etc.,

In the above background the **Objectives of PSU's** should be as under :

- ◆ Implanting and Sustaining an Enabling and Motivational Environment.
- ◆ Reward and Recognition of performing employees
- ◆ Creating an Environment of Trust, Transparency
- ◆ Fair and Efficient Leadership.
- ◆ Recruitment of Right Talent and Competency Development
- ◆ Controlling Attrition and Implanting Performance Orientation

What Needs to be done?

Comprehensive Look

The absence of talent in government and public sector is the product of a deliberate neglect of HR-related issues by the government. The ageing top level in government and public sector is a serious issue. In the present context when performance of government and institutions in public and private sectors is being watched by the world and judged almost online, human resources development [HRD] at the top across sectors should become a national priority. As a fire-fighting measure, there is a need for a comprehensive look at the manpower planning and deployment of available expertise among institutions across private and public sectors and related HRD issues, which have to be handled without further loss of time. It's heartening to note that DPE has issued some guidelines in this regard and MOU of CPSU's covers human resources related benchmarks as well.

Autonomy in Certain Matters

A long-term solution may have to be found for the HR-related problems, such as inability to hire experts at market related compensation, skills becoming obsolete in short periods, employees' reluctance to change and demands from trade unions emanating from job security concerns. There may not be a fit for all remedy, as the issues



are diverse and sometimes sector or institution-specific.

Transparent Compensation

A transparent guidance for a remuneration package based on paying capacity and need for skills for different sectors and ensuring social security should come from government without always worrying about what will be the impact on Cabinet Secretary's salary or trade union demands. If the government secretary deserves a higher salary, government should not raise budgetary concerns for not paying it. Instead, merger of some departments and utilizing the surplus manpower [what Syndicate Bank has done couple of years back] for new job opportunities should be a wiser option.

Relook at the Remuneration to Attract Talent

While organizations in the private sector may have to review the optimum pressure they can put on their executives and managers, government and public sector counterparts may dispassionately examine and modify their remuneration packages to ensure attracting and retaining competitive talent in the present market scenario. Let us not forget that the civil services, executives and staff of public and private sector undertakings have to supplement the skills of the increasing number of political masters who were not as fortunate to get trained or groomed. The nation is immensely dependent on them for carrying out the development agenda on hand.

In other words, Government should not further delay a revamp of the policy relating to recruitment,

training, placement and compensation strategies across government, public and private sectors.

Incorporating Cost to Company Principle

Further, the Government and public sector organizations may have to consider how best the 'Cost to Company'(C to C) principles can be integrated into their existing recruitment, training, placement and career progression policies. This may involve convincing the existing employees that the changes will only improve the working results of the government departments and organisations they belong to and they will get opportunity to share the benefits and new job opportunities and so long as they are prepared to learn new things/upgrade their skills the infusion of 'experts' will not eat into their career progression opportunities. Inter-mobility of executives at higher levels among comparable departments of government and public and private sector organisations should be possible, on transparent norms and strictly based on merits. Changes may have to come first in the recruitment and training procedures for IAS and relates services, management trainees in public/private sector undertakings including probationary officers in PSBs.

The revamping of Tata Administrative Service sometime back gives enough food for thought for thinking on these lines. Specialized services like one for Banking/Financial Sector could be evolved for institutions including those in the private sector and all regulatory bodies in the financial sector. There is no denying that there is no dearth of research, studies and analyses on issues relating to prices, income and wages discussed above. Pay Commissions (Central and at state level),

wage negotiations in industries as between IBA and Unions in banking industry and in individual companies/organisations and academic research by scholars cover several aspects in different contexts.

But at this juncture, as comparisons and need for 'level playing field' across sectors and geographies make handling of HR-related matters including maintenance of industrial peace and level of satisfaction at optimum level more complicated and tough, government should consider commissioning a national level comprehensive study by experts covering all aspects of Human Resources Management in the present Indian context.

Conclusion

Till sometime back, perhaps ten years back, employers could depend on a growing population of educated unemployed from which they could hire and fire candidates on their terms. But now the position has changed with the opening up of the economy and sooner we realize it and act, the better. Entry of highly qualified people into CPSEs and the challenge of engaging them. Because, PSUs suffer from host of issues like demographic disadvantage wherein the average age of employees is more than 45[especially PSU banks],the learning inability and inaccessibility for those who intend to learn and the loopholes in the existing PMS system apart from coping with the challenge of competition with existing manpower [e.g., Air India]. As we all know, *"Readiness of people and their capacity and the imagination of the leadership are the limiting factors"* for PSUs in giving their best and dodging real issues could take us back to pre-reform days.

■■■

Dr. A. Jagan Mohan Reddy is Associate Professor (HR), Institute of Public Enterprises, Osmania University Campus, Hyderabad.

DR. A. JAGAN MOHAN REDDY HONOURED FOR BEST TEACHER AWARD

Dr. A. Jagan Mohan Reddy, a Senior Faculty (HR) at Institute of Public Enterprise, was a Development Banker and his association with COSIDICI began while being with Delhi Financial Corporation. The first Seminar on National Capital Region, organised by COSIDICI & DFC was co-ordinated by Dr. Reddy. Subsequently, he assisted President, COSIDICI, while being with ANRICH/APSFC. Over the years he has been regularly contributing articles to COSIDICI COURIER. He has written several Articles, presented papers and handled many training sessions. In recognition of his services and his contribution towards higher education the Higher Education Forum presented him 'The Best Teacher Award' under the category of Academic Leadership.



Standing L-R : Dr. A. Jagan Mohan Reddy, Associate Professor (HR), Institute of Public Enterprise, Hyderabad; Shri Mookesh Patel, Dean, Indian School of Design and Innovation, PARSONS, Mumbai and Dr. Vinod Tibrewal, Chancellor, JJT University.

Higher Education Forum (HEF) is the community of individuals and practioners of higher education in India. The forum has been incorporated as a Public Charitable Trust. Its motto is to help in development of an Indian higher education system that is world class in terms of quality and excellence.

With a view to recognize and felicitate teachers, HEF had instituted these Awards in the year 2010 which are given on Teachers' day i.e. 5th September every year. This year too the awards were given in a glittering ceremony on September 05, 2015 at Mumbai.

WILL GOVT. FUNDING TURN THINGS AROUND FOR BANKS?

By Abhijit Lele & Neelasri Barman

The government recently announced capital infusion of Rs 70,000 crore in public sector banks over the next four years. The banks are grappling with bad loans, thanks to the economic slowdown, which has seriously eroded their capital base. The question is, will this money be enough to restore the financial health of the banks?

In 2012, the Reserve Bank of India had estimated that public sector banks required equity support of Rs 175,000 crore. In last year's budget, Finance Minister Shri Arun Jaitley had said the money required for the purpose would have to be as much as Rs 240,000 crore. From that point of view, the money may not be enough.

However, the money is certainly an improvement over earlier infusions. The government had initially allocated a mere Rs 11,200 crore for this financial year. Banks, naturally, raised a hue and cry about it. Then, following RBI's intervention, the government has decided to more than double it to Rs 25,000 crore.

A similar amount will be provided next year. After that, the infusion will fall to Rs 10,000 crore for two years. The rise in the share prices of public sector banks after the announcement shows that the market has taken positively to the infusion.

But it cannot be denied that public sector banks cannot rely on capital infusion from the government alone: they need to tap the equity markets sooner than later. According to one estimate, these banks need to raise Rs 110,000 crore from the market to support growth.

Global Rating agency Moody's says Indian government's plan is credit positive, as it has reversed an earlier policy of selective capital infusion; still, the amount is small and banks will need to raise additional capital from the equity markets.



However, there is not much appetite for public-sector bank paper among investors. And this is evident from the fact that barring three large ones - State Bank of India, Central Bank and Bank of Baroda - all others are trading far below their book value. The prices of the three at the bottom - Indian Overseas Bank, Dena Bank and Punjab & Sind Bank - are 35 per cent of their book value.

"Apart from a few banks like SBI, there is hardly any demand from investors. If banks have to come to the market, from the fourth ranked to the twentieth will hardly find any demand," says Nomura Financial Advisory and Securities (India) Vice-president Shri Adarsh Parasrampurua who tracks the banking sector.

Declining health

One reason for such a state of affairs is that the internal capital generation through retained earnings of public sector banks has declined steadily over the last three financial years: from over Rs 36,000 crore in 2012-13 to about Rs 28,000 crore in 2014-15.

The capital base of public sector banks has seen erosion because of the higher provisioning for bad loans and restructured advances. They have a dominant share in infrastructure projects, many of which are mired in delays and regulatory clearances.

The other option of capital before the banks is to raise additional Tier-I capital, but the present investor pool for these instruments is limited. And, in the absence of a vibrant corporate bond market, banks will have to fall back on the equity market for meeting their capital requirements.



Banks raised capital worth Rs 15,000 crore in 2014-15 through Tier-I instruments at higher coupon rates. Investors sought higher rates to factor risks of investing in paper issued by entities with stressed balance sheets. Later, many banks had to call off plans to issue Tier-I paper due to the lack of investor appetite.

What has complicated matters is that the government is believed to have asked banks to issue bonds at lower interest rates. Rating agency ICRA has pegged such issuances in 2015-16 at Rs 30,000-35,000 crore.

There are other problems too. An arranger of perpetual bonds says: "Earlier, provident funds used to buy these bonds. But now they may not invest because these bonds are at times rated below AA; as a result, provident funds cannot invest in these bonds." As provident funds can park only 2 per cent of their investments in

perpetual bonds, it will not be easy for banks to market these bonds.

Apart from the high incidence of bad loans, governance is another issue that hurts public sector banks, which is impacting valuations. It is more than a year that Bank of Baroda, the second largest lender in the country after SBI, has not had a full-time chief executive. Same is the case with other large lenders like Canara Bank, Punjab National Bank, Bank of India and IDBI Bank. ICRA Co-head (financial sector ratings) Ms. Vibha Batra says public-sector banks need to improve efficiency and also present themselves better if they desire higher valuations.

The government has shown its intention to reform public sector banks, in line with the PJ Nayak Committee's recommendations. But the pace has been slow. Industry experts are not optimistic of major changes in the next two years. "The government is addressing structural issues like governance and recoveries from bad loans. But this is going to take time. Till that happens, it will have to infuse more capital than the estimated Rs 70,000 crore," India Ratings Managing Director & Chief Analytical Officer Shri Ananda Bhaumik says. Nomura agrees that the next two years will be challenging. "Hopefully, after two years, things will improve after which valuations may become better. The government may have to provide more funds if things do not improve," Shri Parasarampuria says.

■■■

Courtesy : Business Standard

A good life is when you assume nothing, do more, need less, smile often, dream big, laugh a lot, and realize how blessed you are.



LETTER TO THE EDITOR

Dated : 14/08/2015

Dear Editor,

I have been a regular reader of COSIDICI COURIER, a bi-monthly Journal being published by COSIDICI. The Council has come a long way since its inception and has evolved itself as a proactive national federation to meet the aspirations of its stakeholders in today's era. The journal's popularity among the Commercial Banks, all India Financial Institutions, Government Departments, University Libraries, Industry Associations etc. should be appreciated.

I wish all the success to COSIDICI for its future Issues.

With kind regards,



Yours Sincerely,

Sd/-

(G.V. Sharma)

Principal
Government High School,
Tehsil Ballabgarh,
Distt. Faridabad, (Haryana)

Take up one idea. Make that one idea your life—think of it, dream of it, live on that idea. Let the brain, muscles, nerves, every part of your body, be full of that idea, and just leave every other idea alone. This is the way to success.

“Swami Vivekananda



PROFILE OF MEMBER CORPORATIONS

Jammu & Kashmir State Industrial Development Corporation (J&K SIDCO)

Jammu & Kashmir State Industrial Development Corporation (J&K SIDCO) is the nodal agency for promotion & development of medium and large scale Industries in the state. Since its inception J&K SIDCO has acted as a prime mover in the State for promotion of Industrial ventures and thus is playing the role of “**Institutional Entrepreneur**”.

Features - J&K SIDCO

- ◆ 100% Excise exemption for 10 years.
- ◆ 5 Years of 100% Income Tax Holiday.
- ◆ Capital Investment Subsidy upto Rs. 30.00 lakhs and Rs. 45.00 lakhs for thrust area project.
- ◆ Land on 90 years lease.
- ◆ Govt. of India Grant upto Rs. 75 lakhs @ 33.33% for Food Processing Industries.
- ◆ Upto Rs. 4.00 Crores subsidy on Agro-based Projects under mini mission-IV.
- ◆ 100% Subsidy on Testing Equipments / DG Sets.
- ◆ A host of incentives on capital goods, term loan, transportation, working capital, branding etc.
- ◆ Single Window Clearance for Pre-project approvals of Land, Power and Pollution.
- ◆ Existing presence of Jindal Photo, Bharat Box, Singer, Kohinoor Agro, Fungicides India, Berger Paints, Sun Pharma amongst hundreds.
- ◆ The Insurance Premium reimbursement to the extent of hundred percent on capital investment for a period of 10 yrs to all new & existing units.

Focused Areas :

Thrust Areas :

Activity

- ◆ Food Processing & Agro based industries (excluding conventional grinding/extraction unit) such as - a) Sauces, Ketchup etc.; b) Fruit Juices & pulp; c) Jams, Jellies, Vegetable Juices, Puree, Pickles etc.; d) Fruit Waxing, Packaging, Grading;

- ◆ Leather Processing & Leather goods;
- ◆ Tissue culture;
- ◆ Silk Reeling Yarn and Yarn spun from silk waste. Woven fabric of silk or silk waste;
- ◆ Wool & woven fabrics of wool;
- ◆ Woven fabrics of cotton;
- ◆ Floriculture;
- ◆ Medicinal herbs-processing;
- ◆ Green houses only Ladakh;
- ◆ Computer hardware/Electronics (integrated circuit & micro assemblies);
- ◆ Sports goods and articles and equipment for general physical exercise;
- ◆ Auto Ancillaries;
- ◆ Eco-tourism - Hotels, Houseboats, Resorts, Adventure & leisure sports, amusement parks, cable car. Guest houses only Ladakh;
- ◆ Handicrafts;
- ◆ Precision engineering;
- ◆ Exploration of minerals.



**Shri Amit Sharma, KAS
Managing Director,
J&K SIDCO**

Infrastructure and Support Services :

- ◆ Development of modern industrial areas and estates, growth centres, Integrated Infrastructure Development Centres (IID) etc. will be done in a time bound manner. These focal points of industry will meet all the basic requirements of a competitive industrial environment. An action plan with specific implementation model and time frame will be adopted.
- ◆ Operational management of the major industrial estates will be rationalised, involving local industrialists through a suitable local self managed model both for development works and management of the estates including regulation of power and water supply.

- ◆ The State Government will encourage private sector participation in infrastructure development and such private sector participation will be treated as an industry for the purpose of availing incentives. The Government will also facilitate acquisition of land for such private sector initiatives.
- ◆ Efforts will be made to ensure that the power supply within industrial areas, estates, IIDCs, etc. is regular, reliable and of good quality.
- ◆ Private sector investment in generation and distribution of regular power supply in industrial areas, estates, IIDCs etc. will be actively encouraged. The government will provide necessary support for such ventures on a case-to-case basis to assure their sustainability.
- ◆ Micro-hydel projects are already open for private sector investment. A separate policy on the subject has been announced and implemented by the Power Development Department of the government.

Single Window Clearance System :

With the objective of facilitating a new entrepreneur in getting necessary clearances within a short time, a Single Window Clearance System, for registration of the Industrial Unit, allotment of land, clearance of pollution control Board for commencing construction and certificate of power availability, at the State and District levels, has been set up. A separate notification in this regard will be issued

Institutional/Commercial Bank Funding :

Industrial Policy 2004 recognizes that Financial Institutions/Commercial Banks have to play an important role in the industrial development of the State. An environment has to be created to arrest the present trend of flight of capital from the State. The procedures presently followed have not withstood the test of time. There have been glaring instance of delay and under-financing of projects resulting in cost and time over run. It will also be necessary to strengthen the state owned Financial Institutions. Moving in this direction, the government will adopt the following course of action :

- ◆ The present arrangement of credit flow monitoring through State Level Banker's Committee (SLBC) and State Level Inter Institutional Committee (SLIIC) forums will be actively utilized.



- ◆ State owned development financial institutions shall be reoriented to facilitate availing of refinance facilities from national level institutions optimally; and, encouraged to raise finance from the market.
- ◆ Divisional and district level co-ordination committees will be constituted to monitor expeditious settlement of the loan cases within prescribed time limit.

Modernisation of Existing Units :

J&K SIDCO with a view to encourage modernisation of existing small scale industrial units, to enable it to achieve higher productivity, energy efficiency and better environment protection, and thus improve its sustainability in the competitive environment, capital investment subsidy of the state government will be applicable to such units all over the state subject to a limit of Rs.30 lakhs.

Rehabilitation of Sick Units :

An enormous amount of capital is locked in sick/closed industrial units in the form of infrastructure and investment. Though industrial sickness is a wide spread phenomenon, its impact is comparatively high in J&K. The initiative for rehabilitation of sick units should primarily come from the concerned industrial unit, financial institutions and the commercial banks, the government playing a catalytic and supportive role. A debt relief package is being put in place.

Brand Promotion :

In order to help such manufacturers of consumer products who are in a highly competitive market, the government will provide assistance to them in promoting brands within and outside the state. The assistance will be in the shape of subsidy at the rate of 50% of expenses incurred in the first year

subject to a limit of Rs.20 Lakhs, 30% of expenses incurred in the second year, subject to a limit of Rs.15 lakhs and 10% of expenses incurred in the third year subject to a limit of Rs.10 lakhs. A system of monitoring shall be instituted and if the applicant deviates from the approved scheme, without prior approval, the incentive will be denied to him and the moneys already paid to him may be recalled at the discretion of the approving authority.

Export Promotion :

Exports have come to be regarded as an engine of economic growth. However, the share of J&K in the overall exports of the country is very low, limited mostly to handicrafts and dry fruits processed by

the SSI sector. The State has a vast potential for exports, both in traditional and non-traditional items. With a view to promote exports of the State, two Special Economic Zones (SEZs), one each in Jammu & Kashmir, Province, are under finalisation. An Inland Container Depot is ready at Bari Brahamana which will cater to the needs of the exporters. Various projects under the Assistance to States for Developing Export Infrastructure (ASIDE) Scheme of Government of India, Ministry of Commerce are under implementation in the state to strengthen export infrastructure. Air cargo complexes in Srinagar and Jammu will also be taken up in the near future.



QUESTIONS OF CYBERQUIZ~55

Q.1 Which of the following is known as father of modern Computer ?

[a] Dennis Ritchie; [b] Napier; [c] Charles Babbage; [d] Alan Turing; [e] Grace Hoppers.

Q.2 Which of the following refers to the fastest biggest and most expensive computer?

[a] Note Books; [b] Personal Computer; [c] Laptops; [d] Super Computer; [d] PDA's

Q.3 First Generation computers were base on?

[a] Transistors; [b] Conductors; [c] ICs; [d] Vaccum Tubes.

Q.4 Pascaline is also known by ?

[a] Abacus; [b] Adding Machine; [c] Division Machine; [d] Difference Machine.

Q.5 Who developed integrated chip ?

[a] Robert Nayak; [b] Charles Babbage; [c] J.S. Kilby; [d] C.V. Raman.

Q.6 First Super Computer of the world is ?

[a] CRAY-1; [b] PARAM; [c] Tianhe-2; [d] IBM-370; [e] HP-9000.

Q.7 Which of the following options correctly expresses the meaning of the term 'PCs' ?

[a] Independent computers for all working staff; [b] Personal computers widely available to individual workers with which they can access information from layer systems and increase their personal productivity; [c] Packed computers system formed by joining together of various computer terminals; [d] Computer manufactured by the Pentium company.

Q.8 Which of the following is the smallest and fastest computer imitating brain working ?

[a] Super Computer; [b] Quantum Computer; [c] Param-1000; [d] IBM Chips.

Q.9 A hybrid computer is the one having the combined properties of ?

[a] Super and Micro Computers; [b] Mini and Micro Computers; [c] Analog and Digital Computers; [d] Super and Mini Computers.

Q.10 ENIAC was ?

[a] An Electronic calculator; [b] An Memory Device; [c] An Electronic Digital Computer; [d] An engine.



For Answer see Page No. 21



DO YOU KNOW !

TEN THINGS YOU CAN DO TO REDUCE WATER POLLUTION

- ◆ Do not pour fat from cooking or any other type of fat, oil, or grease down the sink.
- ◆ Keep a “fat jar” under the sink to collect the fat and discard in the solid waste when full.
- ◆ Do not dispose of household chemicals or cleaning agents down the sink or toilet.
- ◆ Do not flush pills, liquid or powder medications or drugs down the toilet.
- ◆ Avoid using the toilet as a wastebasket. Most tissues, wrappers, dust cloths, and other paper goods should be properly discarded in a wastebasket. The fiber reinforced cleaning products that have become popular should never be discarded in the toilet.
- ◆ Avoid using a garbage disposal. Keep solid wastes solid. Make a compost pile from vegetable scraps.
- ◆ Install a water efficient toilet. In the meantime, put a brick or 1/2 gal container in the standard toilet tank to reduce water use per flush.
- ◆ Run the dishwasher or clothes washer only



when you have a full load. This conserves electricity and water.

- ◆ Use the minimum amount of detergent and/ or bleach when you are washing clothes or dishes. Use only phosphate free soaps and detergents.
- ◆ Minimize the use of pesticides, herbicides, fertilizers. DO NOT dispose of these chemicals, motor oil, or other automotive fluids into the sanitary sewer or storm sewer systems. Both of them end at the river.



Not everyone is meant to be in your future. Some people are just passing through to teach you lessons in life.

Not everything will go as you expect in your life. This is why you need to drop expectations and go with the flow of life.

MEMBER CORPORATIONS - THEIR ACTIVITIES

UPSIDC

UPSIDC to get back Rajiv Gandhi trust land in Amethi

A revenue court August 26, 2015 ordered the return of the land sold to Rajiv Gandhi Charitable Trust by an industrial house to Uttar Pradesh State Industrial Development Corporation (UPSIDC).

J&K SIDCO

SIDCO to prepare Vision Document 2025

To rejuvenate industrial activities in the State, J&K State Industrial Development Corporation is set to prepare Vision Document 2025. The Vision Document will focus on identification and promotion of SSI and major projects in the state in tandem with various incentives/schemes offered by the government of India in the liberalized economic environment.

SIDCO has been nominated as Mission Directorate by the state government as well as the Union Ministry of Food Processing for implementation of the various financial assistance schemes under the Food Processing Mission. This would give boost to the promotion of Food Processing industries in the state, it said. Managing Director SIDCO informed the Board that the corporation had earmarked about 150 kanals of land at upcoming Industrial Estate Ompora for establishment of an Information Technology Park to be set up by the J&K e-governance agency in association with SIDCO. The Corporation had fully utilized the IT related industrial shed in IT Park Rangreth. The annual turnover here was already more than Rs.5 cr.

DSIIDC

NGT wants undertaking on completion of waste processing plant

The National Green Tribunal has directed that a waste processing plant on Bawana-Narela road here be completed and operationalised within two years and sought an undertaking from Delhi State Industrial and Infrastructure Development Corp Ltd



(DSIIDC) in this regard. North Delhi Municipal Corporation (NDMC) had handed over 14 acres of land for setting up the plant for hazardous wastes to DSIIDC on May 13, 2015.

KSIDC

Entrepreneurship to be Made Key Part of B-Tech in Kerala

Observing that creating startups is a “high risk-high reward job”, Kerala Chief Minister Shri Oommen Chandy said the technology entrepreneurship would be made a key part of engineering education in the state. For Kerala to become a developed state, the most important thing is to create a positive and entrepreneurial mindset among youth, especially students, and with this intention entrepreneurship is to be made a key part of B-tech degree education.

The second edition of Young Entrepreneurship Summit i.e. YES CAN 2015 was held in Kochi by KSIDC. Mr. Chandy said the students can major in one subject like computer science, electronics, mechanical etc. with minor in another subject. Minors like Technology Entrepreneurship would be introduced so as to promote entrepreneurship. The Technopark, TBI (Technology Business Incubator) and Technology innovation Zone would be upgraded to world class incubators so that the students and youth have the best facilities in the world. In response to the Student Entrepreneurship Policy 300 companies have started and many youngsters have come up with ventures not just in IT and industry, but in fields such as agriculture, tourism, culture, education etc.

TIDCO

Chennai Aerospace park attracts Rs.1,015crore investment

Tamil Nadu Industrial Development Corporation Limited (Tidco), is developing the exclusive aerospace components manufacturing industries park in 260 acres (expandable to 700 acre in Phase-II) at Sriperumbudur. It is expected to put in place a supporting ecosystem to enable rapid growth of the aviation industry manufacturing in the state. The park will have diversified common facilities, including an advanced computing and engineering design centre, common testing and technology centre, avionics complex, composites development centre and a warehousing complex. An advanced computing and engineering design centre would be established covering one million sq ft at an estimated cost of Rs 350 crore. The Chennai aerospace park has attracted investments to the tune of Rs.1,015 crore from 11 companies. The state government said 19 other companies had expressed interest to set up units with a proposed investment of Rs.2,000 crore.

It is expected that the total committed investment in the park would generate 5,000 jobs. The facility will have advanced super-computing facility and design facilities ideal to the growth of aerospace components designing and product development. The proposed common testing and technology centre would be developed by the Union MSME ministry with an investment of Rs 200 crore to meet the needs of auto and aerospace, electronics and precision engineering manufacturing units.

PIPDIC

PIPDIC reintroduces compromise settlement scheme to reduce NPAs

Pondicherry Industries Promotion Development and Investment Corporation reintroduced its compromise settlement scheme for Non Performing Assets as on March 31, 2014.

The Corporation has reintroduced the scheme to reduce its NPA accounts and to help eligible industrial units or borrowers to settle loan accounts by availing the interest concessions. The scheme

would be in force till August 31 and eligible units or borrowers opting for the scheme are required to pay 25 per cent of the compromise settlement amount as upfront payment on or before June 30. Eligible industrial units or borrowers are requested to make use of the opportunity and avoid recovery proceedings.

KSFC

KSFC sanctions loans of Rs.15 cr

The Karnataka State Financial Corporation (KSFC) sanctioned Rs.15 crore to units in Mysore zone in August, 2015. Switching over to an aggressive approach from its earlier bureaucratic methodology to match it with the growing dynamic activity of banking and financial institutions, the KSFC held its third district-wise business development meet in Mysore. The units benefitting from the spot loan clearance are in the districts of Mysore, Mandya, Kodagu and Chamarajanagar. At the first business meet in Dharwad on August 18, eight proposals amounting to Rs.9 crore and on August 20 in Bangalore, 18 loan proposals of Rs.26.40 crore were cleared on the spot. *"We are continuing the aggressive competitive approach in more centres during September,"* KSFC, managing director, Shri Jayachamaraje Urs said.

Over the last 10 years, this is for the first time we are having such aggressive business meetings with our customers. We want to cut the red-tape, improve customer relations and go to his doorsteps, instead of making him come to Bangalore. "Besides approval of loans, we have taken up grievances redressal of customers also at these meetings," he said adding that divisional and zonal branches have more powers now delegated to them sanction loans up to Rs.20 lakh and Rs.75 lakh. Proposals of over Rs.75 lakh only need to come to the head office. The loan sanction committee, now meeting every week, approves the proposals based on the new clearly-defined lending policy. PROs have been appointed in all the branches as well. With these transparency has been brought about in the KSFC. The corporation's focus is now on improving operational efficiency with customer-centric approach.



MICRO, SMALL & MEDIUM ENTERPRISES

Bandhan plans to tap MSME business in South India

Bandhan Bank, the microfinance entity-turned-universal bank, plans to tap into micro, small and medium enterprises (MSMEs) for growing its business in South India, where it will open 100 branches in two years. The bank will begin with 14 branches in the five southern states, when it is launched on August 23, by President Shri Pranab Mukherjee. Bandhan, the largest microfinance institution with a market share of 25 per cent, currently doesn't have a presence in south India.

"Micro and small enterprises are not getting access to credit by the existing banks," said Shri Chandra Shekhar Ghosh, managing director and chief executive officer of Bandan Bank. "We will implement our learning from microfinance to offer better service to these customers".

SMEs raise Rs.44 cr via IPOs in April-June

About nine small and medium enterprises (SMEs) got listed on capital markets with public issues worth Rs.44 crore in the first quarter of FY16, with



eight IPOs launched in June itself, according to latest Sebi figures. In comparison, six SMEs had launched their initial public offerings (IPO) and raised Rs.63 crore during the April-June 2014-15 period. As per the latest figures for June, eight SMEs came out with public issues in the month, raising Rs.39 crore from investors. Stock exchanges, on the other hand, saw IPOs from three SMEs worth Rs.24 crore, in the same month, last year.

■■■

ANSWERS OF CYBERQUIZ~55

- 1.[d] Alan Turing.
- 2.[d] Super Computer.
- 3.[d] Vacuum Tubes.
- 4.[b] Adding Machine.
- 5.[c] J.S. Kilby.
- 6.[a] CRAY-1.
- 7.[b] Personal computers widely available to individual workers with which they can access information from layer systems and increase their personal productivity.
- 8.[b] Quantum Computer.
- 9.[c] Analog and Digital Computers.
- 10.[c] An Electronic digital computer.



Foreign exchange reserves rise by \$1.09 billion

The RBI's foreign exchange reserves rose by \$1.09 billion for the week ending August 14 to \$354.43 billion. Foreign currency assets, a key component of foreign exchange reserves, rose \$1.04 billion to \$330.84 billion. During the week gold reserves remained unchanged at \$18.25 billion.

For the week under review, the special drawing rights (SDRs) rose \$35.4 million to \$4.06 billion, while India's reserve position with the International Monetary Fund stood at \$1.29 billion, recording a rise of \$11.2 million.

Indirect tax collections up 39.1%

The Centre's indirect tax collections grew 39.1 per cent, in July due to pickup in excise duty mop-up, data released by the ministry of finance showed on August 11, 2015. The rise was mainly on account of petroleum and diesel excise duty hike instead of a recovery on the manufacturing side and increase in the service tax rate to 14 per cent against 12.3 per cent from June.

The indirect tax collections rose to Rs.56,739 crore in July compared to Rs.40,802 a year ago. Besides, the indirect tax collection, which is a sum of revenue from service tax, excise duty and customs, posted a 37.6 per cent growth in the first four months of the current financial year to Rs 2.1 lakh crore. It is 32.6 per cent of the Budget Estimates (BE) for 2015-16. The central excise collections rose 65 per cent to Rs.22,273 crore in July over Rs.13,512 crore a year ago. In the first



four months of the financial year, the collections registered a 75.4 per cent increase to Rs.83,454 crore, which is 36.6 per cent of the full-year BE. The series of hikes in oil products gave the government additional sources of revenue, even as the manufacturing remains subdued on weak investments and domestic consumption.

The government had raised excise duty on petrol and diesel four times between November 2014 and January 2015, as the global crude prices crashed to a low of \$45 per barrel. Besides, the excise duty increase in fuel, duty exemption from automobiles and consumer durables was withdrawn from January 1 this year. It also helped the government contain the fiscal deficit to four per cent of gross domestic product in 2014-15 to Rs 5.01 lakh crore. As part of the roadmap for fiscal consolidation, the government has set a target of 3.9 per cent of GDP in the current financial year, then to 3.5 per cent in 2016-17 and further to three per cent by 2017-18.

■■■

Life is inherently risky. There is only one big risk you should avoid at all costs, and that is the risk of doing nothing.

SUCCESS STORIES OF KARNATAKA STATE FINANCIAL CORPORATION ASSISTED UNITS

M/s Bharath Group of Industries, Bellary

Mr. Vasudeva G. Sachara, the founder of Bharath Group of Industries, served as Secretary to the Industrial Development Association. It is a partnership firm comprising of his brother Mr. Dwarkanatha, Mr. Manohar and members of his family. The unit is engaged in the manufacture of various types of plastic products.

The associate concern of the unit, Bharath Roto Printers was established in the year 1990, with



the financial assistance of KSFC. The unit is engaged in the manufacture of plastic slippers and plastic bags. Bharath Group of Industries has availed several loans amounting to Rs.32.67 lakhs during 1989-2000. The clientele of the firm include Hindustan Level, Modern Bakers, Spencers, Britannia, Moti Bakery among others.

The unit has also launched a printing firm at Bangalore through loan obtained from KSFC. The turnover of the Bharath Group of Industries is recorded at Rs.400 lakhs. The success of the unit is attributed to the hard work, dedication and determination of the promoters.

M/s Gokul Jal, Mahalingapur

Gokul Jal is a partnership firm started in the year 2006 at Mahalingapur, Mudhol Taluk, Bagalkot District. The partners of the unit include Mr. Murari Beniram Agarwal, Ms. Kamal Murari Agarwal, Mr. Kishan Kumar M. Agarwal and Mr. Shyam Kumar M. Agarwal. The unit is engaged in the purification and packing of drinking water. The promoters have taken a term loan of Rs. 72.85 lakhs during 2005-2008, under the national equity fund scheme and Rs.165.28 lakhs under the hotel industries scheme from KSFC.

The turnover of Gokul Jal has increased from Rs.37.62 lakhs in 2007 to Rs.49.74 lakhs in 2008. The associate concern of the unit, Gokul Soft Drinks, has shown a progressive turnover with Rs.40.20 lakhs in 2007 having increased to Rs.46.02 lakhs in 2008.

If things seem under control, you are just not going fast enough.

Securitization Market looking up

After two years of decline, securitisation market is looking up, thanks to new investment structures like commercial mortgage-backed securitisation and future-flow securitisation because these entailed investing in non-convertible debentures (NCDs) rather than pass through certificates (PTCs), which remained under a tax fog.

A study by Crisil suggests that total securitisation volumes edged up 3.3% in financial year 2014-15 to Rs.43,500 crore in fiscal 2015 from Rs.42,100 crore in 2014. While traditional asset classes lagged (*volumes for ABS and MBS issuances decreased by nearly 7%*), new securitisation structures lent support, contributing Rs.4,200 crore, or around 10% to the overall volumes.

Securitisation, or pooling of loan assets and selling that to raise funds — a key route to meet priority sector norms for private and foreign banks — had turned costlier with distribution tax on investors.

Non-banking finance companies raise funds by securitising loan portfolios. The process has been restricted to a large extent after the Reserve Bank of India (RBI) laid out rules. In 2012, RBI barred banks from taking credit enhancements in bilateral transactions so banks were left with taking the special purpose vehicle route where they had to pay distribution tax. Other than tax, cap on minimum holding period and minimum retention limits also restricted the securitisation market.

Later in 2013, to provide clarity on taxation of securitisation trusts — through which PTCs are issued — the Finance Act introduced tax on income distributed by such trusts saying the levy will depend on the tax status of the end-investor. As a result, trusts where mutual funds are investors were exempted.

Direct Assignments became more prevalent during the previous financial year and new investment structures gained currency as RBI relaxed norms on credit enhancements.

Banks were buying a large part of the securitised portfolio through the PTC route to meet their priority sector lending (PSL) targets and show growth in advances. But as part of the revised norms, they



were liable to pay tax on these accounts and they moved towards direct assignments.

With the RBI increasing priority-sector lending targets for foreign banks, introducing sub-targets and quarterly assessment of these targets are expected to improve securitisation volumes. However, new asset classes such as medium enterprises added to the PSL list.

Adaptive RBI Policy Can Lift India's Growth to 7.6%

An accommodative monetary policy would lift India's economic growth to 7.6% in 2015 and 8% in 2016, but lack of reforms could derail medium-to long-term growth prospects, Moody's Analytics said in a report on July 20, 2015. "We expect at least one more benchmark rate reduction in 2015". However, it cautioned that tampering with the RBI's independence would hurt the country's economic prospects.

Due to low inflation rate and better external balances, the RBI cut repo rate by 75 basis points to 7.25% in three tranches of 25 bps each in 2015. "There could be two more 25-basis point rate cuts in 2015," Moody's said, ascribing the prediction to rainfall deficit being not as large as expected earlier and curbing of food inflation. Moody's singled out political infighting for denting business confidence in the country. Without a majority in the Upper House, the ruling BJP might not be able to get Parliament approval for key reforms such as

the land acquisition Bill, flexible labour laws and the goods and services tax later this year or even 2016. Foreign firms are wary of investing in India as lengthy delays in acquiring land tend to stall projects. If reforms are not delivered swiftly like in China, it said, India's economic growth may not rise above 7.5% even though it has the potential to grow near 10%. The Indian economy grew by 7.3% in FY15.

ARCs pick 10% of assets put on sale by SBI in Q1

State Bank of India (SBI) managed to sell 10% of bad loans it had put up for sale to asset reconstruction companies (ARCs) in three months to June 2015, sources said. Of the Rs.2,500 crore of loans put on sale, Rs.250 crore was bought by ARCs.

"Out of 37 accounts put on the block, seven could be sold". According to an SBI official, the bank also plans to sell around Rs.4,500 crore of bad loans that have been put on the block on July 10. *"The sales in Q1 were tepid because ARCs that had already bought assets in Q4 last fiscal were not adequately capitalised,"* he said. The bank had sold Rs 4,510 crore loans to ARCs in Q4 FY15.

To attract more responses from ARCs, SBI streamlined the sale process and fixed a date for showcasing bad loans every month. The bank has been putting assets on the block on 10th of every month and seeking bids within 30th. Since April this year a team of 10 bankers headed by a general manager sends out primary information memorandums or details of the loans to the 15 ARCs seeking bids. In March, SBI and its subsidiaries had sold Rs.1,500 crore of loans given to Abhijeet Group firm Corporate Power to Asset Reconstruction Company India (ARCIL) for Rs.340 crore or at a discount of 77%. The company owes around Rs 4,500 crore to a consortium of bankers, led by State Bank of India.

RBI Tightens NPA Rule on Credit Card Dues

Labelling a credit card customer as a non-performing asset just became more easier for banks with the Reserve Bank of India tightening norms on dues. The RBI has asked banks to consider the due date on which the customer is supposed to pay the minimum amount towards credit card dues while calculating the 90-day

period beyond which the customer will be considered an NPA if there is no payment made.

"To bring in greater credit discipline as also to provide operational flexibility to credit card issuers, it has been decided that, with effect from the date of this circular, 'past due' status of a credit card account for the purpose of asset classification would be reckoned from the payment due date mentioned in the monthly credit card statement," the central bank said in a notification on July 16, 2015.

Earlier, banks took the date of the next billing statement while calculating the 90-day period. Typically, the gap between two credit card statements is a month. However, for levying penal charges, the banks can stick to the current practice of doing so when the customer fails to make payment within three days of the due date, the RBI added.

The RBI said these measures would ensure greater 'credit discipline' among borrowers. Credit card issuances have risen sharply in recent times with the increase in online shopping thanks to e-commerce boom.

According to RBI data, banks issued more than 1,78,000 credit cards in April and the outstanding credit cards issued went up to 2.12 crore. As of May end, credit card outstanding amounted to Rs.32,400 crore, a growth of 23% year-on-year.

ARCIL to Raise \$500-million capital

Asset Reconstruction Company (India), or ARCIL, plans to raise about \$500 million as capital from investors to acquire non-performing loans from financial sector players in the country.

ARCIL's Chief Executive Officer and Managing Director Shri Vinayak Bahuguna said the company would firm up fund-raising and business plans over the next 60 days. Capital-raising is top priority and how much capital the company will raise depends on the business climate. Its net-worth was a little over Rs.1,500 crore with assets under management of Rs.11,000 crore.

PSBs to get Rs.70,000 cr from govt. in 4 years

By 2018-19, the government will infuse Rs.70,000 crore into public sector banks, 42 per cent of these banks' overall estimated requirement of Rs.1,80,000 crore. While Rs 25,000 crore each

will be infused this financial year and the next, Rs.10,000 crore each will be provided in 2017-18 and 2018-19.

Through capital infusion, the government hopes to address the fact that these banks' funds are stuck with large projects that are stranded due to various reasons. Among these, the government says, are delays in land acquisition and clearances.

Finance Minister Shri Arun Jaitley said, *"In the past, the government has talked about it. But this time, the government is actually implementing it. This will give a boost to investment and growth in India."* The government has also changed its criteria of allocating money to state-owned lenders on the basis of efficiency, at least for this financial year. Since the Budget had estimated only Rs. 7,940 crore of capital infusion this financial year, the government on July 31, 2015 sought an additional Rs.12,010 crore in the supplementary demand for grants, tabled in the Rajya Sabha. *"The remaining Rs 5,000 crore would be provided in the second supplementary later this year,"* said a statement by the financial services department.

This year, the allocation would be in three tranches. About 40 per cent, or Rs 10,000 crore, would be given to banks that require support in the first phase; every bank will have a capital adequacy ratio of at least 7.5 per cent by 2015-16.

It is expected the finance ministry will disburse about Rs 20,000 crore to various public sector banks in the next two months. Of this, Rs 10,000 crore would be provided to lenders which require more capital, said Financial Services Secretary Shri Hasmukh Adhia. *"The first Rs.20,000 crore will happen as early as possible...once the Parliament approves the supplementary (demand for grants). We already have Rs.8,000 crore in our Budget...Rs.12,000 crore will come; so, this Rs.20,000 crore...can happen by September,"* he said.

As of March 31 this year, Indian Overseas Bank, Union Bank of India, Dena Bank, IDBI Bank, Corporation Bank and Canara Bank had common tier-I ratios of less than 7.5, according to data sourced from India Ratings. In the second tranche, State Bank of India (SBI), Bank of Baroda (BoB), Bank of India, Punjab National Bank (PNB),

Canara Bank and IDBI Bank would be given similar amounts. The remaining Rs.5,000 crore will be allocated based on the performance of banks during the three quarters ending March 2016. *"This will incentivise them to improve their performance this financial year,"* said the statement by the financial services department.

Three PSBs plan to sell Rs.2,700-cr NPAs to ARCs

Union Bank of India, Corporation Bank and Bank of Maharashtra are set to sell bad loans worth Rs.2,700 crore to asset reconstruction companies (ARCs) this quarter. While Corporation bank is planning to sell close to Rs.1,000 crore of NPAs to ARCs in September, Bank of Maharashtra plans to offload bad loans worth Rs.500 crore. Union Bank of India also plans to sell NPAs worth Rs.1,200 crore.

Corporation Bank chairman and managing director Shri SR Bansal said the lender is selling NPAs to ARCs for the first time in two years. The bank also reduced its base rate by 10 basis points to 9.9%. The Reserve Bank of India had cut the repo rate by a total of 75 basis points in 2015. On an average, banks have passed on this rate cut by 30 basis points. In the quarter-ended June, Corporation bank reported a 11.75% fall in its net profit on a year-on-year basis. Its gross non-performing assets had increased from 3.96% to 5.43% on a year-on-year basis and the net NPAs had risen to 3.55% from 2.71% a year ago.

Bank Credit Decelerates to 8.6% in April-June

Scheduled commercial banks' credit growth slowed to 8.6% in the quarter ended June against the 12.9% in the same period last year, the RBI data showed. Bank deposits grew by 10.6% in the three months to June from 11.9% a year ago. "The deceleration was broad-based and observed across all population groups," RBI said in its quarterly statistics on deposits and credit of scheduled commercial banks. Public sector banks accounted for the largest share of 72.5% in aggregate deposits and 70.4% in gross bank credit followed by private sector banks at 19.8% and 20.6%, respectively, as of June 26, 2015. SBI and associates, RRBs and private sector banks could maintain accelerated growth in aggregate deposits in June 2015 over their levels a year ago.



POLICY POINTERS

Govt. clears Rs.10,379-cr FDI proposals

The government on August 13, 2015 cleared 23 foreign investment proposals, including that of Catholic Syrian Bank and Bandhan Financial Services, amounting to Rs.10,378.92 crore. The investment proposals were approved following the recommendation for the same by the Foreign Investment Promotion Board (FIPB).

Cabinet Approves New Skill and Entrepreneurship Policy

The Union Cabinet on July 02, 2015 approved a proposal to integrate skill development guidelines among 21 ministries and departments in order to streamline the Skill India mission and reap a better demographic dividend, finance minister Shri Arun Jaitley said. The Cabinet has also approved a new skill development and entrepreneurship policy to improve the efficiency of human resources, besides clearing the institutional framework for the National Skill Development Mission in keeping with the commitment made in the Union Budget. As part of the common rules of skill development, the hours and cost of training will become uniform. Currently, training courses offered by ministries range from 80 to 675 hours. As per the new rule, a minimum of 200 hours' training is required for fresh skilling courses and 80 hours for re-skilling programmes.

The vision of the new skill policy is "to create an ecosystem of empowerment by skilling on a large scale at speed with high standards and to promote a culture of innovation-based entrepreneurship, which can generate wealth and employment so as to ensure sustainable livelihoods for all citizens in the country".

The National Skill Development Mission will have a three-tiered, high-powered decision-making structure. At its apex, its governing council, chaired by the Prime Minister, will provide overall guidance and policy direction. The steering committee, chaired by the minister in charge of skill development, will review the mission's activities in line with the direction set by the governing council. The mission directorate, with secretary-skill development as mission director, will ensure implementation, coordination and convergence of skilling activities across central ministries and departments as well as state governments. Despite efforts to hasten and scale up skilling through the

creation of the National Skill Development Fund in 2009, the launch of the National Skill Development Corporation in



the same year, and formation of the National Skill Development Agency in 2013, progress to date has been sporadic. It is estimated that only 4.69 per cent of India's total workforce has undergone formal skill training, compared with 52 per cent in the USA, 68 per cent in the UK, 75 per cent in Germany, 80 per cent in Japan and 96 per cent in South Korea.

India continues to face a skilling challenge of vast proportions. Based on the 2011 census and National Sample Survey Office data, it is estimated that 104 million fresh entrants to the workforce will require skill training by 2022, and 298 million of the existing workforce will require additional skill training over the same time period.

GST to have four rates for different classes

The proposed goods and services tax would have four rates for different classes of goods and services, and states would be given flexibility in levying extra taxes within a small band in case of items that attract the standard rate. According to sources, there would be lower rate of GST, called merit rate, applicable on certain necessary items and goods of basic importance, a standard rate applicable on most of the items, a nil rate on certain goods and services and a special rate for precious metals. Under the model GST under consideration for implementation, credit for central and state taxes paid on inputs can be utilised only for paying the respective taxes on the output. Cross-utilisation of central and state taxes is, however, allowed for paying any tax on inter-state supply, the IGST, sources said. Revenue secretary Shri Shaktikanta Das said on August 24, 2015 at the conference of chief commissioners of customs and central excise that three model laws on central, state and inter-state GST needed for the tax reform would be ready by September 15. The finance ministry is also working on arriving at a suitable tax rate. Finance minister Shri Arun Jaitley said GST would be business friendly and would widen the tax base.



HEALTH CARE !

Acupuncture : Alternative Medicine from the Ancients

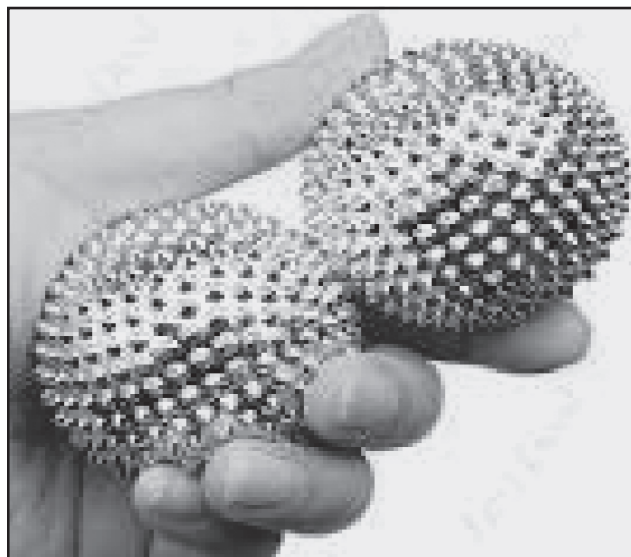
By: Rainer Hobrack

Acupuncture is an alternative method of treatment for many diseases which originated in China at least 2000 years ago and is still in practice. The practice of acupuncture involves inserting very thin needles through the patient's skin at specific pressure points and at various depths stimulating the nervous system and thus the body to treat diseases. In modern times acupuncture is mostly used as a complementary treatment to alleviate pain and stress apart from the normal course of treatment a patient is receiving.

Acupuncture had been used throughout the region of China for over two millennia's and traditionally it has been the method of treatment for the Chinese people for this long time. However, at the beginning of this century acupuncture was slowly abandoned as the Chinese people opted for advanced medical treatments. Acupuncture was revived during the Cultural Revolution of the 1960s when China's communist leader, Mao Zedong began promoting traditional medical treatments along with acupuncture as a logical solution to provide the huge population of china with health care.

In Chinese tradition people used to believe that our bodies have a natural flow of energy which was known as "qi". They also believed when this flow of energy or qi was disrupted it caused problems in the body in the form of diseases. They thus acupuncture to stimulate certain pressure points under the skin called acupressure points releasing this qi which then traveled through channels called meridians as the flow of energy or qi became stable again the body healed.

However, modern treatments of acupuncture carried out in the hospitals and health centers are not based on this philosophy. Western scientists have been trying to study the mechanism of acupuncture for quite some time now and have come up with quite a few hypothesizes till now. One major hypothesis is that acupuncture works through the neurohormonal pathways. This hypothesis indicates that by putting the needles at certain points in the nervous system it triggers the brain to release neural hormones thus alleviating



the pain. Another major hypothesis is that acupuncture works by reducing pro-inflammatory markers which in turn reduces pain.

As the study of the methodology and effectiveness of acupuncture goes on many mainstream doctors and medical institutions have started to use the practice of acupuncture. Even though the model of how acupuncture works hasn't been established yet, however, the effectiveness of acupuncture in dealing pain and nausea cannot be ignored and thus is slowly being accepted as a standard medical practice in the modern medical community.

Many researches have conclusively proven acupuncture's effectiveness in alleviating pain and nausea particularly in cancer patients who suffer from after effects of regular chemo sessions. Further research is being conducted to see if acupuncture can be used to treat depression, sleep disturbance and drug addiction.

Acupuncture is now being accepted as effective throughout the world by the medical community. However, it is still used as a complementary treatment paired with the standard course of treatment. With advances in research it is believed that very soon acupuncture can be used to treat major diseases.

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