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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.*



SECRETARY GENERAL'S DESK

IMPACT OF CORRUPTION - PREVENTION & CONTROL

Corruption is a global phenomenon found in all countries; in the simplest sense, it may be defined as an act of misuse of public position or power for the fulfillment of selfish motives or for personal gratification/gain. Corruption involves abuse of a position of authority or trust in order to gain an undue advantage. This involves conduct on both the sides - that of the person who abuses his position and receives the bribe and that of the person who seeks to gain an undue advantage by this abuse for which he pays the bribe. Many studies have revealed that *more the corruption, slower the economic growth*. Other ill-effects include the rise of inflation, increase in black money and an unstable marketplace with increased risks in investment, thus undermining long-term sustainable development and economic growth. Not only does corruption affect economic development in terms of economic efficiency and growth, it also affects equitable distribution of resources across the population. It not only stifles economic growth, but also diverts limited resources from education, healthcare and other public services thus undermining the effectiveness of social welfare programmes and ultimately resulting in lower levels of overall human development. It increases income inequalities with the rich becoming richer and the poor becoming poorer - it harms poor people more than others. According to the World Bank, an estimated one trillion US dollars get siphoned off through bribes every year.

In India, corruption is a major problem and one of the key deterrents of development. Corruption has been present in India right from Independence and has grown over the years. Typically, corruption is closely associated with money laundering and bribery, which means utilizing money for illegal activities. Tax evasions by businessmen and receipt of graft by politicians and bureaucrats are the most common forms of corruption in India, resulting in losses of large amounts for the Indian exchequer. In the recent few years, corruption in India has gained menacing proportions and numerous scam stories have been brought to light. The number of scams appearing one after another, plus the amounts of money involved is like a slap on the face of an honest citizen working hard day and night to feed his family.

Corruption in India has become so habitual that it appears to have become a natural or inborn feature of the Indian democracy. It has become an integral part of the Indian society and is so common nowadays that it has become very difficult to identify and isolate corrupt activities.



V.S. RATHORE
Secretary General, COSIDICI

From getting your birth certificate to your driving license to getting a loan passed to build your home, nothing works without giving a bribe. The citizens have become so accustomed to it that the dividing lines between the corrupt and non-corrupt are merging. While at one time bribe was paid for getting wrong things done, now bribes have to be paid even for getting right things done in time.

Corruption not only has a strong potential to steal the wealth of our nation and impoverish our people but also maligns the image of our nation in the international world. According to the Corruption Perception Index Report of 2013 released by Transparency International, India ranked 94th among the 177 corruption affected countries. Corruption is so deeply rooted in India that it has not spared even the judicial system as the slow working judiciary takes a very long time to pronounce any conviction in cases involving corruption. People have become tolerant of such activities and they fear raising their voice against such anti-social elements. A large scale awakening by masses for a corruption-free State may be needed if corruption remains unchecked. Transparency and accountability in matters of public finance need to be promoted and specific steps need to be taken for preventing corruption in critical areas of governance and the judiciary. Preventing corruption also requires the involvement of non-governmental and community-based organizations and other elements of civil society. Given below are some suggestions for controlling corruption.

Introduce State-funding as part of election reforms : The high cost of elections and dependence of candidates on money, often of

questionable provenance, compromises their independence and probity from the very beginning. Thus there is a strong case for State funding of elections.

A reasonable and transparent tax structure, backed by clean and efficient enforcement: Although our direct taxes (personal income and corporate) are no longer unreasonable in so far as tax rates are concerned, the various tax-slabs need to be rationalized and linked to inflation. Further, there is an unhealthy trend of levying multiple taxes which increases the burden. Finally, there is the larger question of how efficiently and honestly taxpayers' money is put to use — when one sees the poor state of government hospitals and schools, poor infrastructure and broken roads, one wonders where the money paid as tax has gone.

Reduce the role of the State in people's lives to the absolutely essential: The greater the scope for State interference — be it the police or the clerk in a government office or the customs inspector — the greater the scope for harassment and graft. This should be combined with minimizing discretionary powers of ministers and bureaucrats in order to reduce scope for misuse of such powers to favour a select few, especially in lucrative areas such as award of Government land and natural resources, public procurement etc. There should be fool-proof mechanism for speedy clearances for investments and establishing new industries. Where discretionary powers are unavoidable, checks and balances should be put in place and transparency should be ensured by putting all relevant documents on the Government website. Government should integrate all the departments and use information technology for more transparency.

Introduce sweeping police reforms and stronger judicial accountability: This has been discussed for decades but there has been no action. The recommendations for reforms are already there and should be implemented in a set time-frame. This will make the police not just a professional force that is not at the beck and call of politicians, but also a trained one with in-built checks against developing vested interests. Today the situation often is that the investigator (*police officer*) is answerable to the person being investigated (*politician*). The police needs to have two separate divisions - one for investigation and the other for maintaining law and order. The two functions are different and require different skill sets. Sadly, the judiciary has also not been spared

– the courts which are the last resort for seeking justice for the common man, have also not remained unaffected. Speedier and timely dispensation of justice needs to be ensured.



Pay government and PSU officers, judges and policemen market-indexed salaries commensurate with their responsibility: This would minimise the need for bribes. But higher salaries should be combined with accountability and corruption-free performance. There should be exemplary punishment, including dismissal from service and a criminal case if an employee is caught indulging in corrupt practices. Research indicates that India can control corruption by **training its civil servants to a more professional level** with skills in auditing, accountancy, and legal matters. If this step would have been taken at the time of liberalization, the situation would have been much different as oversight and scrutiny from within the administration would have increased.

Conclusion :

Our nation's reputation and the future of the youth are at a stake and it is the responsibility of the politicians as well as the bureaucrats to pave a path of bright future for the nation. A strong Lokpal, strong anti-corruption laws and a mechanism with teeth to make it work are crucial if corruption is to be effectively fought. The deep concern and strong resolve to eradicate corruption shown by Shri Narendra Modi, Hon'ble Prime Minister of India is a welcome sign. It is not an exaggeration to say, with corruption under control, India will witness faster and much better progress in all fields and emerge as an economically strong and powerful nation.

Vikram Singh

(V.S. RATHORE)

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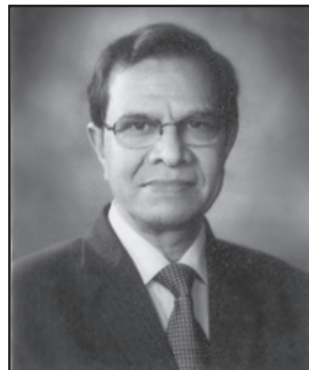


LETTER TO THE EDITOR

Dt.: 30th August, 2014

Dear Editor,

The bi-monthly Journal published by COSIDICI play a vital role in disseminating relevant information to its Member Corporations in particular and the general public at large. I am glad to mention that this journal gives interesting reading material viz. success stories of assisted units, news from States, articles, health care column, cyberquiz, encouraging quotations etc. Thought provoking and inspiring 'Messages' received by different dignitaries, since long, is a proof of this Journal's quality and dedication of COSIDICI team.



Dr. (Prof.) K.N. Srivastava

I am sanguinely hopeful that information provided in the Journal will go a long way in helping the growth of infrastructure as well as MSME sector in our country.

I once again convey my heartiest congratulation to COSIDICI team for the success of its publication.

With best regards,

{ Dr. (Prof.) K.N. Srivastava }

Sr. Consultant & Head, Deptt. of General &
Minimal Access Surgery, BLK Super Speciality Hospital, N.D.
Ex-Prof. & Head of Surgical Unit, PGIMER,
Dr. R.M.L. Hospital, New Delhi & Ex-Consultant Surgeon to
The Prime Minister of India.

*The way a team plays as a whole determines its success.
You may have the greatest bunch of individual stars in the
world, but if they don't play together, the club won't be
worth a dime.*



AN APPEAL

EVERY DROP MATTERS



Unprecedented floods have caused havoc in the state of Jammu and Kashmir. A large number of people have died or have been temporarily displaced. Property and infrastructure worth crores of rupees have been damaged. Our fellow countrymen in Jammu and Kashmir need our help at this critical hour to tide over the calamity and to rebuild their lives. The Central Government is extending full cooperation to the Government of Jammu and Kashmir in the process of Rescue, Relief and Rehabilitation besides, providing direct assistance to the affected people.

COUNCIL OF STATE INDUSTRIAL DEVELOPMENT & INVESTMENT CORPORATIONS OF INDIA {COSIDICI}

Appeals for generous contribution to the

PRIME MINISTER'S NATIONAL RELIEF FUND

Prime Minister's Office, South Block, New Delhi-110011.

Online Contributions can be made through the website of

Prime Minister's Office i.e. <https://pmnrf.gov.in/payform.php>

Contribution to the **P.M.N.R.F.** have been notified for 100% Deduction from taxable income under section 80(G) of the Income-Tax Act.

PROFILE OF MEMBER CORPORATIONS

Karnataka State Financial Corporation {KSFC}

Karnataka State Financial Corporation was established by the government of Karnataka on 30th March 1959 under the provisions of SFC at 1951 passed. All along, KSFC has played a pioneer role in the development of micro and small scale enterprises in the state of Karnataka. It has fulfilled the objectives of developmental lending such as industrialization of backward areas, assistance to weaker sections, promoting first generation entrepreneurs, assistance technocrats and women, several units, which received start up assistance from KSFC have today become large industrial conglomerates.

KSFC registered a net profit of Rs.11.42 crore for the year ended March 2014 as against Rs.17.02 crore registered last FY 2012-13.

Even though the financial year witnessed decline in sanctions and disbursements, the Corporation was able to improve its standard portfolio from Rs.1,607.26 crore to Rs.1,745.19 crore at a growth of 8.58%. In spite of adverse market conditions, Corporation could earn profit of Rs.11.42 crore. The Gross NPA was brought down from 17.08% to 15.81% and net NPA from 2.78% to 2.57%.

SANCTIONS:

During the year 2013-14, Sanctions of loans under various schemes touched Rs.909.26 crore covering 1,426 cases as against Rs.944.06 crore covering 1,598 cases during 2012-13. Cumulative sanctions reached Rs.13,135.53 crore covering 1,68,152 cases as on 31st March, 2014.

DISBURSEMENT:

The Disbursement for the year 2013-14 was Rs.707.47 crore as against Rs.734.70 crore for the previous year. The cumulative disbursement

of the Corporation reached Rs.10,267.50 crore as on March 31, 2014.

INVESTMENT, VALUE OF OUTPUT AND EMPLOYMENT:

The investment catalysed by the Corporation in 2013-14

is expected to be Rs.5,029.66 crore resulting in value of output to Rs.3,164.69 crore and generate employment to 9,098 persons.



*Smt. Vandita Sharma, IAS
Managing Director, KSFC*

RECOVERY:

The Recovery for the year 2013-14, was Rs.836.52 crore compared to Rs.792.89 crore for the previous year.

OTHER FINANCIAL SERVICE ACTIVITIES:

The Corporate Insurance Agency Agreement with IFFCO-Tokio General Insurance Company Ltd For marketing of General Insurance Products has ended on 31st December, 2013. The Corporation mobilised premium towards non life insurance products of IFFCO-TOKIO General Insurance Company. The Corporation entered into an MoU with United India Insurance Company Ltd (UIIC), a public sector undertaking for marketing their General Insurance Products.

INFRASTRUCTURE DEVELOPMENT ACTIVITY:

The project for establishment of a SME Park on 10 acres of Industrial plot at Harohalli Industrial Area is under progress. Steps have been initiated for construction of office-cum-commercial building at Shimoga and Mysore in the land owned by the Corporation.

CORPORATE SOCIAL RESPONSIBILITY:

The Corporation has contributed totally a sum of Rs.7.50 crore to Karnataka Information Technology Venture Capital Fund-2 (KITVEN Fund-2) a SEBI registered Venture Capital Fund, undertaking investments in units catering to Information Technology, Bio-technology, Nano-technology and other knowledge based industries within the State of Karnataka. During the year the Corporation contributed Rs.1.50 crore to the total corpus of Rs.26.25 crore.

The Corporation acts as a catalyst in development of MSMEs in the state by exhibiting socially, environmentally and ethically responsible behavior in governance of its operations while making positive contribution in the betterment of the society. During the year 2013-14, the Corporation has participated in several exhibitions, seminars, industrial and trade fairs, vendor development programs, loan melas, EDPs in engineering college by contributing to MSME institute, industrial bodies like FKCCI, KASSIA, BIA, PIA, BMA. An amount of Rs.2.59 lakh was contributed as a part of Corporate Social Responsibility for the cause of industrial promotion.

OUTLOOK FOR 2014-15:

As already indicated under Major initiatives, the Corporation has to consolidate its financial position in view of the settlement with SIDBI. The Corporation has to look for new avenues of raising resources for meeting its objectives with the assistance of State Government. In view of this, the Corporation has set the following operational targets for the year 2014-2015 :-

Sanctions : Rs.750.00 crore

Disbursements : Rs.610.00 crore

Recovery : Rs.792.50 crore

Concerted efforts will be made to raise resources in order to achieve the targets set, improve the working results of the Corporation and also to achieve and sustain long term viability.

THE VARIOUS LOAN SCHEMES ARE GIVEN BELOW:

Equipment finance loan scheme; Diesel generator loan scheme ; Hospital /nursing homes /medical stores loan scheme; Electro medical equipment loan scheme; Technology development and modernization fund scheme (TDMF); Loan scheme for maintenance, development and construction of roads. Tourism related activities loan scheme; Assistance for acquiring indigenous or imported second hand machinery.

Qualified professionals loan scheme

Assistance to SSI units for technology development and modernization,

Scheme of assistance for acquisition of ISO 9001:2001 services certification by SSI units, recently introduced -2010-11.

Line of credit (LOC) for purchase of raw materials from KSSIDC.

Scheme for financing of energy saving projects (SESP) for MSME & under JICA line of credit of SIDBI.

Scheme for financing of wine; Manufacturing industries, Interest subsidy scheme for scheduled tribe entrepreneurs.



*Geography has made us neighbors. History has made us friends.
Economics has made us partners, and necessity has made us allies.
Those whom God has so joined together, let no man put asunder.*



BANKING COMES A FULL CIRCLE - Fls to Banks & Back

MC Govardhana Rangan

RBI Governor Shri Raghuram Rajan has permitted banks to raise funds selling long-term bonds to build infrastructure. The logic is that building infrastructure is time-consuming, so it needs to be funded by long-term funds instead of short-term deposits, the mainstay of banks.

Just a few months ago, RBI granted a license to IDFC to turn itself into a bank from, an institution created exclusively to fund infrastructure projects. It was felt that IDFCs borrowing long-term through bonds. IDFC has now been granted a license to turn itself into a bank so that it could take deposits. It is better to take deposits and lend rather than through bonds for 10 years.

In the 1990s, development financial institutions led by ICICI converted into banks with a 'convert or perish' campaign espoused by its then chief Shri K V Kamath. ICICI Bank succeeded, IDBI Bank managed to remain afloat following it. But the one that chose to retain the financial institution character, IFCI, is nearly irrelevant. If borrowing long term and lending was a wrong business model then for ICICI and now for IDFC, how is it that it's good for banks? Is the banking system being turned into development financial institutions?

It was not the dearth of funds, but the composition of funding and lending that landed the Indian banking industry in a soup. Years of lending short-term bank funds to long-term projects, throwing the basics of asset-liability management to the winds, made banks shaky. When the interest rate cycle turned higher and the economy slowed, all the sins of the bull market came back to haunt. There is nothing to show that it will be different in the next cycle.

Keeping in mind the ICICI and IDFC experience, it would have been wiser to ask: why did banks lend long-term instead of permitting them to sell long-term bonds? It also doesn't help in the efficient development of bond markets. Why should banks compete with its own customers in the same market for funds?

If banks are smart, they should not sell bonds, or stop just with token bond issues. If they go all out as if there is no tomorrow, they may well be sowing the seeds of the next banking crisis. The current one is because their funds are short term and

lending is long term. The next one will be the flip side of it - longer term funds and short-term assets.

There is near-unanimity that Indian interest rate cycle is at its peak now, and the only direction for rates is to head south. It is the outcome for which Mr. Rajan is working so hard. So, goading banks to borrow long term at current interest rates is something similar to what US Federal Reserve former chairman Alan Greenspan did to mortgage borrowers. Greenspan advised individual borrowers to shift to floating rates. That turned out to be the worst financial advice that anyone could give. It left millions homeless. Given the Indian financial tradition and the smartness of borrowers, the dice will be loaded against banks in the case of long-term bonds.

At current interest rates, banks may be borrowing at near 10% without a call or put option. But they may be lending to someone who may have the choice of refinancing the loan at a lower rate when interest rates ease. Not many borrowers will accept covenants that prevent such a switch. So, the liability of banks will be for longer term, and assets could be of a shorter duration.

Apart from Indian banking coming a full circle, it also raises the question of which is the right model. The truth is there is no formula for good profits all the time. It's the quest for profitability that drives managements to compromise on prudence and overdo anything that delivers profits. This is the beginning of the next boom for the Indian economy. For the banking industry, long-term bonds appear to be the magic wand that will bring them out of the current mess and set them on the path to eternal profitability. What may begin as a trickle may quickly gather pace. The test will be how many guard against getting carried away. If there are excesses, then the system would again head towards a collapse.

■■■



** Courtesy The Economic Times.
Govardhana.rangan@timesgroup.com*



MEMBER CORPORATIONS - THEIR ACTIVITIES

KSFC

KSFC enters into an MoU with United India Insurance Company Limited

Karnataka State Financial Corporation entered into an MoU with United India Insurance Company Ltd (UIIC) on 1st April 2014 to market general insurance (non life) products of UIIC, as a Corporate Insurance Agent. In this regard, “General Insurance Interactive Meet” was organized by KSFC, Financial Services Department, Head Office in association with UIIC all the Branch Managers of different Circles and the Officials looking after the general insurance portfolio. The Executive Director – II, KSFC chaired the interactive meet at Bangalore and Dhanwad Circles.

The programme was organized to highlight the salient features of the Products & Services, Policies and procedures of UIIC. The meet also aimed to bring together the district wise nodal officers of UIIC and KSFC officials on a single platform for a better co-ordination in future. The programme included Technical Sessions to clarify the various issues pertaining to insurance portfolio.

Credit rating ensures smooth flow of finance to SMEs

Credit rating evaluates risks on various aspects such as management competence, strength of business model and financial well being. The ability and willingness to repay loans is the basic building block for relations between the borrower and creditor and it is the stepping stone to ensure smooth flow of finance for small and medium enterprises and it can enhance an organisation's credit worthiness through risk management. Karnataka State Financial Corporation has entered into an MoU with ICRA Limited for credit rating the proposals. The company is empanelled by National Small Industries Corporation (NSIC) OF India for SME rating. The MoU with ICRA Ltd. has been concluded to have alternative agency for availing the rating services.

For facilitating the rating, Karnataka State Financial Corporation complies with requirements like getting

application forms duly filled and signed by the promoters and forwarding to ICRA Ltd., with required documents, facilitate collection of required information from the assisted units and assist in management interviews and collecting fee by way of DD and handover to ICRA Ltd., along with the application.



NSIC-ICRA Rating (applicable for only SSI Units):

NSIC-ICRA rating reflects ICRA's opinion on the company's performance capability and financial strength.

ICRA SME Ratings (applicable for units other than NSIC subsidy cases) :

ICRA SME Rating reflects the level of creditworthiness of the SME, adjudged in relation to other SMEs.

In respect of Projects which are rated under NSIC-ICRA rating, which are rated SE 1A, SE 1B, SE 2A, SE 2B, SE 3A and SE 3B as bankable proposals subject to complying with the lending norms and SE 1C, SE 2C, SE 3C, SE 4A, SE 4B, SE 4C, SE 5A, SE 5B and SE 5C as non bankable proposals.

Similarly, in respect of projects which are rated under ICRA SME ratings, which are rated as SME 1, SME 2, SME 3, SME 4, SME 5 as bankable proposals subject to complying with the lending norms and SME 6, SME 7 and SME 8 as non bankable proposals.

Minimum grade of “BBB” or equivalent ratings i.e. moderate degree of safety as the benchmark for consideration of the proposal for Large Scale Industrial Units are applicable.

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BANKS MUST BOOST MSME LENDING

** Sushila Ravindranath*

The small scale sector and the trading community had hoped that the Budget would address some of their long-standing problems. They require funds to stay alive, grow and expand. However, a major part of the community in the country has very little or no access to formal finance. IIM-Bangalore professor Shri R Vaidyanathan points out in his recently published book, 'India Uninc', that the real India story, over generations, lies in the many proprietary and partnership firms, small manufacturing units, kirana stores, single entrepreneurs and household enterprises.

Crisil rates over 50,000 MSMEs in India—both in the manufacturing and services sectors. The National Commission on Enterprises in the Unorganized Sector (NCEUS) estimates that there are nearly 70-100 million small and micro businesses in the country. According to Crisil, the share of bank and institutional funding to MSMEs has been on a downward trend. At best, in certain segments such as pharma and engineering, this has remained stagnant. This sector's dependence on non-formal creditors for external credit (such as suppliers, local money-lenders) in its total funding has increased from 50% to nearly 65% now.

What this means is that bank-funding for this sector has come down from 50% to 35% in the same period. MSMEs' capital resources are limited to start with and the surpluses they generate in their operations are also low. Their profit margin is wafer-thin, at around 2-3%, as compared to the 8-9 % margins of the larger industries. This has led to most MSME units scaling down their already crunched operations. Most MSMEs depend on large units for their business. With the overall economy under strain, big industry has been passing the pressure on to them. The outstanding receivables from the large sector—in terms of number of days outstanding—for MSMEs has been increasing in the past five years. Across various sub-segments, it is up nearly 20%. This affects funds flow and makes MSMEs even more dependent on non-formal sources of finance.

Shri Praveen Khandewal, National Secretary general of Confederation of All India Traders (CAIT), says that the over six crore (CAIT)



members provide employment to nearly 25 crore people. Their annual turnover is around Rs.20 lakh crore, contributing nearly 15% of the GDP. Their growth rate is 15% per annum. After agriculture, retail is the largest provider of employment. However, almost all small traders have stories to tell of how badly they are treated by the banks.

According to Census 2011, out of the 245 million households in the country, only 135 million households or 55% avail of any kind of banking services. Urban households number 65 million and the banking coverage in such areas is 70%. The coverage of banking is sharply lower in the rural/semi-urban areas. Out of the 180 million rural households, only 50% had access to any kind of banking services.

It is the unorganised sector—comprising crores of business and commercial units ranging from the corner grocery to the small truck operator to the vegetable shop to the auto mechanic to the small departmental store to the itinerant trader—which employs the largest portion of rest of the workforce, slightly more than 150 million.

A study by the International Finance Corporation shows that the commercial banking sector provides only about 10-15% of the recurring credit requirements of the MSME sector, which it estimates at Rs.20 lakh crore at the lower end and Rs.32 lakh crore at the higher end. Non-bank companies provide about 8-10% while at least 75% of the requirements are met from non-formal and non-organised sources.

Small retailers traders, wholesalers and people closely associated with the trade sector such as



small transporters, farmers and workers always face a liquidity crunch. They have to arrange finances from their own sources, mainly friends and relatives, mortgage their assets and belongings and, as a last resort, turn to money-lenders. The interest rates the money lenders charge are almost 5% per month.

RBI is aware of the problems. Its latest annual report says that priority-sector lending—that is, identifying certain sectors such as small and micro businesses, agriculture, low income groups etc—has been a key policy tool with which the government has sought to reach the financially excluded sections. This policy has been in force for the last 45 years, whereby commercial banks are directed to earmark 40% of their credit portfolio to the identified priority sectors. Commercial banks may show the required numbers, but they have

focused on those who are influential and those who they deem credit worthy.

The track record of the non-bank finance companies of the past decade in catering to this sector seems far better than banks. From just around 2-3% of the total share of the MSME credit market, non-bank companies have increased their share to nearly 10% of the total addressable market, nearly rivaling that of the formal commercial banking sector. However, NBFCs complain that most of RBI's actions exclude NBFCs while considering inclusive growth. RBI has imposed stringent restrictions on NBFCs that it is difficult for them to finance the tiny sector or the small trader. Genuine financial inclusion would create jobs as well as improve the credit condition of this sector.

■■■

** Courtesy: Financial Express.
sushila.ravindranath@expressindia.com*

QUESTIONS OF CYBERQUIZ~49

Q.1 The brand name Motorola, a word which suggests sound in motion, has been derived by combining two words. One is "motor". The other one is :

- [a] Victrola;
- [b] Roland;
- [c] Rolling;
- [d] Roller.

Q.2 This company was founded on July 18, 1968 as NM Electronics. By what name do we know this company today ?

- [a] Motorola;
- [b] NM Semiconductors;
- [c] NEC;
- [d] Intel.

Q.3 Which search engine has been named after the gentleman's gentleman in P.G. Wodehouse's series of books ?

- [a] Alta Vista;
- [b] Lycos;
- [c] Excite;
- [d] Askjeeves.com.

Q.4 Wife of George Canova, co-founder of this company, suggested its present name as she (mistakenly) thought that this word meant "new" in French. Name this company.

- [a] Netscape;
- [b] Novell, Inc.;
- [c] Verizon Communication;
- [d] Kozmo.com

Q.5 This search engine (and the company of the same name) gets its name from Lycosidae family of web spiders. Name it.

- [a] Lexxe;
- [b] Link Centre;
- [c] Lycos;
- [d] WebCrawler.

For Answer see Page No. 22



SUCCESS STORIES OF UNITS ASSISTED BY RAJASTHAN FINANCIAL CORPORATION

M/s Maltsters & Blenders [India] Pvt. Ltd.

Shri Vishal Yadav is the Director of Maltsters & Blenders [India] Pvt. Ltd, RIICO Industrial Area, Neemrana, Alwar. A second generation entrepreneur, he has availed a loan of Rs.13.00 Lakhs and a deferred loan of Rs.129 Lakhs from RFC for restarting a sick unit purchased by him. This Unit has now substantially grown into a yielding one. A further loan of Rs.350 Lakhs has been sanctioned out of which Rs.228.00 Lakhs have been availed by the company and it is expecting a turnover of Rs.800.00 Lakhs in the near future.



RFC has been receiving the dues of the repayments on time thereby gaining its aim of successfully building good business relationships with growing entrepreneurs. May the association between the two which started in the year 2003 go on for years to come ahead.

M/s. Khandelwal Trading Company

Shri Damoder Khandelwal is the Proprietor of Khandelwal Trading Company, RIICO Industrial Area, Neemrana. Yet another saga of cooperation resulted in enhanced and encouraging outcomes brought by the efforts of RFC transcending a turnover of Rs.7.06 Lakhs in 2005-06 to Rs.33.68 Lakhs in 2007-08. Initially Khandelwal Trading Company was a non-financed unit but then a loan of Rs.20 Lakhs and a subsequent loan of Rs.20.25 Lakhs under another scheme of RFC were granted which made the company grow manifold.



Shri Damoder Khandelwal with his proposed expansion plans of turning his flour mill into roller flour mill promises to be a perfect example of trust and faith. He has repaid all the loans in full and thereby received cooperation from the RFC, Neemrana branch.

You are what your deep, driving desire is. As your desire is, so is your will. As your will is, so is your deed. As your deed is, so is your destiny.

Brihadaranyaka Upanishads



MICRO, SMALL & MEDIUM ENTERPRISES

PSUs will have to procure 20% from MSEs, w.e.f. April 2015

All public sector undertakings (PSUs), central government ministries and departments will have to procure at least 20% of products and services required by them from micro and small enterprises (MSEs) from April next year, Parliament was informed in July.

“The public procurement policy for micro and small enterprises has become effective from 1 April 2012.

However, the provision of 20% procurement of products produced and services rendered by MSEs will be mandatory from 1 April 2015 for central ministries/departments/PSUs,” micro, small and medium enterprises (MSME) minister Shri Kalraj Mishra said in a written reply to Rajya Sabha.

According to data available with the MSME ministry, procurement of approximately Rs.14,442 crore, Rs.12,931 crore and Rs.3,799 crore was made from MSEs by central ministries/departments/PSUs in 2011-12, 2012-13 and 2013-14, respectively.

Registration procedure for MSME associations to be established

The MSME ministry plans to establish a registration procedure for associations linked to the micro, small and medium enterprises in order to enhance their involvement in policy issues. Union minister for MSMEs Shri Kalraj Mishra said the registration procedure will be on the lines of the one already in place for filing entrepreneurs memorandum (EM). “The ministry is trying to formalise the relationship with prominent MSME associations to be its partner in the growth process. A procedure of registration of suitable associations akin to EM filing is being conceptualised. Once this plan gets fructified, MSME associations will get to play a bigger role in various aspects of policy making.”

TN govt announces dyeing cluster to help micro, small units

Seeking to help the micro and small dyeing units, several of which were forced to close owing to lack of effluent treatment facilities, Tamil Nadu government has announced setting up of an Industry-oriented



Development Cluster at an outlay of Rs.700 crore. Chief minister Ms. J Jayalalithaa said that around 900 micro and small dyeing units in the Namakkal, Erode, Salem and Karur districts were providing direct employment to thousands and indirect jobs to lakhs. While medium and large dyeing units have installed zero effluent technology in their facilities, in line with the changing environment laws in the state, the micro and small units were unable to implement such projects and faced closure. Under the proposed project, these units would be relocated and the cluster set up.

Over Rs.24,000-crore allocation to boost MSME sector in 12th Plan

The government has allocated Rs.24,124 crore to boost the micro, small and medium enterprises sector during the 12th Plan period, an increase of 133.53% over the Eleventh Plan, MSME minister Shri Kalraj Mishra said in the Lok Sabha. As per Fourth All India Census of MSMEs and Economic Census (2005), the estimated number of enterprises operating in the country and capital investment involved therein, are 3.61 crore and Rs.6,89,954.88 crore, respectively. There are 2,887 specialised SME branches of public sector banks operational as on March 31, 2014. In addition, Sidbi has set up Credit Advisory Centres (CACs) in partnership with cluster-level industry associations, which provides services like guiding new/existing entrepreneurs on availability of schemes, debt counselling, etc. So far, 50 CACs have been set up at various centres all over India in partnership with industry associations covering 306 clusters.

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ALL INDIA INSTITUTIONS

RBI Notifies Easier Norms on Bond Sales For Infra, Affordable Housing

Banks can raise long-term funds to lend to affordable housing and infrastructure, the Reserve Bank of India (RBI) said in July. The seven-year bond with no secondary market trading option can be issued by banks at a fixed or variable rate. As announced in the Budget, the bonds will not attract any statutory pre-emption such as cash reserve ratio (CRR) or statutory liquidity ratio (SLR). Besides, they need not set aside additional funds for meeting priority sector requirements, which effectively translates into lower fund costs for banks. Raising long-term resources is expected to help banks address their asset-liability mismatches. The Reserve Bank in a notification to banks clarified that these bonds cannot be sold to other banks. Bankers say the target buyers are long-term investors such as pension funds and insurance companies which have been reluctant investors in Indian debt. Raising funds through such bonds will help banks raise more resources for affordable housing as well as for what is technically termed as infrastructure. According to RBI, affordable housing loans are those up to Rs.50 lakh made to individuals for houses with value up to Rs.65 lakh in Mumbai, New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad and Rs.40 lakh for houses with value up to Rs.50 lakh in other centre

Public sector banks improve their recovery

A mandate to take defaulters head-on and various initiatives to tackle stressed assets helped public sector banks (PSBs) improve recoveries from non-performing assets (NPAs) last financial year, according to the Economic Survey 2013-14. "So far, steps by the government and the Reserve Bank of India have resulted in an improvement in recoveries of NPA by PSBs. These increased from Rs.9,726 crore in March 2010 to Rs.20,288 crore in March 2013



and Rs.27,623 crore in March 2014". The economic slowdown and high leverage has hit many companies, leading to a rise in defaults, with the infrastructure, textiles, chemicals, iron & steel, food processing, construction and telecommunications sectors hit the hardest. A switch to system-based identification of NPAs by PSBs, a slowdown in economic growth and aggressive lending by banks during the boom period had led to the rise in NPAs.

Overall NPAs of the banking sector increased from 2.36 per cent of total credit in March 2011 to 3.9 per cent in March 2014 (provisional). While there was an across-the-board rise in NPAs, the increase has been particularly sharp for infrastructure, with NPAs in this segment, as percentage of credit, increasing from 3.23 per cent in March 2011 to 8.22 per cent in March this year. The survey said gross NPAs of PSBs increased nearly fourfold between March 2010 (Rs.59,972 crore) and March 2014 (Rs.2,04,249 crore). As percentage of credit, NPAs stood at 4.4 per cent in March 2014 (provisional), against 2.09 per cent in 2008-09.

The banking system's asset quality had deteriorated in the post-crisis years and among banks, PSBs had the highest NPAs and restructured advances, the survey said.

■■■

Accept the things to which fate binds you, and love the people with whom fate brings you together, but do so with all your heart.

NEWS FROM STATES

ANDHRA PRADESH

Andhra govt offers 26% stake to shell in Kakinada project

Andhra Pradesh government has approved a proposal for offering 26% stake to Europe's, Royal Dutch Shell, in a gas project at Kakinada. The Andhra Pradesh government-owned AP Gas Infrastructure Corporation (APGIC) and state-owned GAIL floated AP Gas Distribution Company (APGDC) have set up a 3.5 million tonnes capacity (expandable up to 10 million tonnes) Floating LNG Storage Regasification Unit (FSRU) in the East Coast at Kakinada Deepwater Port.

AP budget for 2014-15

Andhra Pradesh Finance Minister, Shri Y Ramakrishnudu presented a tax-free budget for 2014-15 in the state legislative assembly on 20th August, 2014. This includes a plan expenditure of Rs.26,673 crore and a non-plan outlay of Rs.85,151 crore. The estimated revenue deficit is Rs.6,064 crore and fiscal deficit is estimated at Rs.12,064 crore. According to the minister, the fiscal deficit works out to 2.30% of GSDP whereas the revenue deficit works out to 1.16%. The budget estimates include the receipts and expenditure of two months relating to undivided state and the anticipated additional assistance of Rs.14,500 crore from Centre in the context of state reorganisation. If these are excluded, the revenue deficit of the residuary state of AP will be Rs.25,574 crore and the fiscal deficit will be Rs.37,910 crore working out to 4.84% and 7.18% of GSDP, respectively. The state government has allotted Rs.5,000 crore for waiver of farm loans in the budget. "There has been distress in the community due to natural calamities, rising cost of inputs, lack of remunerative prices and high labour costs. The debt relief to farmers would impose a huge burden,



however we will not leave any stone unturned to raise resources."

TELANGANA

Telangana waives farm loans worth Rs.19,000 crore

The Telangana government has issued orders waiving loans to farmers to an extent of Rs.1 lakh each, which is estimated to cost the exchequer Rs.19,000 crore.

KARNATAKA

Karnataka announces initiatives to boost start-ups, innovation

With an intention to boost the image of Bengaluru on the global start-up and innovation map, the Karnataka government has announced various initiatives, including the setting up of a start-up warehouse, NextGen. The 50,000 sq ft NextGen warehouse, being set up in partnership with industry body Nasscom, will house and integrate India's first Hack-celerator, a combination of a hackathon and an accelerator. The new facility will also house Internet of Things (IoT) lab, Design Center of Excellence (Design CEO), Mobile Devices Lab among others.



Technology is just a tool. In terms of getting the kids working together and motivating them, the teacher is the most important.



HEALTH CARE

Benefits of Brisk Walking

Walk for a healthy body: Walking is one of the easiest ways to stay fit. You may have a busy life, but try and introduce physical activity in your life. A moderate dose of physical exercise for 30 minutes (if you can't manage that much, even 15 minutes is okay to begin with) a day is enough to keep you healthy. This form of aerobic fitness can lift your mood, make you physically fit, and improve the quality of your life.

Before you start : Wear the right pair of walking shoes and comfortable clothes. Also remember to carry and drink water while you walk, to hydrate yourself. Walk for 15-20 minutes for the first three days, and then gradually increase the time. You can use a pedometer to count the steps you take.

Walk your way to a healthy heart : Walking can lower your cholesterol levels and decrease the risks for cardiovascular diseases. It can also strengthen your heart, muscles and lungs. A strong heart with an increased heart rate is able to carry more blood to the rest of your body. Brisk walking every day lets you burn up to 200 calories and reduces body fat.

Cuts your risk of hypertension and diabetes: According to a study, regular walking improves the BMI (body mass index) and blood pressure levels in people with diabetes. Allowing muscle movement leads to more use of glucose by the muscle cells. This also involves utilization of more insulin, which improves blood sugar levels. Low blood pressure levels can also protect against kidney failure, heart attack and stroke.

Reduces risks and effects of cancer : Research shows that in colon cancer, a speedy walk can give less time to the carcinogens present in the food to come in touch with the intestinal lining and reduce the risks of having cancer from the start itself. With improved blood circulation, walking brings in positive energy within the body and therefore lessens the side effects of chemotherapy.

Protect against miscarriages : Despite the several



body changes during pregnancy, regular walking can benefit you in many ways. It can reduce fatigue and related pains, help lose weight easily, and lower risks of gestational diabetes. Walking can also prevent spontaneous abortions by lowering down the hormonal fluctuations which cause uterine contractions.

Walk for better sexual health : A regular habit of brisk walking can improve your performance in bed. Walking two miles a day boosts blood circulation which cuts down on the risk of impotency. You can be healthy and fit, and need not rely on medicines to keep your love life active.

Rejuvenate your mind and spirit : Walking benefits not just your body but also your mind. Brisk walking helps ease stress and anxiety, reduces depression and imparts a positive kick-start to your day. It improves your self-esteem, charges up the mood and helps to keep you energetic, positive and happy throughout the day.

Manage extra kilos : Proper exercise coupled with a nutritious diet can help to burn calories which would otherwise end up as fat. You can burn up to 100 kcal of energy by walking a mile and for every two miles you walk, three times per week, you are guaranteed to lose 0.5 kg every month. With a habit of brisk walking 45 minutes a day, a slimmer waistline will not remain a distant dream.



People who work together will win, whether it be against complex football defenses, or the problems of modern society.



Govt. set to ask SEZs to export 51% of output

The government is considering a proposal to make it mandatory for special economic zones (SEZs) to export at least 51% of goods and services they produce. Currently, these zones, hit by the imposition of minimum alternate tax (MAT) and dividend distribution tax (DDT) in 2012 Budget, need only to be positive net foreign exchange (NFE) earners over a period of five years from the start of operations.

The finance ministry has objected to the “positive NFE norm”, saying it will not result in more exports from SEZs as units that are not importing any inputs will not be obliged to export in this case. Explaining the 51% norm, officials said: “If an SEZ unit imports inputs worth \$100 and sources another \$900 worth goods from India, then by taking into account a 10% value addition over the total input cost of \$1,000, the production would be worth \$1,100. As per the positive NFE norm, the SEZ unit would need to export only \$101. But with the 51% norm, this would mean a much higher export obligation of \$561 (or 51% of \$1,100). However, if a unit chooses to import inputs worth \$1,000 and does a value addition of just \$1, the export obligation would be slightly lesser at \$510.5.

Chinese industrial parks to have same incentives as SEZs, NMIZs

India and China have signed a memorandum of understanding (MoU) on the creation of industrial parks, with the Indian government agreeing to grant them the same status in line with the special economic zones (SEZ) and National Investment & Manufacturing Zone (NIMZ). “The parties confirm that the cooperation on industrial parks shall enjoy the support that the Chinese government grants to overseas economic and trade cooperation zones, as well as the benefits not lower than that envisaged under the prevailing policy frameworks in India, such as Special Economic Zone (SEZ), National Investment &



Manufacturing Zone (NIMZ), and existing policies of the state governments, as applicable,” stated the MoU, signed in Beijing during the visit of Vice-President Shri Hamid Ansari to that country.

Some of the incentives enjoyed by SEZs and NIMZs are related to tax relaxations. SEZs enjoy 100 per cent income tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for the first five years, 50 per cent for the next five years thereafter and 50 per cent of the ploughed back export profit for next five years. These enclaves also enjoy exemption from minimum alternate tax (MAT) under section 115JB of the I-T Act. However, in 2011 the government had imposed 18.5 per cent MAT on the book profits of special economic zone developers and units. The matter is under litigation now. Besides, NIMZ, under the National Manufacturing Policy, has provisions of tax incentives to small and medium enterprises (SMEs).

The MoU also stated the parks will be monitored by an Industrial Park Cooperation Working Group, which will meet alternately in India and China to assess the quantum of investments and progress of the various investment proposals that comes in. The working group will have equal number of representatives from both countries to identify and agree upon the detailed modalities for implementing the cooperation under this MoU.

Govt plans Rs.2lakh-cr solar and wind power projects in deserts

With depleting fossil fuel reserves and environmental concerns surrounding conventional power generation, the government has started work on a long-term plan to tap into India's solar and wind potential lying unexplored in its deserts. The plan could entail an investment of over Rs. 2 lakh crore by 2022. The idea is to set up renewable energy generation capacity, including both solar and wind, along with the associated evacuation infrastructure, at a mega scale in the four Indian deserts - Thar in Rajasthan, Rann of Kutch in Gujarat, Lahul & Spiti in Himachal Pradesh and Ladakh in Jammu & Kashmir.

The country's largest power transmission utility, Powergrid Corporation, has already submitted its report detailing the renewable potential available, cost of setting up the projects and their economic viability to the ministry of new and renewable energy (MNRE). "The informal report aims at sensitisation of the feasibility of the plan. Further work will have to be done by MNRE."

According to an estimate, implementing the scheme would require an investment of Rs.208,350 crore, including Rs.108,000 crore for setting up 11,100 Mw capacity generation projects (10,400 Mw of solar and 700 Mw of wind), Rs 19,800 crore for laying transmission lines and Rs.80,000 crore for balancing infrastructure (pumped and battery storage projects). The overall fund requirement would go up to Rs.16 lakh crore for extending the plan to 2032 and further Rs.43 lakh crore by 2050.

Govt sets time limit for SEZ Activities

The government has set timelines related to special economic zones as part of a wider plan to make it easier to conduct business in the country. In this regard, it has specified timelines for disposal of work—from "examination of proposal for setting up of an SEZ" to "in-principle exit order". The move is likely to expedite setting up of SEZs and also provide an easier exit route. India ranks 134 out of 189 countries in the World Bank's 'ease of doing business' list. Of the 389 notified SEZs in the country, only 192 are currently operational.



Why should those who rejoice when destiny brings good fortune when that same destiny decrees misfortune? What is there that is mightier than destiny? For it is there ahead of us even in the plans we devise to overcome it.

Tirukkural 38: 379-380



India Attracts \$38-b Overseas Investment in March Quarter

India received \$37.8 billion foreign investment between January and March, 2014. RBI data shows that \$16.1 billion came in as foreign direct investment during the quarter while another \$13.4 billion came in as portfolio investment, taking the total foreign-owned assets in India to \$814.8 billion. The healthy inflow through the portfolio route also helped the local currency appreciate during this period. Among other investment liabilities, loans (mainly external commercial borrowings) grew \$7.5 billion.

About 30% of India's international liabilities are on account of direct investment while portfolio investment contributed 23.7% to it, followed by loans (21.9%) and currency and deposits (12.8%) among other instruments.

Foreign debt growth slows to 7.6% in FY14

India's external debt grew at a much slower pace of 7.6% last fiscal than in FY13, due to a sharp rise in deposits from non-resident Indians and overseas borrowings. External debt stood at \$440.6 billion as of end March, according to provisional figures released by the Reserve Bank of India. It had increased 13.5% in the previous year.

However, external debt indicators continue to be vulnerable with the external debt-to-GDP ratio touching a 14-year high of high of 23.3% in FY14 and the ratio of foreign exchange reserves-to-total debt hitting an 11-year low of 69%.

The rise in debt during the year was mainly due to the special swap scheme introduced by the RBI for the commercial banks to mobilise FCNR(B) and overseas borrowings. "The borrowings under the swap scheme in combination with a decline in CAD (current account deficit) and revival in equity flows helped in building up the foreign exchange reserves," RBI said.



Rs.100-cr schemes

Shri Arun Jaitley, Finance Minister, Government of India has allocated Rs.100 crore each of the following 28 different schemes:-

- ◆ Van Bandhu Kalyan Yojana;
- ◆ Beti Bachao, Beti Padhao Yojana;
- ◆ Start-Up Village Entrepreneurship Programme;
- ◆ Virtual Classrooms ;
- ◆ Good Governance (Digital India);
- ◆ Community Radio Stations;
- ◆ Lucknow And Ahmedabad Metro;
- ◆ Minorities: Madarsas' Modernisation;
- ◆ Vagri Research Centres In Assam And Jharkhand;
- ◆ Agri-Tech Infrastructure Fund;
- ◆ Soil Health Cards;
- ◆ National Adaptation Fund (To Counter Climate Change);
- ◆ Kisan Tv;
- ◆ National Industrial Corridor Authority;
- ◆ Ultra-Modern Super Critical Coal-Based Thermal Power Technology;

- ◆ 1 Mw Solar Parks Along Canal Banks;
- ◆ War Memorial;
- ◆ Technology Development Fund (Defence);
- ◆ Pilgrimage Rejuvenation And Spiritual Augmentation Drive (Prasad);
- ◆ Archeological Sites Preservation;
- ◆ Linking For Rivers (For Dprs);
- ◆ Ghat Development And Beautification Plan;
- ◆ Sports Varsity In Manipur;
- ◆ Asian Games/Commonwealth Games Training;
- ◆ Employment Exchanges Makeover;
- ◆ A Young Leaders Programme;
- ◆ National Centre For Himalayan Studies;

Commercial Organic Farming In North East.

Exports continue to grow at double-digit rate in June

Merchandise exports grew 10.22 per cent to \$26.4 billion in June from \$24.02 billion in the same month last year, driven by strong demand for engineering goods, ready-made garments and petroleum products. This was even as the export number for June 2013 was revised upwards from \$23.78 billion, thereby increasing the base. This was a second straight month of double-digit growth in exports, with the rate in May was higher at 12.40 per cent.

After contracting for almost 13 months, imports grew 8.33 per cent to \$38.24 billion in June from \$35.3 billion in the same month last year. The figure for imports in June 2013 was revised from \$36.03 billion. The June trade deficit widened to a 13-month high of \$11.76 billion from \$11.24 billion in May 2014.

Exports during the April-June quarter stood at \$80.11 billion, up 9.31 per cent from \$73.28 billion in the corresponding period last year. However,

imports during April-June 2014 contracted 6.92 per cent to \$113.19 billion from \$121.61 billion during the same period last year. In June, oil imports soared by 10.90 per cent to \$13.34 billion, compared with \$12.03 billion in the same month a year ago. Oil imports during April-June also grew by four per cent to \$40.78 billion from \$39.20 billion. Non-oil imports during the month were up seven per cent to \$24.9 billion. Non-oil imports during April-June reached \$72.41 billion, down 12.1 per cent from \$82.40 billion in the same period last year.

Non-oil, non-gold imports, an indicator for domestic demand and industrial growth, rose 1.42 per cent to \$21.78 billion in June.

Recapitalization of PSBs high on agenda: Jaitley

In sync with finance minister Shri Arun Jaitley's Budget promise to bolster the capital base of public sector banks by means other than budgetary support, the department of financial services (DFS) will also lay down a roadmap to bring down government shareholding in all public sector banks (PSBs) to 51% in five years. Shri Jaitley said on July 19, 2014 that enabling PSBs to raise Rs.2.4 lakh crore over the next four years to meet Basel III norms is high on the government's agenda. Besides, sources said, the DFS is prioritizing efforts to get the Insurance Laws (Amendment) Bill passed by Parliament. The Bill, among other things, seeks to hike foreign investment in domestic insurance companies to 49% from 26% now.

FIIIs, inject \$25 bn into equities, debt in CY14

Foreign institutional investors (FIIs) have pumped in a combined \$25 billion in stocks and bonds so far in 2014, strongly endorsing the country's political stability and growth potential in a manner not seen before. FIIs have picked up \$12 billion worth of equities while investing around \$13 billion in debt.

Indirect tax receipts increase 4.5% in Q1

Indirect tax receipts grew by a modest 4.5% in



the first quarter of this fiscal to Rs.1.13 lakh crore against the full-year target of 18.8%. A robust growth in service tax collection compensated for the contraction in central excise and customs receipts growth. June quarter trend shows it would be pretty difficult to meet the 18.8% indirect tax growth target set for FY15 at Rs.6.2 lakh crore.

The economic survey has forecast a GDP growth of between 5.4% and 5.9% in 2014-15. It, however, cautioned that weak monsoon rains could keep growth closer to 5.4%. To widen the tax base and to boost collections, the Central Board of Excise and Customs has launched an IT-enabled drive to contain misuse of input tax credits seen rampantly in certain industries. Service tax collections grew at 19.1% in the first three months of the fiscal to Rs.38,862 crore from a year ago, while customs collection contracted 3.1% to Rs.39,549 crore and excise collections contracted 0.2% to Rs.35,159 crore.

IMF Retains India's Growth Target at 5.4%

IMF has retained its forecast of 5.4% growth in Indian economy in 2015 and a stronger 6.4% growth next year. "In India, growth appears to have bottomed out, and activity is projected to pick up gradually after the post-election recovery in business sentiment, offsetting the effect of an unfavourable monsoon on agricultural growth," the IMF said. Global economy is now projected to grow only 3.4% in 2014, down 0.3 percentage point from the earlier forecast. "The recovery continues, but it remains a weak recovery, indeed a bit weaker than we forecast in April," Mr.Olivier Blanchard, Economic counsellor, IMF, said in a statement attributing the downward revision largely to the developments in the US.

World Bank to lend India \$15-18 billion by 2017

The World Bank will step up its lending to India to \$5-6 billion annually over the next three years from the earlier commitment of \$3-5 billion a year to help the country return to the higher growth orbit, which is critical for boosting jobs and reducing poverty. World Bank president Mr. Jim Yong Kim, endorsed the government's commitment on reforms and said

the multilateral agency would support the development initiatives with financing, as well as knowledge and capacity building.

The government is aiming to focus on infrastructure and job-oriented skill development as the deep drivers of growth to revive the economy from the sub-5% growth recorded in last two years. "The Prime Minister reiterated to me his three priorities that are skill, speed and scale," Mr. Kim said. "It will be critical to build more quality infrastructure, expand financial access, improve investment climate and invest in its people". While the specific issues on funding were not discussed, Mr. Kim said the bank will lend \$15-18 billion in the next three years, including about \$3.4 billion in concessional loans from International Development Association (IDA). The International Bank for Reconstruction and Development (IBRD) has also recently increased the single borrower limit for India to \$20 billion from \$17.5 billion.

World Bank's private sector arm, the International Finance Corporation (IFC), has mobilised \$1 billion through the offshore rupee bond programme, aimed at strengthening India's capital markets and attracting foreign investment.

World Bank Group assistance to India between July 2013 and June 2014 amounted to \$6.4 billion. This included \$2 billion from IBRD, \$3.1 billion from IDA, and \$100 million from the Clean Technology Fund that the World Bank Group administers. During that period, IFC committed \$1.2 billion in India.

External debt rises to \$440.6 billion in F.Y. '14

India's external debt rose 7.6 per cent to \$440.6 billion in 2013-14, owing to a rise in the deposits of non-resident Indians (NRIs) and foreign borrowings by banks. A fall in the country's current account deficit and a revival in equity flows and borrowings by banks through currency swaps helped build foreign exchange reserves, the RBI said in its review of India's external debt. The surge in NRI deposits was primarily due to mobilisation of fresh foreign currency non-resident bank deposits by commercial banks under the central

bank's swap scheme during the September-November period last year. RBI said the rise in external debt was partly offset by the valuation change (gains) resulting from appreciation of the dollar against the rupee and other international currencies. The share of short-term debt to total debt declined to 20.3 per cent from 23.6 per cent in 2012-13, owing to net repayments of short-term debt. Offloading a part of the investment in Indian debt by foreign institutional investors in 2013-14 also led to a decline in the share of short-term debt. The ratio of short-term debt to foreign exchange reserves declined to 29.3 per from 33.1 per cent at the end of March 2013. In terms of the major components of external debt, the share of external commercial borrowings continued to be the highest (33.3 per cent), followed by NRI

deposits (23.6 per cent) and short-term debt (20.3 per cent).

Services exports down 6.8% to \$12.9bn in June

Services exports fell by 6.8% to \$12.97 billion in June as compared to the same month last year. Import of services during the month also fell by 10.4% to \$7.19 billion, according to RBI data. Total receipts (or exports) in services during April-May stood at \$40.47 billion, while payments (or imports) were at \$24.09 billion, the data showed. India's services export in 2013-14 stood at \$167.01 billion and imports were at \$88.19 billion. The services sector contributes about 60% to the gross domestic product.



ANSWERS OF CYBERQUIZ~49

1[a]. *Victrola :*

Victrola was a popular brand of home phonograph from Victor Talking Machine Company of USA. In the early twentieth century many audio equipment companies in the USA were using the suffix - ola in their names.



2[d]. *Intel :*

Intel was founded as NM Electronics in 1968 by Robert Noyce and Gordon Moore, formerly with Fairchild Camera and Instrument Corp. Thinking that their company should have a better name they called it Intel which stood for "INTEgrated ELEctronics". When later on they learnt that the name had been taken by a company called Intelco, they had to purchase the rights to the name from them.

3[d]. *Askjeeves.com :*

Reginald Jeeves is a fictional character in the stories and novels of P.G. Wodehouse. Jeeves is the "gentleman's personal gentleman" (valet) of Bertie Wooster, the protagonist and narrator of the Wodehouse's Jeeves stories.

4[b]. *Novell, In[c] :*

Novell, Inc. was earlier known as Novell Data Systems. Nouvelle is the feminine form of the French adjective 'Nouveau'. 'Nouvelle' as a noun in French means "new".

5[c]. *Lycos :*

Wolf spider's scientific name is Lycosa. This genus of spiders pursues its prey, as opposed to trapping the prey in its web.



ACTIVITIES OF COSIDICI

COSIDICI' Meeting with Joint Secretary (IF), MoF, Gol :

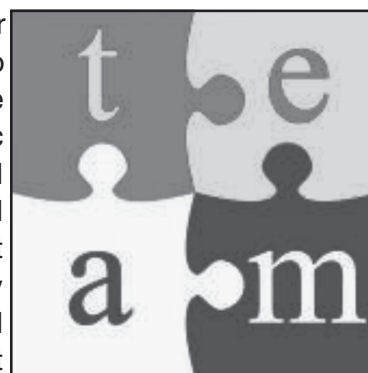
The Secretary General alongwith Secretary, COSIDICI had held discussions on the issues being faced by State Level Financial Institutions (SLFIs), particularly the SFCs, with Shri Alok Tandon, IAS, Joint Secretary (IF), Ministry of Finance (*Shri Ateesh Singh, Director, MoF was also present*) on August 05, 2014. Shri Tandon had agreed to write to SIDBI to call a meeting of SFCs in order to ascertain the problems/issues being faced by SFCs so that a strategy could be worked out to address the same. A copy of the brief note submitted to the Ministry of Finance, Gol as under :-

The State Level Financial Institutions (SLFIs) were created for fulfilling certain critical socio-economic obligations of the State like entrepreneurial development, employment generation, and balanced regional development by promoting and financing industry in semi-urban, rural and backward regions of the States for inclusive growth and removal of poverty. As Development Financial Institutions (DFIs) at State level, they have played a pivotal role in the overall promotion and development of the MSME sector in their respective States. The MSME sector has emerged as a vibrant and dynamic sector of the Indian economy accounting for 8% the National GDP, contributing about 45 per cent of the manufacturing output and 40 per cent of total exports of the country; and providing employment to over 73 million persons.

Background :

The SLFIs are a major source of financial & promotional assistance to the MSME Sector thus stimulating economic growth and development. The SFCs finance small scale and medium scale industries in the states. SIDCs create and develop infrastructure facilities like industrial estates, industrial parks, housing complexes for industrial workers as also setting up of SEZs in certain

States. Together they have helped to decentralize economic development and have created employment opportunities by assisting and handholding first



generation entrepreneurs, artisans, crafts persons, SSI units which are using simple to the most sophisticated technology thus leading to job creation in furthest corners of the country. These units have contributed to the States' exchequer by way of sales tax, local duties etc. besides generating jobs. Some years back a study was conducted on the impact of SFCs' assistance to MSMEs on the economy of a State based on a random sample size consisting of 100 MSMEs assisted by the SFC. It was found that every crore of loan assistance by an SFC generated VAT and ST income of Rs.18.49 lakhs per annum, in addition to generation of employment. Many of the present day Indian multinational companies e.g. Infosys, Biocon which had been denied finance by the banks due to the risks involved in financing first generation entrepreneurs have initially been provided finance by SFCs. The strength of these SLFIs lies in the local knowledge about the industrial potential, their familiarity with ground level issues and support from State administrative machinery which facilitates them in their role in stimulating local economic growth and development.

The SFCs were performing quite well earlier but their fortunes declined after opening up of the economy in 1990s since the economic reforms did not address the issues facing these DFIs. The SFCs suffered owing to indifference on the part of stake-holders in providing concessional and adequate resources to SFCs and consequently, their inability to compete with commercial banks which have access to cheap public deposits.



Keeping in view the strategic importance of SFCs, the Government of India had provided a financial package through SIDBI in the year 2003 which yielded positive results and has helped some of the SFCs turnaround and show better performance. However, the steps taken by the respective State Governments as also the SFCs have not been uniform and to the extent required. While some of the SFCs have implemented a number of the improvement measures, others have partially implemented them. This has resulted in less than expected improvement in the performance of these SFCs. If SFCs have to function as viable units, they must get sufficient resources at affordable cost so that they can compete with the commercial banks and build up a good quality portfolio.

Suggestions :

In order to re-strengthen the SFCs and to enable them to play their role together with SIDCs for over-all economic development with focus on the MSME sector, the following measures are proposed :-

- ◆ **Strengthening of the Equity base by Infusion of fresh capital :** The respective State governments and the Central Government are the main stake-holders of SFCs. The Gupta Committee set up by the Government of India in 2000 opined that it was imperative to strengthen these institutions which provide assistance to the entrepreneurs in MSME sector, particularly the first generation entrepreneurs who are overlooked by the commercial banking sector. One time recapitalisation of SFCs to make them positive networth with adequate share capital is, therefore, essential. The Central and the respective State Governments need to draw-up a package for recapitalization of the SFCs. The Central Government has already come forward with capital infusion of Rs.15,000 crore for strengthening Cooperative Banks in the country, and the requirement for capitalization of commercial banks is estimated to be over Rs.90,000 crore over the next 3-5 years.
- ◆ **Developing a Robust Business Model – A** business model wherein the SFCs alongwith
- SIDCs partner each other to meet all financial and non-financial needs viz. term lending, factoring services, venture funding, non-financial advisory services and industrial infrastructure needs of MSME units. This would require new skills, induction of professional manpower, continuity of top management, and running these organisations on purely professional and commercial lines to enable them to build up a strong and good portfolio which gives them adequate profitability to continue their activities over the years to come.
- ◆ These Corporations *do not have access to public deposits* [as they are not banks/NBFCs]. Therefore, they require assured sources of finance which could be as under :-
- ◆ Refinance from All India Financial Institutions like SIDBI, NABARD and NHB etc. **Section 7(4)** and other relevant sections in SFCs Act have to be amended suitably.
- ◆ RBI may allow Banks to treat loans sanctioned by them to SFCs for on-lending to Micro and Small Enterprises as eligible for priority sector status as was the case before the issue of its Master Circular dated July 05, 2011 by the RBI.
- ◆ RBI may allow the well run SFCs to raise funds through SLR bonds and also restore temporary borrowing facility against adhoc bonds (these facilities were earlier available to SFCs, prior to 2003-04).
- ◆ Market funding through bonds which could initially be guaranteed by the respective State Governments so as to bring down the costs of funds.
- ◆ In the initial years, when the costs of funds is on the higher side, the respective State Governments may provide interest subsidy of 1 – 2%, so that the final lending rates to SMEs by these corporations is both competitive as well affordable to the MSME sector.
- ◆ SFCs need to function more or less on commercial lines and need to be given a level playing field. Therefore, all economic activities that are permitted to banks including trading,

housing, education, infrastructure etc. may be allowed to be financed by these institutions. This would require **amendments to Section 2 (c) of SFCs Act**. It is also suggested that SFC Board may be given powers to frame policies to decide about the quantum of assistance to MSME units based on credit needs. **Sections 26 and 28 (1)(d) of SFCs Act may, therefore, be deleted.**

- ♦ In order to ensure smooth operation of section 29 of the SFCs Act a **new clause viz. 29(6)** need to be added so that the SFCs have first charge over the property mortgaged/ hypothecated to them for recovery of their dues.
- ♦ The infrastructure work projects are getting delayed in States due to non-receipt of **environment clearances** consequently affecting the operations of SIDCs. It is, therefore, necessary that the Government of India may kindly help these corporations by expediting the process of environmental clearances.

The top priority for our country is to generate employment/self-employment and to take growth to all sections of the society; the SLFIs which are DFIs at State level would play an important role towards achieving this goal. The State Governments have made SFCs the nodal agency for their State Entrepreneur Development Schemes which involve setting up of new enterprises thus generating job opportunities and building entrepreneurship culture and for the development of industrial infrastructure. SIDCs have developed a number of Industrial Model Townships/Industrial Estates at strategic locations in the States, set up Industry-cum-Service Centres. Many of them have set up Venture Capital Funds to support IT and other emerging sectors. Some of them have successfully implemented resettlement programmes for the economically weaker sections. To promote entrepreneurship, SIDCs are providing ready built-up space on concessional rates. SEZs in the States have also been set up by these corporations to accelerate the pace of export of goods and services. The SIDCs provide complete and innovative support services to the MSMEs in the form of industrial infrastructure, finance,

consultancy and other industry related assistance. The revival of these *growth engines* would enable them to play an affective role in the promotion of enterprise and first generation entrepreneurs, employment generation and economic development to bring about the second round of development with faster and inclusive economic growth.

Meeting with MSME Minister, Gol :

The Secretary General and Secretary, COSIDICI had also met with Shri Kalraj Mishra, Hon'ble Minister for MSME on September 10, 2014 at New Delhi to request him to kindly :-

- ♦ Help in re-strengthening of SLFIs for over all economic development with focus on the MSME sector;
- ♦ To designate the SLFIs as nodal agencies for skill development;
- ♦ To make SLFIs as nodal agency for Entrepreneurship development and technological upgradation;
- ♦ To make SFCs eligible for CGTSME membership.

The COSIDICI representatives had then met and apprised Shri Madan Lal, IAS, Secretary, Ministry of MSME in the matter. He agreed that the collaboration between the SLFIs and MSME Ministry would help the MSME sector and felt that each interested SLFI could draw up and send a proposal on the schemes of MSME Ministry which it would be able to implement together with an action plan thereof, to the MSME Ministry. The MSME schemes are available on the website www.dcmsme.gov.in COSIDICI vide its letter dated September 18, 2014 had requested the Member Corporations to make their proposals in this regard so that it could be take up the issue with the Ministry.

The COSIDICI delegation had also invited Shri Kalraj Mishra to grace COSIDICI National Award Function 2014 and to give a few suitable dates for the same.



What is Goodwill Impairment?

Goodwill is a set of unidentifiable intangible assets through which an enterprise is supposed to derive future economic benefits.

What constitutes goodwill ?

It is generally recognised or booked in a transaction where a business is being purchased by one entity from another. It is the excess of the total consideration paid for the business over the value of all its other assets and liabilities (referred to as net assets). Under the Indian accounting framework, goodwill can originate in a merger or acquisition through a high court-prescribed scheme or it may be recorded on account of consolidation of acquired entity by the holding company or when a group of assets are purchased for a lump-sum consideration. Indian GAAP prohibits capitalisation of internally generated goodwill.

When is goodwill written off, or impaired?

Just like an asset on a balance sheet, a company is continuously required to assess the value of the goodwill. It is generally tested for impairment on an annual basis unless there is a significant change in the business environment. Goodwill is written off when the carrying value of the group of assets is higher than value in use or net realizable value less costs to sell. Value in use is generally determined through a discounted cash flow method whereas realizable value is determined through market-based inputs.

What can cause goodwill impairment?

- ◆ Adverse effect of changes in technology, markets and economic or legal environment
- ◆ Adverse interest rate movements
- ◆ Evidence of obsolescence or physical damage to the company's assets

- ◆ Significant changes in the enterprise; say, plans to discontinue or restructure ops, plans to dispose of an asset before expected date

- ◆ Actual net cash flows or operating profit or loss flowing from the asset/ company are significantly lower than those budgeted

- ◆ Negative publicity about a firm can create goodwill impairment, as can the reduction of brand name recognition.



What is the difference between amortisation and goodwill impairment?

Amortisation is the systematic reduction of the carrying amount over its useful life. It is similar to depreciation. If goodwill arises on account of an M&A then it is generally required to be amortized within five years unless a higher period can be justified. Impairment is generally carried out in respect of goodwill arising on account of consolidation of legal entities or a slump sale. This is required at an annual frequency unless we have triggers to do it on a quarterly or half-yearly basis.

Where do goodwill write offs get reflected?

They are reduced from the carrying amount of goodwill in the balance sheet with a corresponding entry in the profit and-loss account.

Are Indian companies mandated to conduct goodwill tests?

Indian companies are generally required to assess at each balance sheet date whether there is any indication the goodwill is impaired or not. If one or

more indications exist, then the company is required to carry out impairment testing on a more frequent basis, quarterly or half-yearly. Â

Do goodwill write offs impact a corporate's refinancing capabilities?

Due to the nature of goodwill, it is difficult to estimate its useful life with reasonable certainty. As there is no requirement on amortization of goodwill arising on account of consolidation of legal entities or in case of goodwill arising on account of slump sale, goodwill writeoff/ impairment is more of an

amortization catch-up so as to match the carrying value of goodwill with the remaining future economic benefits to be derived from such consolidation or slump sale. Goodwill write off reduces the net worth of a company and thus has an adverse impact on the existing debt-equity ratio of the company. Since the debt-equity ratio is reduced due to amortization this may lead to a breach of existing debt covenants or impact the capacity of companies to raise additional funds.

Source : The Economic Times

■■■

DO YOU KNOW ?

Magic of Alphabet 'E'

In this world of E-mails, E-ticket, E-paper, E-recharge, E-transfer...

- ◆ Never Forget "E-shwar (God)"
- ◆ who makes e-everything e-asy for e-everyone e-everyday.
- ◆ "E" is the most Eminent letter of the English alphabets.
- ◆ Men or Women don't exist without "E".
- ◆ House or Home can't be made without "E".
- ◆ Bread or Butter can't be found without "E".
- ◆ "E" is the beginning of "existence" and the end of "trouble."
- ◆ It's not at all in 'war'; but twice in 'peace';.
- ◆ It's once in 'hell'; but twice in 'heaven';.

- ◆ "E" represented in 'Emotions'; - Hence, all emotional relations like Father, Mother, Brother, Sister, wife friends have 'e'; in them.



- ◆ "E" also represents 'Effort'; 'Energy'; - Hence to be 'Better'; from good both "e"s are added.
- ◆ Without "e", we would have no love, life, wife, friends or hope
- ◆ see; hear; smell; or taste; as eye; ear; nose; tongue; are incomplete without "e".
- ◆ Hence GO with "E" but without E-GO

If my destiny is known to the stars, to whom is the stars' destiny know? I shall ask Him directly about my destiny.

Swami Veda Bharti



LEGAL ISSUES

Legal Issues Cloud Debt Recovery

Recently the finance minister announced opening of six new DRTs, but bankers are of the view that a lot needs to be done to resolve the issues related to rising stress loans in the banking system. Nearly 12 years ago, the government enacted the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (Sarfaesi) Act to speed up the recovery of bad loans, but bankers point out that there are several judicial hurdles they have faced to sell assets pledged with them.

LEGAL PROVISIONS FOR RECOVERY OF DUES AND THE GROUND REALITY	
RULES	GROUND REALITY
❖ As per the Sarfaesi Act, DRT is required to dispose of case within 4 months	✓ It takes 6-12 months to dispose of a case, at times stays are granted ex-parte
❖ As per Sarfaesi Act, borrowers/guarantors have to deposit a minimum of 25% and maximum of 50% of overdues	✓ Stays granted without deposits. At times stay are vacated on conditions that properly cannot be transferred without court's approval
❖ Sarfaesi Act supersedes all other similar Acts	✓ At times, statutory authorities like income-tax or sales tax departments attach secured property despite not having any priority over secured lenders
❖ A Supreme Court ruling says that high courts do not have jurisdiction on Sarfaesi matters	✓ There has been inordinate delay due to intervention from other civil or high courts
❖ Lenders cannot attach or sell agriculture land as per Sarfaesi Act	✓ At times, business and industrial activity is done on land that is classified as agri land for record
❖ Every state with a DRT should have a Debt Recovery Appellate Tribunal (DRAT)	✓ Some that don't have DRAT approach other states



Destiny is ordained totally by you. Every single moment of your existence is the result of your previous thought. The idea that everything is already laid out for you in advance is a hallucination.

Wayne W Dyer



UNION BUDGET AT A GLANCE : 2014-15

The Hon'ble Union Finance Minister, Shri Arun Jaitley, presented the Union Budget for 2014-15 in the Parliament on July 19, 2014. The major challenge faced by the government was to spur economic growth and ensure fiscal stability. The growth rate of GDP in India had declined to 4.5 and 4.7 per cent in the last two financial years. The slowdown in the economy was more in the manufacturing, construction, mining and transport sectors. The budget emphasised on building an investment friendly policy and institutional climate for its efficient implementation. Hence, Ceiling on temporary tax credits has been reduced from Rs. 25 crores and FDI allowed in insurance and defence.

The table below gives estimates and revised figures of revenue and expenditure for the last year i.e. 2013-2014 and the figures proposed for the next 2014-2015 and deficits of revenue, fiscal and primary as percentage of GDP :

S.No.	ITEM	2013-2014 (BE)	2013-2014 (RE)	2014-2015 (BE)
1.	Receipts:			
	(a) Revenue Receipts	1056331	1029252	1189763
	(i) Tax Revenue (Net to Centre)	884078	836026	977258
	(ii) Non-Tax Revenue	172252	193226	212505
	(b) Capital Receipts	608967	561182	605129
	(i) Recoveries of Loans	10654	10802	10527
	(ii) Other Receipts	55814	25841	63425
	(iii) Borrowings and Other Liabilities	542499	524539	531177
	Total Receipts (a) + (b)	1665297	1590434	1794892
2.	Expenditure			
	(a) Non-Plan Expenditure	1109975	1114902	1219892
	(i) On Revenue Account of which,	992908	1027689	1114609
	(ii) Interest Payments	370684	380066	427011
	(iii) On Capital Account	117067	87214	105283
	(b) Plan Expenditure	555322	475532	575000
	(i) On Revenue Account	443260	371851	453503



	(ii) On Capital Account	112062	103681	121497
	Total Expenditure (a) + (b)	1665297	1590434	1794892
3.	Revenue Expenditure	1436169	1399540	1568111
4.	Capital Expenditure	229129	190894	226781
5.	Revenue Deficit	379838	370288	378348
		(3.3)	(3.3)	(2.9)
6.	Fiscal Deficit	542499	524539	531177
		(4.8)	(4.6)	(4.1)
7.	Primary Deficit	171814	144473	104166
		(1.5)	(1.3)	(0.8)

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	63	Revenue Expenditure	54
	Excise Duties	10	Defence	10
	Customs Duties	9	Subsidies	12
	Corporate Tax	21	State Share of Taxes and Duties	18
	Income Tax	13	Non-Plan Assistance to States & UTs	3
	Service Tax and Other Taxes	10	Other Non-Plan Expenditure	11
B.	Non-Tax Receipts	37	Capital Expenditure	46
	Borrowing and Other Liabilities	24	Central Plan	21
	Non-Debt Capital Receipts	3	State UTs Plan Assistance	15
	Non Tax Revenue	10	Interest	10
	TOTAL	100		100

Highlights of the Budget:

Micro, Small & medium Enterprises

- ❖ A committee appointed with representatives from the Finance Ministry, Ministry of MSME, RBI to give suggestions in three months for financing MSME Sector.
- ❖ To establish a Rs.10,000 crore fund to act as a catalyst to attract private capital by way of providing equity, quasi equity, soft loans and other risk capital for start-up companies.
- ❖ To set up a fund of Rs.200 crore to establish technology centre network to promote



innovation, entrepreneurship and agro-industry.

- ❖ The definition of MSME to be reviewed to provide for a higher capital ceiling. A programme to facilitate forward and backward linkages with multiple value chain of manufacturing and service delivery to be put in place.
- ❖ Entrepreneur friendly legal bankruptcy framework to be developed for SMEs to enable easy exit. A nationwide "District level Incubation and Accelerator Programme" to be taken up for incubation of new ideas and providing necessary support for accelerating entrepreneurship.

Textiles

- ❖ A trade Facilitation Centre and a Crafts Museum with an outlay of Rs.50 crore to develop and promote handloom products:
 - A sum of Rs.200 crore for setting up Textile mega-clusters.

INFRASTRUCTURE

- ❖ An institution to provide support to mainstream PPPs called 3P India to be set up with a corpus of Rs. 500 crore.

New & Renewable Energy

- ❖ Rs. 400 crore for a scheme for solar power driven agricultural pump sets and water pumping stations for energizing one lakh pumps allotted.

AGRICULTURE

- ❖ Corpus of Rs. 100 crore for setting up an "Agri-Tech Infrastructure fund".
- ❖ Corpus of Rs.500 crore provided for establishing a Price Stabilization fund.

Agriculture Credit

- ❖ A target of Rs.8 lakh crore set for agriculture credit during 2014-15.

Interest Subvention Scheme for Short Term Crop Loans

- ❖ Long Term Rural Credit Fund" to be set up in NABARD for providing refinance support to Cooperative Banks and Regional Rural Banks with an initial corpus of Rs.5,000 crore.

Rural Infrastructure Development Fund

- ❖ Corpus of RIDF by an additional Rs.5,000 crore from the target given in the Interim Budget to Rs.25,000 crore in the current FY.

Allocation of STCRC (Refinance) Fund

- ❖ To ensure increased and uninterrupted credit flow to farmers and to avoid high cost market borrowings by NABARD, an amount of Rs.50,000 crore allocated for STCRC Fund during 2014-15.

INDUSTRY

- ❖ A National Industrial Corridor Authority, with its headquarters in Pune, to coordinate the development of the industrial corridors, with smart cities linked to transport connectivity, to be set up with corpus of Rs.100 crore.
- ❖ The Bengaluru Mumbai Economic corridor (BMEC) and Vizag-Chennai corridor plan to be completed and 20 new industrial clusters to be set up along the way.
- ❖ The Special Economic Zones, to be revived to develop better infrastructure and to effectively and efficiently use the available unutilized land.

FINANCIAL SECTOR

- ❖ Provide all households in the country with banking services.
- ❖ A time bound programme launched as Financial Inclusion Mission on 15 August 2014.
- ❖ Banks to be encouraged to extend long term loans to infrastructure sector with flexible structuring.
- ❖ Banks to be permitted to raise long term funds for lending to infrastructure sector with minimum regulatory pre-emption such as CRR, SLR and Priority Sector Lending (PSL).
- ❖ Six new Debt Recovery Tribunals to be set up at Chandigarh, Bengaluru, Ernakulum, Dehradun, Siliguri and Hyderabad to work out effective means for revival of other stressed assets in PSBs.

Insurance Sector

- ❖ In the PPF Scheme, annual ceiling will be enhanced to Rs.1.5 lakh p.a. from Rs.1 lakh at present.

DIRECT TAXES

- ❖ Personal income tax exemption limit raised by Rs. 50,000 that is, from Rs. 2 lakh to Rs. 2.5 lakh in the case of individual taxpayers



who are below the age of 60 years and for senior citizens from Rs.2.5 lakh to Rs.3 lakh.

- ❖ Education cess for all taxpayers to continue at 3 percent.
- ❖ Investment limit under section 80C of the Income-tax Act increased from Rs.1 lakh to Rs.1.5 lakh.
- ❖ Interest on loan in respect of self occupied house property increased from Rs.1.5 lakh to Rs.2 lakh.
- ❖ To incentivize smaller entrepreneurs investment allowance provided at the rate of 15 percent to a manufacturing company that invests more than Rs.25 crore in any year in new plant and machinery. Benefit will be available for three years i.e. for investments upto 31.03.2017.
- ❖ The rate of tax on long term capital gains increased from 10 percent to 20 percent on transfer of units of mutual funds. The period of holding in respect of such units also increased from 12 months to 36 months.

INDIRECT TAXES

Customs Duties

- ❖ To boost domestic manufacture basic customs duty (BCD) on:
 - Steel grade limestone and steel grade dolomite reduced from 5 percent to 2.5 percent;
 - Battery waste and battery scrap reduced from 10 percent to 5 percent;
- ❖ Customs Duty imposed at 10 percent on specified telecommunication products that are outside the purview of the Information Technology Agreement.
- ❖ Education cess imposed on imported electronic products to provide parity between domestically produced goods and imported goods.
- ❖ Colour picture tubes exempted from basic customs duty to make cathode ray TVs cheaper.
- ❖ A concessional basic customs duty of 5 percent is extended to machinery and equipment required for setting up of a project for solar energy production.

- ❖ Customs duty reduced from 10 percent to 5 percent on forged steel rings used in the manufacture of bearings of wind operated electricity generators to promote wind energy.
- ❖ The basic customs duty on semi-processed, half cut or broken diamonds, cut and polished diamonds and coloured gemstones rationalized at 2.5 percent.
- ❖ Free baggage allowance increased from Rs.35,000 to Rs.45,000.

Excise Duties

- ❖ Excise duty concessions extended from 30th June 2014 to 31st December 2014 for capital goods, consumer durables and automobile sectors.
- ❖ Excise duty reduced on specified food processing and packaging machinery from 10 percent to 6 percent.
- ❖ Excise duty reduced from 12 percent to 6 percent on footwear of retail price exceeding Rs.500 per pair but not exceeding Rs.1,000 per pair.
- ❖ To develop renewable sources of energy from excise duty exempted on:
 - Solar tempered glass used in the manufacture of solar photovoltaic cells and modules;
 - Flat copper wire for the manufacture of PV ribbons for use in solar cells and modules;
- ❖ Excise duty increased on cigarettes in the range of 11 percent to 72 percent.

Service Tax

- ❖ Service tax on loading, unloading, storage, warehousing and transportation of cotton, whether ginned or baled, exempted to bring it on par with certain other agricultural produce.
- ❖ Services provided by the Employees' State Insurance Corporation for the period prior to 1st July 2012 exempted.
- ❖ Exemption presently available for specified micro insurance schemes is being expanded to cover all life micro-insurance schemes where the sum assured does not exceed Rs.50,000 per life insured.

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