COSIDICI COURIER

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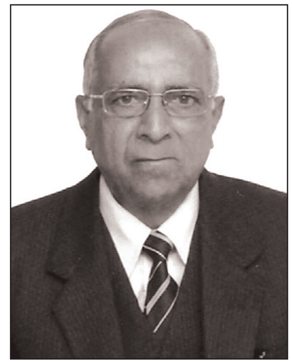
CONTENTS

From The Editor's Desk

STRATEGIC ROLE OF SLFIs IN NATIONAL ECONOMY ~ FUTURE PROSPECTS

The requirements of a developing economy are widely divergent from those of the developed economics. An efficient financial system is required for economic development by making funds available for entrepreneurial activity—a role which has been fulfilled remarkably well by these SLFIs. Most of the Multinational Companies (MNCs) eg. Infosys, Biocon, etc. which were denied finance by the banks due to the risk involved, were first funded by these SFCs/SIDCs in the states. A developing economy needs long-term finance mainly for development of infrastructure and the MSME sector. These require long term gestation periods and are, therefore, said to be high risk activities. Private sector is unwilling and unable to commit such large amount of funds and for such long periods. Therefore, in order to facilitate economic progress and remove poverty, the government decided to takeover these activities. As a result the SIDCs and SIICs were set up to develop infrastructure in the states. They were established under the Company's Act to do away with the restrictive provisions of the SFCs Act so that they could perform their functions speedily. These corporations have proved themselves eg. HSIIDC has developed Industrial Parks and estates in Haryana as well as all around Delhi i.e. Faridabad, Gurgaon, Manesar, Bawal etc. These estates provide world class facilities and are sought after by global MNCs which have set up their factories here. It is also developing the Delhi Mumbai Corridor for the Centre. DSIIDC has developed affordable housing for industrial workers in Bawal and also created a housing complex for LIGs. Similar work has been done by RIICO, SIPCOT, KSIIDC, and APIIC which have helped their respective states to flourish and progress. SFCs on their part have been playing an integral role in not only financing the MSME sector but also helping the units by providing technical and marketing support. Some of the SFCs have also set up training facilities specially for the first generation entrepreneurs so as to help them achieve their goals and objectives. Such institutions can be seen all over the world. The United States of America had set up a Small Business Board with a similar agenda of developing their country's economy. The planners of that country have attributed their country's all round progress to the work of this board which enabled them to achieve the objective of holistic and inclusive growth.



Shri K.K. Mudgil

An opinion has been gaining ground that in the wake of liberalization and financial sector reforms coupled with de-regulation of banking sector, only those financial institutions would survive in the long run which have access to public deposits to ensure perennial availability of adequate and cheap resources. No doubt, the commercial banks have opened large number of branches in the rural and semi-urban areas. But these banks were more interested in mobilizing deposits and investing these resources elsewhere. They are depriving such areas of much needed finance for development activities. These banks are reluctant to finance the rural sector for fear of their NPAs going up. An apathetic low credit deposit ratio of these banks is pointer towards these situation. There was thus a great need to professionalize the SLFIs and their merger into a single strong unit. Since these SLFIs were performing more or less similar functions their merger into one strong unit appear to be absolutely necessary in view of fast changing global scenario and to enable them to face competition with commercial banks. In view of their growing need for cheap and adequate resources and inability of refinance institution and Govt. agencies to provide the same, it has often been pleaded by COSIDICI that in order to allow these merged institutions access to public deposits/perennial resources, these may be converted into Local Area Banks by the Govt. of India/RBI and give them banking licence at par with commercial banks. The SLFIs are having strong base in these States and deep outreach in the rural areas and are well-equipped with the necessary staff and infrastructure facilities and functioning through the network of their regional offices and branch offices. They are most suitable and appropriate agencies to perform the role of a LAB. These banks would be able to mobilize adequate resources on their own and would not be dependant upon refinance agencies. Further, they would deploy these resources in the same area and able to maintain impressive Credit Deposit Ratio (CDR) besides deploying its surplus staff in its banking arm.

There has of late been a general trend not only in India but all over the world to bring about consolidation/amalgamation/merger among the financial institutions to create bigger entities to face emerging competition. A few small private sector banks in India such as Times Bank, Bank of Punjab, Centurian Bank, Global Trust Bank etc. have already been merged with strong banks. Even there is current thinking that small public sector banks could be merged with strong banks to reap economies of scale; State Bank of Saurashtra has already been merged with SBI. IDBI and ICICI have already merged themselves with their banking arms to expand their operations. Further, a few foreign banks such as Grindlays Bank, American Express Bank, etc. have voluntarily merged with strong banks.

The SLFIs are an integral part of the financial system of the country. These institutions have been playing a strategically vital role in the industrial development of the country and bringing about balanced regional growth and more towards "inclusive growth". The need of the hour is to strengthen them to address the financial sector exclusion of certain sectors of economy. Only then can the dream of a robust economy with strong foundation and inherent strengths be realized. The measures listed above would go a long way towards achieving this goal.

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{ K.K. MUDGIL }

APPOINTMENTS

- Nilam Sawhney, IAS has been appointed as Vice Chairperson and Managing Director, Andhra Pradesh Industrial Development Corporation Ltd. (APIDC), Hyderabad vice Shri Vikas Raj, IAS.

- Dr. Raj Kumar Khatri, IAS has been appointed as Managing Director, Karnataka State Industrial and Infrastructure Development Corporation Ltd., (KSIIDC), Bangalore vice Shri M. Maheshwar Rao, IAS.

- Shri B.B. Swain, IAS has been appointed as Vice Chairman & Managing Director, Gujarat Industrial Development Corporation (GIDC), GandhiNagar vice Shri Arvind Agarwal, IAS

- Dr. J. Balaji, IAS has been appointed as Managing Director, Assam Financial Corporation (AFC), Guwahati vice Shri Ashutosh Agnihotri, IAS

- Shri Harun Rashid Khan has been appointed as Deputy Governor, Reserve Bank of India.

- Shri M.C. Joshi, IRS has been appointed as Chairman of Central Board of Direct Taxes.

- Shri D.K. Mittal, IAS has been appointed as Secretary, Department of Financial Services.

- Shri Naved Masood Sahab has been appointed as Secretary, Ministry of Corporate Affairs.

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SERVICES SECTOR AND ITS CONTRIBUTION TO THE INDIAN ECONOMY

G. SRINIVASAN *

The country's high growth path in the post-reform period since 1991 is mostly paved with the spectacular and consistently robust growth of its tertiary sector, i.e., services sector. This is particularly so as both the primary (agriculture) and the secondary (manufacturing) sectors' growth remained substantially subdued. That the services sector has emerged as an indisputably important component of the country's overall gross domestic product (GDP) is a testimony and recognition so much so that the Pre-Budget Economic Survey of the Ministry of Finance did set apart a separate chapter to chronicle the developments in this crucial sector for the first time. Rightly did the Survey contend that "having a separate chapter on services will be a catalyst for better and more regular data on this sector". Be that as it may, it would be important to recount the role and share of this sector in the country's growth story. The share of services in India's GDP at factor cost (at current prices) rose rapidly from 30.5 percent in 1950-51 to 55.2 percent in 2009-10. If construction segment is also included, then the share increases to a lion's share of 63.4 percent in 2009-10. A caveat is in order here because RBI and international institutions like WTO included construction industry under services, although from a national accounts classification it is part of the secondary rather than the tertiary sector.

Central Statistical Organisation's (CSO) classification of the services sector consist of four broad categories viz. (i) trade, hotels and restaurants; (ii) transport, storage and communication; (iii) financing, insurance, real estate and business services and (iv) community, social and personal services. Among these, financial, insurance, real estate and business services and trade, hotels and restaurants remain by far the largest groups accounting for 16.7 percent and 16.3 percent respectively of the national GDP in 2009-10. The community, social and personal services category accounts for a 14.4 percent share, while transport, storage and communications accounts for a 7.8 percent share. Construction industry, which is a borderline services category, has a share of 8.2 percent.

It is being pointed out in official reports that the ratcheting up of the country's overall growth rate (compound annual growth rate-CAGR) from 5.7 percent in the 1990s to 8.6 percent during the period 2004-05 to 2009-10 was to a large extent due to the acceleration of the growth rate in the services sector from 7.5 percent in the 1990s to 10.3 percent in 2004-05 to 2009-10. The services sector growth was marketedly faster than the 6.6 percent for the combined agriculture and industry sectors annual output growth during the same period. In 2009-2010 services, growth was 10.1 percent and in 2010 it was 9.6 percent (advance estimates). WTO's latest statistics show that services continued to be the most dynamic sector in India in recent years, expanding at an average annual rate of around or over 10 percent, thus exceeding GDP growth and exhibiting resilience to the negative repercussions and ramifications of the global crisis since 2008.

According to WTO, India is a net exporter of services. The services trade surplus as a percentage of GDP rose from $29.5 billion or 3.1 percent in 2006-07 to $ 54 billion or 4.7 percent in 2008-09 as software and Information Technology (IT) exports, as well as transportation, travel and business services grew considerably. After peaking in 2008-09, however, services exports from India declined, as these were strongly buffeted by the global financial meltdown, while imports of services continued to rise. This led to a substantial reduction in the surplus to $ 35.7 billion or 2.8 percent of GDP in 2009-10. WTO reckons that the surplus for 2010-11 is also likely to be significantly lower than in 2008-09 with most affected by the global crisis being business services and communications, while exports of India's software services continued to grow. The Survey report contends that India with a services sector share of 52 percent in national GDP in 2009 and 55.2 percent in 2009-10 compares favourably even with the advanced nations in the top dozen countries with the highest overall GDP. China's share of services in its national GDP at 39.2 percent is relatively low, though it is ahead of India in absolute terms (as its overall GDP is more than three times that of India). In terms of services growth rate, China (10.5 percent) followed by India (8.9 percent) remain the two fastest growing economies in the top 12 countries. Interestingly when most of the top 12 countries logged negative growth in services in the global financial tsunami, only China (9.4 percent), India (6.8 percent) and Brazil (2.6 percent) recorded positive growth, attesting to the ascendancy and inherent resilience of this robust services sector in the scheme of things.

Official reports continue to state in no unmistakable terms that India is moving towards a services-led export growth even as the export-led growth era in the manufacturing sector for goods appears uncertain in recent years in the face of global slowdown and rising protectionist sentiments among India's traditional and non-traditional trading partners. The Survey report citing balance of payment data shows that during 2004-05 to 2008-09, merchandise (goods) services exports grew by 22.2 percent and 25.3 percent respectively. Services growth slowed in 2009-10 as a result of the global recession, but the decline was less pronounced than the slowdown in merchandise export growth and has recovered rapidly in the first half of 2010-11 with a growth of 27.4 percent. Some services contributed to this improved show. Software is one sector in which the country has compassed a remarkable global brand identity. Tourism and travel-related services and transport services are also major items in India's services. The potential and growing services include many professional services, infrastructure-related services and financial services.

Official reports that refer to the services sector rightly laid the stress on the vast and untapped potential of the tertiary sector, given the myriad activities in services. Hence underpinning this sector underscores the need for careful and differentiated strategies to the variegated components of the services sector as each segment has its own strengths to build on and weakness to overcome. Undoubtedly there is unanimity of view on the need for retaining the country's competitiveness in those services sectors where it has already distinguished such as information-technology and information technology enabled services (ITeS) and telecommunications. The next task is to make a foray into some traditional realms such as tourism and shipping where other nations have already established themselves. But here more homework and ground work ought to be done in the form of fostering an enabling milieu for attracting tourists and providing facilities in the country's major and minor ports to accomodate sea-faring business on a seamless fashion.

The Survey report aptly identified the third task as that of making serious inroads into globally traded services in still nascent but niche areas for India such as financial services, health care, education, accountancy, legal and other business services where the country possesses a huge domestic market but has also displayed signs of making a dent in the global market. But this requires reciprocal movements on the part of India in opening up its own market, liberalizing Foreign Direct Investment (FDI) not only to improve the infrastructure but also to absorb the best practices that are so universally acclaimed. It is a sensitive domestic issue as most of the political parties do not see eye to eye on liberalisation of services trade with the domestic stakeholders expressing unrelenting reservations over the entry of foreign service providers upsetting their domestic applecart and filching business from them. In order to overcome such apprehensions, the onus is on the authorities to set up strong institutional bodies in the form of regulatory agencies to take care of both domestic and international interests in case when market-distorting moves are made by either party.

It is also a small consolation that most of the States in India too are showing up higher share of services in the gross state domestic product (GSDP). States such as Delhi, Chandigarh, Kerala, Maharashtra, Bihar, TamilNadu and West Bengal have shares equal to or above all-India share of services in the GDP. The Survey report recounts how even small States such as Chhattisgarh and Rajasthan which have relatively low overall growth rates have begun piggy-backing on the sound performance of their services sectors to climb up the ladder of progress to catch up with the rest of India. It is a sobering to note that the services revolution in the country appears to be becoming more broad-based rather than being concentrated in only a few States. If this trend gets pan-India and if all the major political parties sink their short-term gains to score political points, the services sector's unobtrusive revolution to change the profile of the Indian economy and to push it into higher growth trajectory would become a reality to be relished.

* * *

*The author is a Senior Journalist based in New Delhi

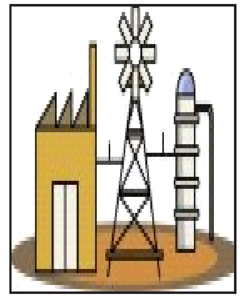
Courtesy : Yojana

REGIONAL DISPARITIES IN GROWTH OF MSMES

Small and medium industries have been feted the world over as an outstanding example of the entrepreneurial spirits of a buoyant economy and the launching pad for business across societies. In India too the sector was the focus of the governments' efforts to boost non-farm employment and improve supply of less capital-intensive products. The efforts have been successful in many ways as the number of firms, employment and output has zoomed, even contributing a major part of the national exports. The most recent estimates indicate that the micro, small and medium enterprises (MSMEs) account for about 45% of manufacturing output, 95% of industrial units, 40% of exports and 8% of the national GDP.

To put the size of the sector in perspective, it should be noted that while listed companies number around 6,000, the MSME sector numbered 245.5 lakh. Of this 15.5 lakh were registered units and 245.5 lakh were unregistered units, according to the MSME survey of 2006-07. And their workforce was also very large. While the registered MSME units employed 92 lakh workers, the unregistered units employed 502.6 lakh workers, pushing up total employment in the MSME sector to 594.6 lakh workers. However, despite the large numbers, the MSME units were of very small size. While the average number of workers per unit was 5.9 in the registered units, the numbers was only 2 in the unregistered units, which pushed down the average number of workers in each MSME unit to just 2.3.

Apart from the small size of the MSME units, another handicap of the sector was their skewed distribution both across regions and states. The fourth census of MSME found that the southern region had the largest concentration of MSME units, followed by the north, west, east and northeast with the numbers being 77.2 lakh, 71.2 lakh, 54 lakh, 49.7 lakh and 9 lakh, respectively. The employment was also similarly skewed with the south having the maximum of 190.2 lakh workers, followed by 153.5 lakh in the north, 131.7 lakh in the west, 101.5 lakh in the east and 17.7 lakh in the northeast.



The question then is, what are the factors that have led to the skewed growth of the MSME units across the regions? A look at the distribution of the MSME units and employment across the states gives a firmer grip to handle the question. At first glance the numbers show that a disproportionately large share of the MSME units and employment are in the large states, which made the maximum contribution to the national output.

The five largest state economies, Maharashtra, Uttar Pradesh, Andhra Pradesh, Tamil Nadu and West Bengal accounted for 43.8% of the national output but had around half the share of the MSME units and employment. While the share of the MSME units in these five large states was a much higher 49%, their share of the total MSME employment was an even larger 50.9%. So there indeed seems to be some correlation between the larger state markets and the presence of MSMEs.

However, a closer look shows that the linkages between MSMEs and the size of state economies was not universal. The major exception to this was Maharashtra, the largest state economy. While Maharashtra had a 13.5% share of national output in 2006-07, it had only 9.9% share of the MSME units and 10.9% of the MSME employment. Certainly the share of MSME units and employment, which is often used as a proxy of entrepreneurship, in India's largest state economy is much lower than that of its share of output.

In contrast Uttar Pradesh, which had the largest number of MSME units, fared much better. Though Uttar Pradesh had only a 8.3% of the national output, it had 11.9% of the MSME units and 9.7% of the MSME employment.

The trend was similar in other three states that had forged ahead on the MSME front, namely Tamil Nadu, Andhra Pradesh and West Bengal. Tamil Nadu which accounted for 7.3% of the national production had 9.9% of the MSME units and 10.5% of the MSME employment. The proportion of national output, MSME units and employment in Andhra Pradesh was 7.5%, 7.7% and 10% respectively. In the case of West Bengal, the state accounted for just 7.1% of the national output, 9.6% of the MSME units and 9.8% of the MSME employment.

This evidence may indicate that the growth of the MSME sector is very much influenced by the size of the markets rather than their buoyancy as all leading states with the largest concentration of MSME were among the largest states in the country in terms of gross output. However, this evidence is not very conclusive as other indicators, like the size of the MSME units or the average number of workers per unit, strongly refute the hypothesis that the size of the markets are the major factor influencing the growth of the MSME sector.

A look at the size of the MSME units across the regions shows that the largest sized MSMEs in terms of per unit employment was in the south, where each unit employed 2.5 workers, followed by the west (2.4 workers), North (2.2 workers), east and north- east (2 workers each). But what is surprising is that the states with the largest sized MSME units were all small states or union territories.

At the top of the ranking was Dadra and Nagar Haveli with 13.3 workers in each MSME units, followed by Daman & Diu with 10.6 workers, Delhi with 4 workers and Chandigarh with 3 workers. And the scenario in the five leading states with the largest concentration of MSME units and employment is not very encouraging. While UP, which had largest concentration of MSME units had only 1.9 workers per units, the per units employment in the MSME units in Maharashtra, which had the largest number of workers in the MSME sector was an equally unimpressive 2.5 workers.

The scenario was not encouraging in Andhra Pradesh, Tamil Nadu or West Bengal either. While the average employment per MSME units was only 3 workers in Andhra Pradesh, it was 2.4 workers in Tamil Nadu and 2.3 workers in West Bengal, hardly enough numbers to suggest a strong and capable entrepreneurial base across the economy.

* * *

Courtesy : Financial Express

Cosidici Expresses its Solidarity With the Earthquake Victims

COSIDICI expresses its solidarity with the earthquake victims in the entire North-East region, Bihar, West Bengal, Bihar and other parts of the country and appeals to its readers to extend every possible assistance for relief and rehabilitation operations in the affected regions.

PROFILE OF MEMBER CORPORATIONS

TAMILNADU INDUSTRIAL INVESTMENT CORPORATION LIMITED {TIIC}

Dr. T. Prabhakara Rao, IAS joined TamilNadu Industrial Investment Corporation Limited (TIIC), Chennai on May 28, 2011 as Chairman & Managing Director. He has had an illustrious career since he joined service in 1982. During his 29 years service in IAS he has acquired rich and varied experience in a number of challenging assignments which include Collector, South Arcot, Chairman and Managing Director, Power Finance Corporation, Chairman and Managing Director, Tamilnadu Cements Corporation, Commissioner, Urban Land Ceiling, Commissioner, Land Reforms, Commercial Taxes, Town and Country Planning, Registrar of Co-operative Societies, Principal Secretary, Labour & Employment Dept. He has also undergone Foreign Training viz. "University of Reading, UK MA (Rural Social Development)" of 52 weeks' duration at the United Kingdom. TIIC is poised to record accelerated growth under his dynamic leadership.

ABOUT TIIC

TIIC is the pioneer among State Financial Corporations of the country. Since its inception in 1949, it has been contributing significantly to the industrial development of Tamilnadu. The main objective of the Corporation is to foster industrial development by providing long term financial assistance to industries in the State. TIIC has so far assisted 1,09,214 units with a cumulative sanction of Rs.8,612 crores upto 31.03.11.

TIIC has been rendering financial assistance to the manufacturing and servicing sectors in the State through :-

- Term Loans for purchase of fixed assets
- Working capital loans
- Single window scheme (Term loan and Working capital)
- Bill Finance Scheme.

It is also the Nodal Agency for select subsidy schemes of the Government of India and State Government that are being implemented in the State.

Dr. T. Prabhakara Rao, IAS
Chairman & Managing Director

The Corporation has registered a net profit for the eighth consecutive year since effecting a turnaround during 2003-04. For the year ended 31.3.2011 the net profit has been Rs.52.82 crores which is the highest in recent years. The State Government's capital infusion of Rs.150 crores, in March 2008, has helped to improve the capital adequacy ratio. The total income of the Corporation for the financial year 2010-11 was Rs.222.20 crores as compared to Rs.189.56 crores in 2009-10. The increased profits have materialised in spite of increased expenses resulting from implementation of Sixth Pay Commission, increased cost of funds and economic recession. The capital adequacy ratio improved from 13.72% in 2009-10 to 15.88 % in 2010-11.

Loan sanctions have increased to Rs.939.03 crores during 2010-11 from Rs.668.13 crores during 2009-10. Gross NPAs fell from 15.91% during 2009-10 to 10.80% in 2010-11. The Operating Profit per employee has grown from Rs.7.59 lakhs in 2009-10 to Rs.9.95 lakhs during 2010-11. The Corporation expects this trend to continue during the current year. This is due to the aggressive marketing efforts and excellent service provided by the employees of the Corporation.

The Corporation's strategies like extensive Customer Meets across the State, quick response in processing of applications, formulating of customer need oriented schemes, fine tuning of interest-rates and prompt disbursal of subsidies have helped to overcome the stiff market competition.

TIIC has 6 Regional Offices, 24 Branches, 2 Special Recovery Branches and 4 Field Offices spread all over the State.

SPECIAL SCHEMES OPERATED BY TIIC:

TIIC is operating a number of schemes to fulfill the divergent needs/requirements of the industries. Some of the special schemes operated by TIIC are:

- Wind Power Projects
- Micro/Small Enterprises Fund Scheme
- Bill Finance Scheme for Tamilnadu Electricity Board (TNEB) / Tamilnadu Water and Drainage (TWAD) Board contractors and suppliers.
- Doctor's Growth Scheme
- Working Capital Term Loan for Rice Mill etc.
- Grow an Entrepreneur Scheme.

ASSISTANCE :

Besides the above Special Schemes TIIC operates general term loan scheme for different sectors as under :

- Manufacturing / processing
- Mining
- Generation of Electricity
- Setting up of Nursing Homes and X-ray centers / Diagnostic labs / Scan centers & Purchase of Electro Medical equipments by Doctors.
- Hotels / Motels / Restaurants
- Transport vehicles.
- Agro based industries including cold storage
- Commercial complexes / Marriage halls/ Convention centers
- Bore well Rigs / Road laying equipment / Earth Excavators
- Business enterprises set up by qualified professionals in management, accountancy, medicine, architecture, engineering, etc.
- Research and Development of any process or product in relation to any of the industrial activities

INCENTIVES AND SUBSIDY

TIIC is the Nodal Agency for its assisted units for the following incentives / concessions provided by the Government of Tamilnadu and Government of India.

Government of Tamilnadu Incentives

Under MSMI Policy 2008 :

- Backward Area Subsidy
- Capital Subsidy
- Employment Intensive Subsidy
- Additional Capital Subsidy for select category of Entrepreneurs
- Additional Capital Subsidy for promotion of cleaner and environment friendly technologies
- Special Capital Subsidy to Thrust Sector Enterprises
- Subsidy Schemes for Agro based Enterprises
- Generator Subsidy
- Back-ended Interest Subsidy

Under Industrial Policy 2007 :

- Non Structured Incentive Package for Mega/ Large Scale Industries

GOVERNMENT OF INDIA INCENTIVES

- Credit Linked Capital Subsidy [CLCS] for Technology Upgradation provided by MSME, New Delhi.
- Capital Subsidy, Back-ended Interest Subsidy for Textile Industries provided by Ministry of Textiles under Technology Upgradation Fund Scheme [TUF]
- Food Processing Subsidy provided by Ministry of Food Processing Industries [MOFPI]

The Corporation has been continuously encouraging entrepreneurship in the State especially among first generation entrepreneurs. 40% of its financial assistance is accorded to first generation entrepreneurs. Through its innovative and sector focused financing schemes it has helped in the accelerated industrial development of the State.

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DSIIDC

DSIIDC to float 4 firms

Delhi State Industrial and Infrastructure Development Corporation plans to float four new firms to handle its construction and liquor import business, besides proposed new forays into providing energy solutions and manning its liquor vends in the capital. DSIIDC, an agency of the Delhi government, is known for promoting industrial growth in the national capital. The new entities - DSIIDC Energy, DSIIDC Liquor, DSIIDC Maintenance and DSIIDC Impex - will be wholly-owned subsidiaries of DSIIDC and are being started with an initial equity of Rs.1 crore each.

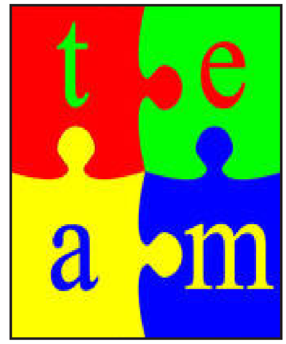
KSFC

Enhancement of Limit of Accommodation by KSFC

SIDBI has been according approval to SFCs on case to case basis in respect of proposals exceeding the limit of accommodation beyond Rs.10 crore and upto Rs.20 crore in the case of a Corporation or a company or a Co-operative society and beyond Rs.2 crore and upto Rs.8 crore in respect of any other case in terms of provisions of Section 26(i) and 26(ii) of the SFCs Act, 1951 respectively,

Now, as per revised guidelines received from SIDBI, SFCs are now permitted in terms of proviso to Section 26(ii) of SFCs Act to provide assistance to individual units upto Rs.4 crore in case of proprietorship/partnership/trust etc., without prior approval of SIDBI. However, SFCs shall approach SIDBI for permission only in respect of such cases, where aggregate outstanding exceeds Rs.4 crore. Further, it is stated that the approval to exceed the limit of accommodation would be granted by SIDBI subject to the conditions of refinance. The eligibility, in such cases, will however be restricted to Rs.2 crore irrespective of the loan amount sanctioned by SFCs within the provision of SFCs Act.

Guidelines pertaining to the limit of accommodation in respect of corporation or a company or a co-operative society remain unaltered.



A study of the Economic Impact of KSFC assisted units on Karnataka's Tax Revenues & Employment

Karnataka State Financial Corporation was established by the Government of Karnataka on 30th of March 1959 under the provisions of SFCs' Act 1951 – a Central Act.

Several units, which received start-up assistance from KSFC, have now become large industrial conglomerates. A few examples are Infosys Technologies Ltd., BPL (I) Ltd., Biocon Limited, Ace Designers Ltd., MTR, Reva Motors, etc. While being a development banker of the State with its focus on MSMEs, KSFC has done yeoman service to the State of Karnataka through its contribution to the state's economy.

KSFC has significantly impacted Karnataka's Economy. 1,62,106 entrepreneurs have availed financial assistance from the Corporation. Of these 65% are Small Scale Industries (SSIs).

The contribution to the State's economy's example are the sales earnings of its entrepreneurs, net profit of the units, increased knowledge and skill levels among the members of the work force and the help KSFC provides in attracting new businesses and industries. However, these economic benefits are not always easily quantifiable as they are subjective in nature.

A study was, therefore, carried out to explore the impact of KSFC's assistance to MSMEs on the economy of the State of Karnataka. An attempt has been made in this study to quantify the implications of the working of KSFC upon the State of Karnataka. For this purpose, three important economic indicators are kept in view. They are :

- Tax revenues to the State;
- Employment generated in Karnataka, both direct & indirect; &
- Revenues earned by the assisted units.

The sample size consists of 100 MSMEs assisted by KSFC. The sample for the study is chosen based on scattered random sampling technique.

Important observations of the study are summarized hereunder :

INCOME EARNED BY THE UNITS

- The average yearly income earned by the sample 100 units for the last three years is Rs.387.78 crore.
- Construction sector earned the highest average income of Rs.1935.24 crore, followed by metal & allied industries-Rs.1921.08 crore, and agro-based/food industries-Rs.1403.32 crore.
- The year-on-year growth in the yearly income earned by the assisted units is 28.94% during the second year and 10.00% during the third year reflecting that there is significant growth in the annual income of the sample units.

TAX REVENUES TO THE STATE OF KARNATAKA

DIRECT TAXES

- Direct taxes remitted by all the sample 100 units worked out to an average of Rs.413.60 lakhs per annum, thus, working out to approximately Rs.4.13 lakhs of direct tax remittance per unit/per annum
- Rs.160.00 crore of loan assistance by KSFC to 100 sample units generated direct tax revenue of Rs.413.60 lakhs per annum. Thus, every crore of loan assistance by KSFC to 100 sample units generated direct tax revenue of Rs.2.60 lakhs to the exchequer.
- As per the lending programme of KSFC, annually Rs.500 crore is the loan amount disbursed to MSMEs in Karnataka. At the rate that a loan assistance of Rs.100 crore generates direct tax revenue of Rs.2.60 lakhs, it is reasonable to conclude that the annual lending program of KSFC generates direct tax revenue of Rs.1,300 lakhs.
- Out of Rs.1,300 lakhs of direct tax annually remitted by the assisted units of KSFC, 1/3rd of the share i.e., Rs.433.33 lakhs or Rs.4.33 crore is Karnataka's annual share of direct taxes which is on account of the lending program of KSFC to MSMEs in Karnataka.

VALUE-ADDED TAX

- Rs.160 crore of loan assistance by KSFC to 100 sample units taken in the study generated an annual tax revenue in the form of VAT & ST to the State to the tune of Rs.2,959.04 lakhs.
- Thus, every crore of loan assistance by KSFC generated VAT & ST income of Rs.18.49 lakhs per annum.
- As per the lending program of KSFC, annually Rs.500 crore is the loan amount disbursed to MSMEs in Karnataka. At the rate that a loan assistance of Rs.1.00 crore generates VAT & ST revenue of Rs.18.49 lakhs, it is reasonable to conclude that the annual lending program of KSFC generates revenue

in the form of VAT & ST to the tune of Rs.9,245 lakhs or Rs.92.45 crore.

OVERALL TAX REVENUE TO KARNATAKA

Annual tax revenue to Karnataka from the lending program of KSFC @ Rs. 500 crore of loan disbursements to MSMEs in Karnataka works out as under : -

Direct Taxes	:	Rs.433.33 lakhs
VAT & ST	:	Rs.9,245.00 lakhs
TOTAL	:	Rs.9,678.33 lakhs

Thus, it is reasonable to conclude that KSFC generates an annual tax revenue of Rs.100 crore to Karnataka from its lending program of Rs.500 crore to MSMEs. In which case, the revenue generated to the State by KSFC during the last ten years is about Rs.1,000 crore.

EMPLOYMENT GENERATION

- The sample units numbering 100, generated 4,893 jobs.
- Out of these, 4,381 were skilled jobs and 512 were indirect jobs.
- If expressed in financial terms, 100 units that were assisted by KSFC to the tune of Rs.160.00 crore generated 4,893 jobs ; thus, resulting in 30 jobs for a loan assistance of Rs.1.00 crore by KSFC. Of these 30 jobs,27 were skilled jobs and 3 were indirect jobs.
- When extrapolated, for an annual disbursement of Rs.500.00 crore, KSFC generates 13,500 skilled jobs and 1,500 indirect jobs. In all, 15,000 jobs are created annually in the State of Karnataka by KSFC alone through its lending program to MSMEs.
- On the assumption that these parameters hold good for the last ten years, it is reasonable to conclude that KSFC has generated 1,35, 000 skilled jobs and 15,000 indirect jobs in the last ten years.

KSFC has the potential to change the rural edifice of 30 districts of Karnataka and can act as role-model for other financial institutions. Further, KSFC can continue to play a significant role in the overall scheme of the state Government to make Karnataka a highly developed State in the Country. However, these trends can be maintained on a sustainable basis only through the joint efforts of all the stakeholders viz., GoK/SIDBI/Commercial Banks as well as the entrepreneurs of Karnataka.

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The wise executive understands that the biggest part of his job is simply putting the right people in the right jobs and then cheering them on.

NEWS FROM STATES

UTTARAKHAND

Uttarakhand to set up biotech park

The Uttarakhand is to set up a biotech park in the hill state in order to promote industries based on the technology. The proposal for the biotech park came under the state biotechnology programme which seeks to attract entrepreneurs for setting up biotechnology-based industries in the state either in an industrial estate mode or dispersed in smaller pockets throughout the state. The programme also promotes agro-farming and encourages cultivation of medicinal and aromatic plants in the state.

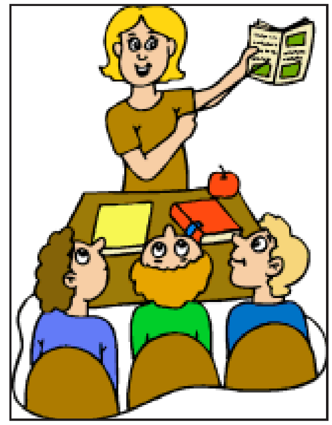
The park is expected to house modern biotechnological facility, including bio-incubator and basic infrastructure and common facilities like modern equipment, green house, animal house, business centre and laboratories.

TAMILNADU

Panel on Tirupur textile units

To find a solution to the environmental, financial and other issues of the Rs.16,000-crore Tirupur knitwear industry, the President has constituted a seven-member, high-level inter-ministerial committee to address them in both the short and medium terms. The knitwear industry has been going through a bad patch over the last seven months since the Madras High Court ordered the closure of the 750-odd dyeing units and Common Effluent Treatment Plants (CETPs). The order followed the units' non-compliance with the norm of attaining Zero Liquid Discharge (ZLD) at their units and polluting of the Noyyal river, the main source of water for cultivation of the farmers in the area.

Over the short term, the committee will draw up an auctionable roadmap to ensure compliance with the environmental regulatory standards which would comprise an inter-ministerial meeting including TNBC, Director-General of NEERI, Anna University, IIT Madras, Centre for Environment Studies to be held in Delhi and to explore legal options for short-term remedy for an early re-opening of dyeing units which have been shut since the end of January this year. These two tasks should be completed in the first instance of 30 days, said TEA sources.



JAMMU & KASHMIR

J&K clears annual plan for Reasi

The Jammu and Kashmir government approved Rs.63.90-crore annual plan to cushion health-care, education and other key sectors in the mountainous district of Reasi. The plan includes Rs.47.46 crore as capital and Rs.16.44 crore as revenue components. Rs.24.01 crore was earmarked for engineering sector and Rs.14.90 crore for agriculture and allied sectors. The plan has accorded priority to education, Public Works Department (PWD), health and Rs.39.29 crore was approved for implementation of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

MAHARASHTRA

Maharashtra sugar cooperative mills to get pre-seasonal loan of Rs.1,150 cr

The State Co-operative Bank (SCB), an anchor for agriculture and crop loans, has approved pre-seasonal loans to the 110 cooperative Sugar Mills in Maharashtra. This loan is necessary for overhauling, payment of advances to harvesting and transportation contractors, purchase of stores materials and payment of off-seasonal wages to labours. About Rs.1,150 crore is expected to be disbursed, comprising Rs.650 crore by Maharashtra SCB and Rs.500 crore by District Central Cooperative Banks (DCCBs) to 110 mills. The crushing season for 2011-12 would start from October 1. Maharashtra SCB and DCCBs had disbursed Rs.1,150 crore before the commencement of the 2010-11 crushing season.

WEST BENGAL

West Bengal to attract investments

The annual Plan size for West Bengal has been approved at Rs.22,214 crore, 22 per cent more than last year. Ms. Mamta Banerjee, Chief Minister has said that 18-20 days of wage labour is provided per rural household under the flagship Mahatma Gandhi Rural Employment Guarantee Scheme, instead of the stipulated minimum of 100 days in a year. Also, that the share of manufacturing in the state's domestic product has declined from 19 per cent in 1975-76 to 10 per cent (in 2006-07). That 55,000 units in the state had closed during this period. In 2009-10, the state government's expenditure on salary, pensions and interest was 12 per cent more than its entire revenue receipts. The debt burden is a cumulative Rs.2 lakh crore. To boost the economy of West Bengal the state is set to attract large private investments to engineering, steel, tea, jute, textiles, mining, power and food processing industries. Labour-intensive sectors — like textiles, apparel, leather, jute, tea, handicrafts, tourism, gems and jewellery and agro-based industries are of particular interest to provide employment. The Chief Minister wants a "cluster approach" to cottage and small scale industries and their modernisation. The government has initiated land mapping, setting up of a land bank and framing a land use policy for reviving closed units.

Bengal gets Rs.8,750-cr central aid

The Centre has granted West Bengal a special area package of Rs.8,750 crore, but together with allocations the entire financial assistance adds up to Rs.21,614 crore for the state. Out of this Rs.10,158 crore is on account of allocations to various central government schemes for which the state will have to provide matching grants. The central government has also raised the state's borrowing ceiling by Rs.2,706 crore, which has also been included in the financial package.

Centre has made special allocation of Rs.300-crore for agriculture, Rs.100 crore for solar power and R90 crore for Maoist-area development. The state will have to provide matching grants to avail these funds. The Centre has also increased the market borrowing ceiling from Rs.17,828 crore to Rs.20,234 crore for 2011-2012. So far, West Bengal has borrowed Rs.11,100 crore from the market. The state government will be able to borrow another Rs.9,306 crore from the market for the rest of year. The Centre has increased its share in some of the schemes like the East-West Metro corridor, National Rural Health Mission National Rural Drinking Water programme and others.

UTTAR PRADESH

UP meets FRBM target of 3%

UP has brought down its fiscal deficit to a manageable 3% of the gross domestic product (GSDP) despite the pressure of Sixth Pay Commission implementation, increased allowances, and the recent global slowdown and its accompanying crisis. Under the Fiscal Responsibility and Budget Management (FRBM) Act, 2003, the fiscal deficit was to be brought to 3% of the GSDP by March 2008. Uttar Pradesh's fiscal deficit as a percentage to GSDP, which had gone up to 4.7% in 2008-09, has been brought down to 3% in 2010-11. The target set for 2011-12 is 2.9%.

The state's outstanding debt, in proportion to GSDP, has been steadily declining from 42.7% in 2007-08 to 32.1% in 2011-12, while the own tax revenue (OTR) has also grown from Rs.24,959 crore in 2007-08 to around Rs.50,334 crore in 2011-12, recording an impressive growth rate of 22% in the last two years consecutively. The reasons for this performance are improved tax collection, reduction in unproductive expenditure and better financial management. Uttar Pradesh has pegged its Plan size at Rs.47,000 crore for the current financial year as against Rs.42,000 crore last year.

HARYANA

Haryana's Plan size is Rs.4,058-cr

The Haryana government has chalked out Rs.4,058.55-crore plan to strengthen power transmission and distribution in the state. The state government will add 174 new substations and also increase the capacity of 98 existing substations. The plan would be completed in three years in a phased manner so that annual increase in load can be met.

State Power Minister, Shri Ajay Singh Yadav said that transmission lines of a length of 3,232 km will also be laid for connectivity of the new substations to the feeding sources. To meet the increased load, state power utilities have commissioned 273 new substations of various levels, augmented capacity of 487 existing substations and built 3,862 km long transmission lines during the last six years due to which the system has been able to take load as per the electricity demand in the state.

Manufacturing policy sent to Cabinet

The Commerce and industry ministry has sent a note to Cabinet on the National Manufacturing Policy, which envisages the creation of mega industrial zones with world-class infrastructure facilities. The policy aims to create 100 million additional jobs and take the share of manufacturing to 25% of the country's GDP by 2020 from the current 15-16%.

The sector contributes over 80% to the country's overall industrial production. Shri Anand Sharma, Commerce and Industry minister said that the share of 16% ''is too low'' in comparison to other countries. The policy has also proposed easing of labour and environment laws and sought tax sops for National Manufacturing Investment Zones (NMIZs). These planned big enclaves could even subsume special economic zones.

KARNATAKA

Karnataka Plans 'Walk To Work' Industrial Townships

New initiatives Ushered in

The state government has planned to reserve 10% of the total land notified for industrial use for Small and Medium Enterprises (SMEs). The Karnataka government, which attracted investment proposals totaling a record Rs.4 lakh crore during the recently concluded Global Investors Meet, is now facing a daunting task—accommodating large-scale industries and a large number of ancillaries that will form their vendor base.

While the state is acquiring nearly 100,000 acres of land for big industrial projects, it is also set to create new industrial townships for Small and Medium Enterprises (SMEs), for the first time in 20 years. The state government has conceived, also for the first time, a new 'walk to work' model for SMEs, which entails new industrial estates having residential colonies in the vicinity of workplaces.

It is estimated that more that 100,000 new SMEs will come up across the state to form a Tier-II and Tier-III vendor base to some big industrial projects in the iron and steel sector, like Arcelor Mittal, Porco, NMDC, JSW Steel, Bhushan Steel and Tata Metaliks, among others.

To begin with, the government is acquiring 200 acres of land at Nelamangala near Bangalore to develop the Greater Peenya industrial estate, which would cater to the land requirements of about 300 units. The government is setting apart some portion of this land for construction of residential colonies. "The government has been getting a lot of requests from SMEs for creation of new industrial estates in and around Bangalore. The development of Greater Peenya will ease congestion at the existing industrial township," Shri Baligar said. In addition, the government also plans to develop a new industrial estate at Kamakshipayla in Bangalore. It is also acquiring 600 acres at Doddaballapur and 3,000 acres near Bangalore international airport for development of new industrial townships. The government has also received an encouraging response from industries for aerospace, software and hardware parks near the international airport, he said.

Shri M.C. Dinesh, Executive Committee Member of Federation of Karnataka Chambers of Commerce and Industry (FKCCI), said, "We need at least 400 acres of land near Bangalore so that 50 per cent of that area could be used for creation of new industrial plots and sheds. Already, 92 percent of the total MSMEs in the state are located outside the industrial estates. The situation is worse in Bangalore, as nobody is in a position to expand their units due to lack of space." Of about 400,000 units registered in the MSME Category in Karnataka, close to 50 per cent are located in residential areas in Bangalore, causing noise and air pollution. These units not only are served frequent notices by the state pollution control board, but are also deprived of quality supply of power. The government has not created any new industrial estate in the last two decades, he said.

Shri Dinesh said the state government has responded positively to their demands and has notified land at Nelamangala for creation of Greater Peenya. The significance of Greater Peenya is that it will have a common effluent treatment plant, connectivity to the natural gas pipeline and railway line. So far, 350 SMEs have paid an advance of 25 per cent to Karnataka State Small Industries Development Corporation (KSSIDC) for allotment of 10,000 sq ft of land, he said.

Apart from Bangalore, the government has also acquired 3,000 acres at Yadgir for development of an industrial township. "We want to develop a pharma park in this place. Already the government has cleared applications fro seven or eight pharma companies for setting up their facilities here. The government will create common infrastructure like an effluent treatment plant and provide land for the companies," Shri Baligar said. He said that for the first time, the government is promoting the "walk to work" concept in the state. Land has been identified for development of new industrial township in other places like Hoskote, Gauribidanur, Bagepalli, Kolar, Harohalli and Bidar, he said. The government has also acquired 63 acres at Gamanagatti in hubli for creation of a new industrial estate. The Karnataka government is also planning to acquire another 800 acres for the expansion of the Mangalore Special Economic Zone in Mangalore, he added. The SEZ is presently spread over 1,800 acres.

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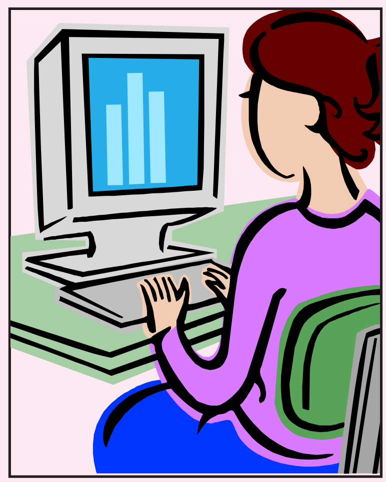
QUESTIONS OF CYBERQUIZ ~ 31



1. It is a programmable multifunction manipulator designed to move materials, parts, tools or specialized devices through variable programmed motions for the performance of a variety of tasks.

   [a] Android; [b] Industrial Robot; [c] Humanoid; [d] A mechanical arm.

2. Who first used the word "Robot" in 1920 to describe scientifically created artificial beings ?

   [a] Karel Capek; [b] Joseph Caped; [c] Isaac Asimov; [d] Mary Wollstonecraft Shelly.

3. The word Robot was coined from the Czech word Robota. What is its meaning in Czech ?

   [a] To work; [b] Laborer; [c] Superman; [d] Forced Work.

4. Who first used the word "Robotics" in 1941 to describe the technology of robots and predicted the rise of a powerful robot industry ?

   [a] Isaac Asimov; [b] Mary Shelley; [c] Karel Capek; [d] Joseph Capek.

5. Considered the first Japanese humanoid robot, it was made by Atsuo Takanishi Laboratory of Waseda University in 1973. What name was given to it ?

   [a] Manga; [b] Gundam; [c] MACROSS; [d] WABOT 1.

For Answers See **Page No. 33**

DO YOU KNOW ?

WINNERS VERSUS LOSERS

- The Winner is always part of the answer; the Loser is always part of the problem.
- The Winner always has a program; the Loser always has an excuse.
- The Winner says, "Let me do it for you"; the Loser says, "That's not my job."
- The Winner sees an answer for every problem; the Loser sees a problem for every answer.
- The Winner says, "It may be difficult but it is possible"; The Loser says, "It may be possible but it is too difficult."
- When a Winner makes a mistake, he says, " I was wrong"; when a Loser makes a mistake, he says, "It wasn't my fault."
- A Winner makes commitments; a Loser makes promises.
- Winners have dreams; losers have schemes.
- Winners say, "I must do something"; losers say, "Something must be done."
- Winners are a part of the team; losers are apart from the team.
- Winners see the gain; losers see pain.
- Winners see possibilities; losers see problems.
- Winners believe in win/win; losers believe for them to win someone has to lose.
- Winners see the potential; losers see the past.
- Winners are like a thermostat; losers are like thermometers.
- Winners choose what they say; losers say what they choose.
- Winners use hard arguments, but soft words; losers use soft arguments, but hard words;
- Winners stand firm on values but compromise on petty things; losers stand firm on petty things but compromise on values.
- Winners follow the philosophy of empathy: "Don't do to others what you don't want them to do to you"; the losers follow the philosophy: "Do it to others before they do it to you."
- Winners make it happen; losers let it happen.

* * *

SUCCESS STORY OF KSFC ASSISTED UNIT

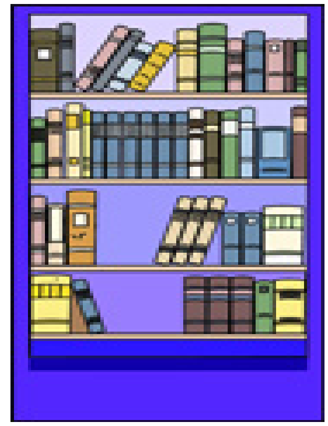
ABHIMAANI PUBLICATIONS LIMITED

The Abhimani Group is a dynamic enterprise specializing in the field of printing, publishing and related areas. It is headquartered in Bangalore. It started its operations in the year 1985 as publishers of newspapers and diverse interest magazines, and today is one of the largest printing house in India. Its own product range includes an evening Newspaper, a film based tabloid for the masses and host of stationery items such as notebooks, diaries, calendars and so on.

The promoters of the group include Sri. Venkatesh, Founder, Chairman & Publisher and other include Sri. Diwakar, Sri. V. Purushotham, and Sri. V. Sirinivas. All of them have a vast experience in printing line. Their rich experience, educational background, hard work and meticulous financial planning has made the concern as one of the best printing industry in India.

The Corporate headquarters of Abhimaani is housed in a 10,000 sq.ft. area with a total of 1,30,000 Sq.ft. area devoted for it's state-of-art printing press, warehousing and other facilities. Abhimaani has it's printing units in Rajajinagar, adjacent to corporate block and in Peenya, South Asia's largest industrial belt. The unit has a fully automated warehousing facility of 30,000 Sq.ft. for stocking both raw materials and finished products.

In order to be in contention with other competitors in the field of printing, Abhimaani has been significantly upgrading its machinery and equipment every year. The Abhimaani has in its command some of the best machineries in the Printing line. With the state-of-art facilities and infrastructure the unit is providing a one-stop complete printing solution to its discerning clientele.



Having pioneered the printing and published industry, Abhimaani Group has also ventured into hospitality industry "Abhimaani Vasathi". Its truly a business class hotel. Abhi Vivaha a functional convention hall is the newest addition to the flourishing Abhimaani Vasathi. Abhimaani has also entered into a new venture of manufacturing varied concrete products.

The company and its associate concern have availed several loans from the Corporation and has been achieving a remarkable growth yearly. With this, Abhimaani is poised to be a name to reckon with in the printing world. KSFC takes pride to be associated with Abhimaani Group and wishes the promoters success in all their future accomplishments.

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Routine may get cumbersome and stale at times...but it does keep you alert and occupied ... most dread not being that

ECONOMIC SCENE

Finance ministry approves 31 FDI proposals

Finance ministry approved 31 proposals of foreign direct investment (FDI), amounting to Rs.3,844.70 crore, based on the recommendations of Foreign Investment Promotion Board (FIPB) in its meeting held on July 2011. These proposals relate to ministries and departments namely, corporate affairs, information and broadcasting, urban development, industrial policy and promotion, economic affairs, and financial services. The major proposals pertained to economic affairs and financial services.

Duty drawback on cotton yarn export reinstated

The finance ministry has decided to reinstate the duty drawback facility for cotton yarn exports keeping in view the current situation of huge inventories with spinning mills and the contraction in demand for the item in the world markets. This would compensate losses of the exporters due to withdrawal of Duty Entitlement Passbook scheme. The government had withdrawn the duty drawback on exports of cotton yarn through a notification on April 29, 2010 for discouraging overseas shipments in the backdrop of high domestic prices.

Industrial out put growth in June encouraging

Capital goods growth in June was at 37.7% year-on-year, which drove up the factory output number for the month to a better-than-expected 8.8% year-on-year, is reassuring. With this, industrial production has risen 6.8% y-o-y in the three months to June 2011 on a relatively high base of 9.6%. While it is true that the capital goods number is a lumpy one - in May it was 6.1% while in March it was 14.5% - economists point out that the trend, when looked at from a three-month moving average perspective, appears to be picking up.

Below is given the index of industrial production (growth %) of industrial production (growth %) :-

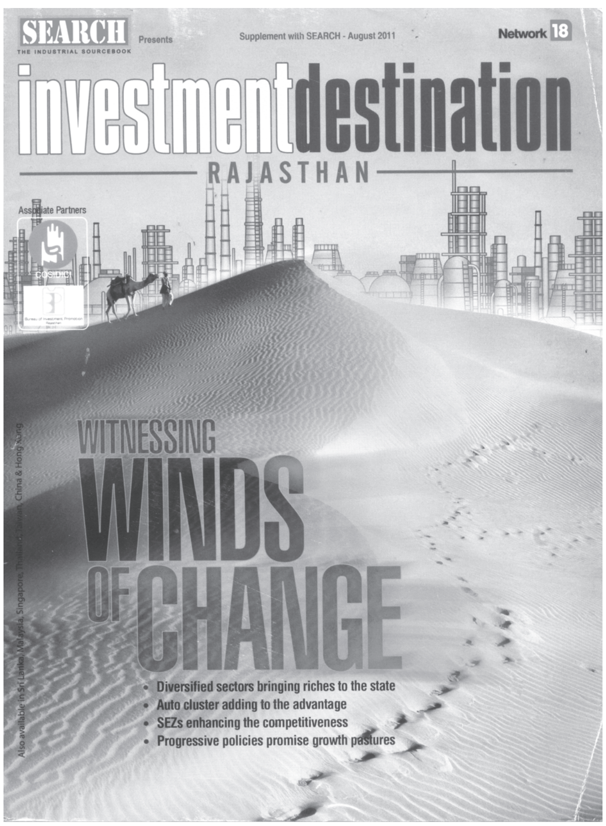
* * *

INDEX OF INDUSTRIAL PRODUCTION (GROWTH%)

	2010-11	2011-12			2010-11	2011-12
JUNE	7.4	8.8	APRIL-JUNE	9.6		6.8
SECTORAL	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12
	Mining		Manufacturing		Electricity	
June	6.9	0.6	7.9	10	3.5	7.9
April June	8	1	10.3	7.5	5.4	8.2
	Basic goods		Capital goods		Intermediate goods	
June	3.7	7.5	3.7	37.7	8.5	1.9
April-June	5.5	7.2	17.2	16.9	10.7	2.2
	Consumer goods		Consumer durables		Consumer non-durables	
June	13.3	1.6	21.2	1	7.5	2.1
April-June	11.5	4.1	19.7	3.3	5.5	4.9

ACTIVITIES OF COSIDICI

As already informed in the previous issues of COSIDICI COURIER, COSIDICI has collaborated with 'SEARCH' a trade magazine from Infomedia 18 (a part of Network 18 Group) to bring out special editions on the industrial growth and investment opportunities in different states of the country with the hope that it would attract investment and help the companies to set up their industry in that region.



The August, 2011 issue is dedicated to investment opportunities in the state of Rajasthan. As the Associate Partner COSIDICI had arranged for interviews of senior officials of our Member Corporations. This supplement carries an interviews of Shri Rajendra Bhanawat, IAS Managing Director, Rajasthan State Industrial Development and Investment Corporation {RIICO} and Shri Pradeep Sen, IAS, Chairman & Managing Director, Rajasthan Financial Corporation (RFC) excerpts from which are reproduced below :

Shri Rajendra Bhanawat, IAS, M.D., RIICO

GOVERNMENT OVERLOOKING MANUFACTURING IN RAJASTHAN?

I do not really agree to this point. It is just that many big companies have not set up their base in Rajasthan. This is due to certain disadvantages. Being a land locked state, we cannot explore the export potential. I think with the dedicated freight corridor coming up, a big disadvantage would be eliminated. we want to attract major automobile companies in the state to exhilarate growth.

EMERGING SECTORS

Ceramic and glass industries have a major potential in the state, but so far this potential has not been fully explored. Recently, we have taken up 2,000 hectare of land near Nimrana and Gehlot, where we are developing a ceramic and glass hub. Rajasthan has good quality raw material needed for ceramic and glass products. manufacturing, garment and textile manufacturing is growing in a big way. We have already earmarked 150 acre of land to Rajasthan Apparel City, which is being promoted by Indian Apparel Export Promotion Council. In principle, we have agreed to give them 250 acre of land in Tapukara, which is under the final stages of acquisition. This project has a very large employment generating potential.

We have to see the investment from two points of view – one is high capital intensive investment and the second, Further, automobile companies are performing well in Rajasthan. Even if we do not have a SEZ in the heavy engineering sector, there is fairly a large area, which has already come up in Bhiwadi, where Honda Siel has put up their car and the 2-wheeler plant. These plants give a lot of impetus to the development of ancillary industries. Of late, a large number of companies have set up their base near the NCR belt. To support development in this region, we are trying to attract major auto companies like Honda. as manpower like management graduates, which has grown during the last 5-6 years. People who were migrating for jobs are now coming back to the state. The cost of hiring a technically competent person is 20-30 per cent lower in Rajasthan. Thus, the cost of production is reduced. And the availability of natural resources, minerals, which are the raw material for the cement industry has boosted prospects for the industry. Due to this, a series of cement plants have come up in the state. Natural resources and large tract of land are some of the other factors that are the driving force behind Rajasthan's growth. If I say with humility, the proactive administration has also helped Rajasthan to grow.

INFRASTRUCTURE GROWTH

Industries can be put up in two ways – the first being, buy a piece of land and develop it into an industry and second is you get a readymade piece of land, which has the basic necessities to put up an industry. RIICO has a different strategy. It's a fact that Rajasthan has a very large mass of land. We try to procure as much government land allotted to RIICO as possible and in turn get that land developed into industrial area. This land is then made available to industries who can come and establish their business here. For entrepreneurs, a land with basic amenities acts as a good start up point and is the most crucial. Companies wanting to establish their base in Rajasthan, need not run for basic amenities, thanks to the recent introduction of the Single Window Act. Talking about proactive administration, one reason why companies get frustrated is because they are made to run from one office to another for a single project. With the Single Window Act in place this bottleneck is eliminated. To my knowledge, we are the first state in the country to have an Act like this, where the timely decision of the application under the Act is a must. There are schemes, programmes, rules etc, but not an Act as such. This Act has been enforced from the first of April, 2011 for investments above Rs 10 crore.

APPLICATIONS RECEIVED SO FAR

It is not only RIICO, but there are other departments as well whose applications are routed through the Single Window Act. Bureau of Investment Promotion (BIP) is the nodal agency for the Single Window Act. Whatever relates to RIICO's domain is Presently, most of the raw material goes to Gujarat, gets converted into finished goods and is marketed in the North of India. The main problem here is the non-availability of gas, which constitutes a very important fuel for the ceramic industry. In a year from now, the ceramic zone at Gehlot will be one major addition to Rajasthan's manufacturing sector. Auto sector is certainly bound to grow with some of the auto majors showing interest in setting up base in the state. Besides these, apparel routed through us. If the investment is more than ₹20 crore and the application is for allotment of land, we have a system in place where even in areas declared as saturated i.e. 90 per cent of the industrial land has been sold out, we have the provision of making the land available at a normal rate through the 3W rule. Within the last two months, we have processed 20 such cases.

LAND ACQUISITION PROCESS

The rules say that construction or setting up an industry within a period of 2-3 years where the land has been allotted is mandatory. If customers do not conform to this, we take stringent actions. They have to surrender the land. People cannot be allowed to use RIICO's system to grab land and then sell it to a third party at higher prices. We have cancelled a large number of plots and refunded the money with some deductions. This land is then made available to those who want to put up an industry. We have also drafted new rules as per which if a customer puts up an industry within one year, he will get nearly 50 per cent discount, within 2 years nearly 25 per cent discount on the price of the land, but if the company does not put up the factory within three years, the land comes back to RIICO. This is applicable as of now in interior and backward regions of the state, but we want to make this rule for the entire state soon.

Till date, we would acquire land and start allotting it without developing it. This resulted in disparities in land allotment. It was found that people were having more or less land than what was originally allotted to them. To overcome this, we have recently decided that we will not allot land unless it has the basic amenities in place and the plot is demarcated on the ground. These disputes which crop up time & again will be curbed with this decision. We will wait for sometime before we start the allotment. We will acquire the land, develop infrastructure, demarcate the land and then start the allotment procedure. In the last year, we have not opened a new area, precisely because of this reason as we had the land but the infrastructure was not in place. From this financial year we are about to open 8-10 new areas like Kalapura in Jaipur.

ERADICATING ISSUES SUCH AS LAND SOLD BUT NOT BEING DEVELOPED

That is our main concern and the area of investment which generates huge employment potential. Auto and the garment sector is also generating a lot of employment opportunities because of ancillarisation.

GROWTH ENABLERS

There are distinct factors that have driven the industrial growth of Rajasthan so far. These include peaceful law & order situation; good industrial relations; proximity to NCR and the availability of skilled thrust. So far as profit is concerned, we have enough profit; our revenue this year has gone up to ₹700 crore as compared to ₹500 crore last year. We have also modified the system. Earlier, we were spending on a particular area depending on the income from that area. But in that case, if the area was very old, the income generated from this area was naturally low, the infrastructure was dwindling and hence more money was needed to be pumped in to repair and improve the area. So, according to the new plan, the income and the area are now not related to the expenditure on that area. We are also pushing our engineering teams to improve the infrastructure as we have enough funds available with us and there is no constraint on that front. Improvement of infrastructure is a priority area for us. If existing entrepreneurs are not satisfied with the infrastructure, it would be wrong for us to expect new investors to come in.

YOUR TAKE ON CORRUPTION IN LAND DEALING

We are extremely transparent in this. Whenever a complaint pertaining to corruption comes in, we deal with it extremely stringently. I firmly believe that if you have transparent and fair working practices, corruption can be curbed.

PREPARATIONS FOR THE BHARATIYA PRAWASI DIVAS

The Pravasi Bharatiya Diwas is being held from January 7-9, 2012 in Jaipur. This would be our opportunity to interact with global investors, besides organising a global investors' meet. On this occasion, people from outside India will come to attend the function. Almost 1200 visitors are expected. This will provide us the platform to showcase what Rajasthan has done, what it stands for and what are the opportunities available in Rajasthan. Then we can build up on that opportunity later on.

YOUR VISION & MISSION

Rajasthan is not so far seen as an industrialised state. It is addressed as a tourist state with historic heritage. In the time to come, I wish Rajasthan should also be known as a fast developing industrialised state with all inclusive growth. ■

Shri Pradeep Sen, IAS, C.M.D., RFC

INSIGHT INTO RFC

Rajasthan Financial Corporation (RFC) was set up in 1955 under the State Financial Corporations Act. At that time, the economic environment and financial condition of the state were very different. There was a profound need for a government organisation, which could fund small entrepreneurs to start up business. Today, there are several financial institutions that finance small entrepreneurs and we are just one of them. Even our own regulatory institution, SIDBI, is part of this business. The current environment is, therefore, very competitive. But I believe we are better off as compared to several other state financial corporations in the country. In fact, we have Secure Meters, Harvest Gold India, Dayanand Textiles, Wolkem India and Hari Oil Mill among others. Today, all of them are successful businesses and have brought name and fame to the land of Rajasthan.

YOUR APPROACH TO AN IMAGE MAKEOVER

Commitment to offer prompt service is an area in which we seek to create an image makeover. I have tried to understand the fundamentals and explore how we can best generate more business. Basics like the application form itself are being looked at. The requirements that are called for, the application process, everything is being given a re-look.

At present, loan applications, once received, remain pending because either the customer does not submit the necessary documents in time or because, there are deficiencies in the accompanying documents. Irrespective of this, the delay makes things frustrating.

I think that the experience of the customer with RFC, from the beginning to the sanction and disbursement, and later on, should be good. We are working towards providing this experience to our customers. posted a profit of approximately Rs13 crore and our outstanding non-performing assets (NPAs) have come down from 30 to 23 in the previous year.

RESPONDING TO MARKET TRENDS

In view of the stiff competition for financing medium and small enterprises, there is an ongoing debate on the extent to which we should finance other sectors like the construction and real estate (CRE) sector, which does approach us for funds as they seek large amounts of money. So far, NPAs in this sector have been low. However, it must be accepted that this is a sector fraught with risk. The issue is, if we do not target this sector, somebody else will, and we will lose out on business. At present, to maintain We plan to put in place a system whereby once the mandatory list of documents are received from the applicant, and the same is duly registered, then we should be able to issue the sanction within a stipulated time frame. We have also worked out a unique one-time settlement scheme, which is currently in the final stage of discussion.

It has been observed that one-time settlement schemes, so far, have resulted in a situation where genuine defaulters stand to lose more than those who are more or less willful in defaulting and end up getting their accumulated interest over-dues waived off. The need to rectify this situation has been felt. Through the proposed changes, we wish to send out a message that if a loan has been taken and if unfortunately, things are not going well with the borrower, it is still better to pay up. At present, we have around Rs180 crore stuck up in either NPAs or deficit accounts.

THE MAKEOVER AMID COMPETITIVE MARKET FORCES

Unlike banks and other financial institutions, being a government organisation that is controlled, advised and guided by the our business, we need to create a balance between our mandate for the SME sector and the newer areas.

FUNDING THAT CHANGED AN IDEA INTO A PROSPEROUS BUSINESS

We consider our business successful when a borrower pays up the loan as per schedule. But for investors, making funds available at the time when it is required is of paramount importance. Over the years, RFC has funded several businesses during their start-up stage. These include Ashok Patni (RK Marbles), Jagdish Khetan (Khetan Group of Industries), BL Baid (Polycon International Group), Ramdev Chitlangiya (Chitlangiya Group of Industries), Sudama Mal Makhija (US Agencies), NK Gupta (Manglam Group), government does not make things easy for us.

We function under constraints such as higher operational costs, internal work culture & attitude and frequent changes in the top management, which banks do not face. Yet we have managed to stay afloat. I still think we could certainly do with an image overhaul. After all, operational efficiency and focus on customers is key.

TECHNOLOGY AND RFC's FUNCTIONING

We are lagging behind in terms of paperless functioning, online transactions & processing, collection of data and transfer of information. As of now, the technology that we are depending on is a software owned by the Bureau of Investment Promotion. This software needs to be upgraded to include features for online transactions and real-time transfer of data. We do have plans to make changes.

YOUR VISION AND MISSION

We are here for our customers and will work towards satisfying them. We will try to function as professionally as possible, despite the constraints. ■

MSMEs in West Bengal

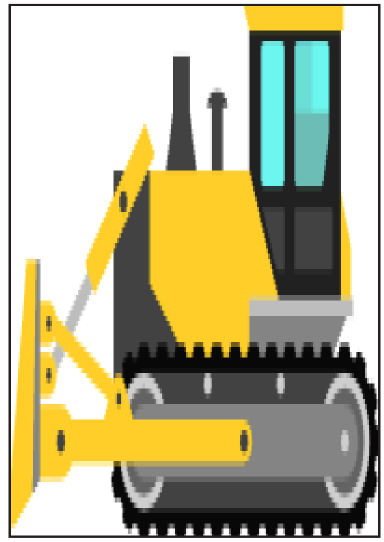
Bankers need to increase SME lending in West Bengal since the sector has the potential of fostering inclusive growth, Shri Manas Ranjan Bhunia, State MSME Minister said.

The representatives of MSME sector feel that lending to the MSME at 13-14% rate was not helpful for sustainable growth of the sector. They urge that lending rates for MSMEs should be brought down to around 7%, the rate at which the agriculture sector gets credit.

There are 27 lakh SMEs in Bengal but no grievance cell. It was pointed out that it took more than 300 days to start a business in Bengal, and that was hindering the growth of entrepreneurship in the state. Shri Bhunia said as West Bengal was a land critical state with less than 10 decimal per capita holding, MSMEs needed to play a driver's role in the state economy. He said 27 lakh MSMEs in the state generated employment to more than 60 lakh but the possibilities were higher.

AP sees decline in new SMEs

With the Andhra Pradesh government focusing on large and very large industries, there has been a sharp decline in new small and medium enterprises (SMEs) in the state during the past decade. In 1999-2000, the number of new SMEs accounted for 21.7 per cent of the total new enterprises. This has now come down to 7.19 per cent. Investments across all industries (small, medium and big) increased nearly three-fold to Rs.41,785 crore during the decade, from Rs.15,957 crore. Around 27 per cent of the total investment goes to large industry (Rs.20-100 crore) and 54 per cent to very large industry (Rs.100 crore and above). On the other hand, only 11 per cent of the total investment of the state government goes to SMEs (with a capital investment of up to Rs.1-10 crore) and 8 per cent to mid-size ones (capex of Rs.10-20 crore). While the number of very large units has increased from 19 to 61, large and medium industries have increased to 270 and 189, from 131 and 155 respectively, during the decade.



It was felt the state should have industry land banks in each district and create around 40,000 industrial plots in one or two years, if SMEs are to flourish. It was recommended that of the total credit disbursement in the state, five per cent should be allocated to first-generation entrepreneurs and 50 per cent to SMEs. The AP government should increase the credit limit for micro, small, and medium industries to Rs.5 crore, Rs.10 crore and Rs.50 crore, from the current Rs.1 crore, Rs.5 crore and Rs.10 crore respectively.

PSBs Told to Boost Credit to Small Industry, farmers

The government has asked state-run banks to focus on traditionally–credit starved areas, such as small industry and agriculture, while credit demand from big industry moderates. The RBI has already revised the credit growth target to 18% from 19% in this fiscal, after it raised the key rates by 0.5 percentage points in its monetary policy review on July 26, 2011. At present, the banking system only covers 50% of the farmers in the country. The government has set a target of Rs.4,75,000 crore bank credit for the farm sector in 2011-12.

The government wants banks to meet the direct lending targets towards agriculture sector. In 2009-10, only 13 banks were able to meet their targets.

According to the RBI guidelines, banks are required to lend 40% of their adjusted net credit to the priority sector, which includes agriculture (18%), small-scale industries and other weaker sections. If they fall short of this target, they can buy the loans of RRBs or MFIs to meet the level. Banks are likely to face more pressure to step up lending this year as the RBI has already said that loans given to non banking finance companies (NBFCs) will not be considered priority sector lending except to finance companies lending to microfinance institutions.

Sops for MSMEs in Haryana

The Haryana government has notified incentives for the micro, small and medium enterprises (MSME). The new MSMEs set up in the backward areas (Category B and C blocks) would continue to be extended financial assistance in the shape of interest-free loan to be quantified at 50% of the tax paid on the sale of goods produced in such industrial units under the Haryana Value Added Tax Act, 2003.

The incentive would be for a period of five years from the date of start of commercial production and repayable after a period of five years. The spokesman added that another addition made in the policy was exemption from electricity duty to the new industrial units covered under MSMEs set up in category B and C areas in the state, for a period of five years, from the date of release of regular electricity connection. These benefits would not be admissible for the industrial units mentioned in the restrictive list of the Industrial and Investment Policy-2011.

Gujarat to boost SMEs

In a bid to provide impetus to the state's SME sector through a common branding and marketing platform, the Gujarat government is set to promote its 'Made in Gujarat' campaign. State Industries Minister Shri Saurabhbhai Patel said government support to SMEs carrying promise of quality and innovation would be available. The government's venture finance schemes were always there to support deserving enterprises. The minister acknowledged that some banks were still following a conservative approach in lending funds to SMEs, an issue which the state government was taking up with the central government. On the government's role as a facilitator in SME growth, the minister said the state was coming up with an innovation-cum-incubation centre that would meet the needs of budding ventures, in next two to three years.

MSME commission to be left to market forces, says Finmin

The government has ruled out fixing the rate of commission charged by firms from MSMEs (medium, small-scale and micro enterprises) for taking the responsibility of realising payments of goods and services sold by these firms. The term for entities taking up this job is 'factors'. The ministry, responding to various questions raised by a Parliament standing committee on the Regulation of Factor (Assignment of Receivables) Bill, said the amount of commission charged by the factor would depend on the bilateral contract between the two and the level of competition in the market.

The rate of commission would also depend on the risk of perception of the factor and business relations between the two parties, the standing committee was told. The ministry said the Bill, tabled in the previous session of Parliament, is geared to provide the benefit of upfront payment to MSME, which then would not have to bother about collection of money from the buyers of goods and services.

The RBI had moved away from an administered rate of interest regime for financial products. Therefore, any suggestion to administratively determine the rates would not be in line with the existing policy, the finance ministry told Parliament's standing committee. After sale of products and services, MSMEs do not realise sale proceeds (receivables) within a reasonable time and the factor steps in to purchase such receivables. Factor purchases the receivables and makes payment to the MSME. That way, MSME receives an upfront cash payment, say, equal to 80 per cent of the face value of the receivables. When the receivables are collected in full by the factoring firm, the MSME is paid the other 20 per cent, minus a commission that varies with interest rates prevailing in the money market. Factors will be treated as non-banking finance companies (NBFCs); provisions of the RBI Act, relating to NBFCs will apply to them as well. The ministry clarified that a factor is not an agent for the sale of goods or services and steps in only after the sale is over.

In search of funds, MFIs take to crowd sourcing

Micro finance institutions (MFIs) are set to tap the largely untapped potential in crowd sourcing, which is primarily a retail funding structure, to raise funds. Crowd sourcing in the micro finance sector is the mobilisation of capital from individuals by a collecting platform and passing it through a partner or channel to the end borrower.

Crowd sourcing companies, some of which started mostly as NGOs, are trying to stay afloat and scale up faster to improve reach. In fact, Milaap, which is the first company in the country to get approval from the Reserve Bank of India for sourcing funds from the international market, is working through an NGO on the ground as a delivery partner. But, this is also an opportunity for companies like Mudhal or Rang De to develop different business models for crowd sourcing in smaller proportions at an initial phase.

The flow of funding from overseas investors has considerably diminished over the past 10 months. However, as the industry stabilises and the regulatory and political risks are dealt with, a revival of investor interest can be expected. "The emerging regulatory framework for the MF sector requires that MFIs be well capitalised, well governed institutions with adequate capacity to sustain market shocks. Mergers of smaller MFIs will result in the formation of well capitalised, stable entities. Hence, both regulatory and market pressures may push the industry towards consolidation. For the borrowers, this can be a positive change since large, well governed and stable organisations can be expected to be more competitive, offering lower-priced products''.

Banks should lend to SMEs with caution

The RBI has asked banks to develop effective risk management controls for lending to small scale enterprises (SME). The regulator said lending to the SME sector was extremely crucial for economic growth, but a policy change is required to facilitate lending so that the risk is minimised. "Banks lending to SMEs will have to take the risk into account. They should balance expansion of credit to SMEs with increase in risk," said Shri Subir Gokarn, deputy governor, RBI, during a SME summit. The Central Bank is of the view that the risk increases as banks move down the hierarchy and hence there was a need of an effective risk mitigation system in place. The deputy governor also urged for actions that would make the small scale enterprises commercially viable and more competitive.

Banks have been actively lending to small scale enterprises. According to RBI data, total deployment of gross bank credit by the micro and small sector as on June 17, was Rs.2,334 crore, against Rs.2,291 crore on March 25. Although, lending to the SME sector has been on a rise, the high non-performing assets have been a cause for concern which were 4.24% as of March 2011.

IDBI Bank to lend Rs.700 cr more to MFIs

Government-run IDBI Bank is to lend Rs.700 crore more to microfinance companies by the end of this financial year. The RBI guidelines for the sector issued in May have brought about clarity and now things are better in the sector. The Central Bank had in May issued regulations for the microfinance sector (MFIs) and capped at 26% the interest rate that these firms can charge their customers.

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If you have God, you always have company and love.

55 proposals for integrated textile parks received

The government has received 55 proposals for setting up integrated textiles parks in various parts of the country. The Centre has approved a budgetary allocation of Rs.400 crore for these new textile parks.

PSU wealth, $5-bn forex to help build energy fund

The Finance Ministry and Planning Commission have decided to move fast on setting up a sovereign fund to acquire natural assets like oil, coal and gas abroad to reduce the economy's vulnerability to costly and rising energy imports. RBI has agreed to set aside $5 billion from the country's $317-billion forex reserves (as on Aug 12) for the fund. The government is also considering dipping into cash reserves and other assets of some rich state-owned companies to find the balance resources for the fund, which will have a total size of $10 billion, these sources said.

With the change in the global economic scenario and considering that the fund's exposure to a diverse asset base could reduce the risk factor considerably, the government is now inclined to go ahead with the proposal. Since the fuel assets acquired by the fund would be for domestic consumption, the resultant incremental economic growth would help offset the risk from any dip in the asset prices, it is reckoned.

The sources said in order to extend the benefit of the proposed fund to private sector energy companies which are on the prowl for big deals overseas to augment their energy asset portfolio, joint ventures with private firms for specific deals could be explored. Another option is to allow the fund to lease out acquired assets to private players. Experts say the fund could reduce import dependence for India, whose energy needs are growing.

As for PSUs, the limits on investments in particular projects could come in the way of their effective participation in the fund. Currently, for Maharatna PSUs, investments in individual projects above Rs.5,000 crore need Cabinet approval and for Navaratna firms, the threshold is Rs.1,000 crore."The government will have to consider relaxing the thresholds for them to participate in the fund".

Earlier the central bank was worried about financing such a fund out of the forex reserves, given the large amounts of capital the country needs to fund a massive current account deficit. The current account deficit is projected at 2.7% of GDP for the fiscal year ending in March 2012. Earlier in July, the Planning Commission has told the GoM that deploying such a quantum of forex reserves will not pose any problem to the balance of payments and should be done to meet India's energy security goals.

The proposal to set up such a fund was first mooted by the oil ministry over concerns that India was falling behind China in acquiring energy assets abroad, particularly coal, gas fields and other assets like mining blocks in different parts of the world. China has huge investment in Africa aimed at acquiring energy assets, which has helped it reduce its dependence on imports for the energy sector. The government is considering setting up the fund as it imports 70% of its domestic demand for oil from abroad and 15% of its coal needs. It is also seen crucial to contain energy cost in view of the steep rise in the prices of oil, gas and coal.

SEZ window to stay open longer

To improve the viability of over 500 approved special economic zones (SEZs), the Finance Ministry is set to add an additional Window for units in these zones to begin operations and become eligible for tax sops. Earlier, the ministry had proposed to cap tax benefits for SEZs through the Direct Taxes Code (DTC) Bill, with specified cut-off dates.

As per the new proposal, units in these zones will get 18 months from the date of last clearance obtained to begin commercial operations and become eligible for the 15-year tax sop. As per the DTC Bill, units are required to commence operations by March 31, 2014, to get the tax incentives, irrespective of whether the state and central agencies give them the clearances. The Bill also says that the developer of the SEZ should get the zone notified on or before March 31, 2010.

Tax incentives for SEZ units include 100% income tax exemption on export profits for the initial five years, 50% for next five years and 50% of profits ploughed back for the last five years. They are also eligible for customs and excise duty waivers and exemption from service tax. Comparable benefits are given to the developers of these zones as below:

Incentives & Facilities Offered to Units in SEZs:

- Duty-free import/domestic procurement of goods for development, operation and maintenance of SEZ units;
- 100% Income-Tax exemption on export income for SEZ units under section 10AA of the Income-Tax Act for first five years, 50% for next five years and 50% of the ploughed-back export profit for next five years.
- External commercial borrowing by SEZ units upto $ 500 million in a year without any maturity restriction through recognised banking channels.
- Exemption from Central Sales Tax.
- Exemption from Service Tax.
- Single-window nod for central and state level approvals.
- Exemption from state sales tax and other levies as extended by the respective state governments.

Major Incentives & Facilities for SEZ Developers :

- Exemption from customs/excise duties for development of SEZs for authorised operations approved by the BoA.
- Income-Tax exemption on income derived from the business of development of the SEZ in a block of 10 years in 15 years under section 80-1AB of the Income-Tax Act.
- Exemption from Central Sales Tax.
- Exemption from Service Tax.

Out of the 585 SEZs that have got formal approvals so far, just 133 are operational. There are another 42 that have received in-principle approvals. The ministry's move will be a big relief for developers of these units who are trying to obtain sundry clearances from the Centre and states and begin operations. The government is planning to introduce DTC from April 1, 2012, replacing the existing Income Tax Act, for a simpler tax legislation with fewer exemptions.

An essential feature of DTC is the shift from profit-linked incentives (which is what most SEZ tax sops are) to a regime of investment-linked incentives, which is considered to be more efficient and targeted better. The investment-linked incentive would ensure that businesses get accelerated and depreciation and is more suited for capital-intensive industries.

The DTC proposals on SEZs were strongly opposed by the industry, which feels it would defeat the idea of developing clusters of industrial excellence in different parts of the country with prime focus of increasing exports.

With the proposal to impose MAT and dividend distribution tax (DDT) on SEZs, fresh proposals to set up these zones have also dried up. "The changes would hurt growth of exports, employment and investment very badly," said an industry expert. Ever since the enactment of SEZ Act in 2005, these zones have become major sources of foreign exchange earnings. Exports from SEZs registered record growth of 43.11% in 2010-11 at Rs 3,15,868 crores. Total employment generated by these zones is 6,76,608 while total investments are Rs 2,02,810 crore. Out of 584 formally approved SEZs, 378 has been notified and 133 are operational.

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Priority Sector Status for Bank Loans to MFIs

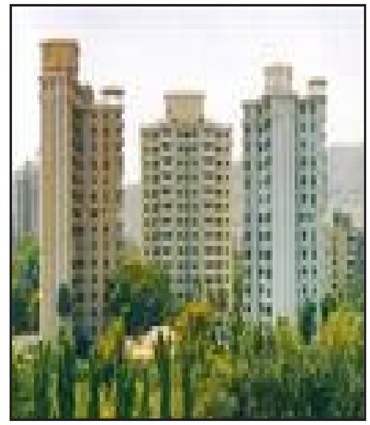
The Reserve Bank has advised that bank credit to micro finance institutions (MFIs) extended on, or after, April 1, 2011 for on-lending to individuals and also to members of self help groups (SHGs)/joint liability groups (JLGs) will be eligible for categorisation as priority sector advance under respective categories viz., agriculture, micro and small enterprise, and micro credit (for other purposes), as indirect finance, provided not less than 85 per cent of the total assets of the MFI (other than cash, balances with banks and financial institutions, government securities and money market instruments) are in the nature of "qualifying assets". In addition, aggregate amount of loan extended for income generating activity, is not less than 75 per cent of the total loans given by the MFI.

A "qualifying asset" shall mean a loan disbursed by a MFI which satisfies the following criteria :

- The loan is extended to a borrower whose household annual income in rural areas does not exceed Rs.60,000 while in non-rural areas it should not exceed Rs.1,20,000.
- The loan does not exceed Rs.35,000 in the first cycle and Rs.50,000 in subsequent cycles.
- Total indebtedness of the borrower does not exceed Rs.50,000.
- Tenure of loan is not less than 24 months when the loan amount exceeds Rs.15,000 with right to the borrower to prepay without penalty.
- The loan is without collateral.
- The loan is repayable in weekly, fortnightly or monthly installments according to the choice of the borrower.

Further, to be eligible to classify these loans under priority sector, banks have to ensure that MFIs comply with the caps on margin and interest rate and other 'pricing guidelines':

Enhanced Provisioning for NPAs / Restructured Advances



The provisioning requirements on certain categories of non-performing advances and restructured advances have been enhanced. The enhanced rates are -

- the secured portion of advances which have remained in "doubtful" category up to one year will attract a provision of 25 per cent (as against the earlier 20 per cent);
- the secured portion of advances which have remained in "doubtful" category for more than one year but up to 3 years will attract a provision of 40 per cent (as against the earlier 30 per cent);
- restructured accounts classified as standard advances will attract a provision of 2 per cent in the first 2 years from the date of restructuring, or in cases of moratorium on payment of interest/principal after restructuring, for the period covering moratorium and 2 years thereafter (as against the earlier provision of 0.25-1.00 per cent, depending upon the category of advances); and
- restructured accounts classified as non-performing advances, when upgraded to standard category will attract a provision of 2 per cent in the first year from the date of upgradation (as against earlier provision of 0.25-1.00 per cent, depending upon the category of advances).

Sub-Standard Advances

Advances classified as "sub-standard" will attract a provision of 15 per cent as against the earlier 10 per cent.

Restructured Advances

- Restructured accounts classified as standard avances will attract a provision of 2 per cent in the first two years from the date of restructuring.
- Restructured accounts classified as non-performing advances, when upgraded to standard category will attract a provision of 2 per cent in the first year from the date of upgradation.

Interest Rates Increased

Savings Deposits

The interest rate on domestic and ordinary non-resident savings deposits as well as savings deposits under nonresident (external) accounts scheme has been increased by 0.5 percentage point from 3.5 per cent to 4.0 per cent per annum from May 3, 2011.

Repo/Reverse Repo Rates

The repo rate under the liquidity adjustment facility (LAF) has been increased by 50 basis points from 6.75 per cent to 7.25 per cent from May 3, 2011. The reverse repo rate under the LAF, determined with a spread of 100 basis points below the repo rate, stands at 6.25 per cent from May 03, 2011.

Housing Loan limit under Priority Sector Increased

The limit of housing loans for being eligible for classification under priority sector has now been enhanced from Rs.20 lakh to Rs.25 lakh. The increased limit will be applicable to housing loans sanctioned on or after April 1, 2011 to individuals for purchase/construction of dwelling unit per family, excluding loans granted by banks to their own employees.

Pledge of Shares for Business Purposes

With a view to further liberalise, rationalise and simplify the processes associated with foreign direct investment (FDI) flows to India and reduce the transaction time, AD Category – I banks have been delegated powers to allow pledge of shares of an Indian company held by non-resident investor/s in accordance with the FDI policy.

Shares of the Indian company held by the non-resident investor can be pledged in favour of an overseas bank to secure the credit facilities being extended to the non-resident investor/non-resident promoter of the Indian company or its overseas group company.

Opening Bank Branches in Unbanked Rural Centres

Keeping in view the goal of bringing banking services to identified 72,800 villages with population above 2,000 by March 2012, and thereafter progressively to all villages over a period of time, there is a need for opening more number of brick and mortar branches in rural centres, besides the use of business correspondents.

The Reserve Bank has, therefore, advised banks that while preparing their annual branch expansion plan, they should allocate at least 25 per cent of the total number of branches proposed to be opened during a year, in unbanked rural centres. An unbanked rural centre would mean a rural (Tier 5 and Tier 6) centre that does not have a brick and mortar structure of any scheduled commercial bank for customer based banking transactions.

Concurrent Audit

With a view to contain frauds, banks have been advised to put in place a system wherein the concurrent audit would look into/report on the following aspects :-

- Wherever documents of title are submitted as security for loans, there should be a system of verifying the genuineness of these documents, especially for large value loans. In case of loan against security of land, banks may also seek reports from the local revenue authorities regarding the title deeds before sanctioning the loan.
- Wherever a chartered accountant's certificate, property valuation certificate, legal certificate, guarantee/line of credit or any other third party certification is submitted by the borrower, the bank should independently verify the authenticity of such certification by

directly communicating with the authority issuing the certificate;

- Banks should ensure aspects, such as, internal discipline, staff rotation, checks and balances, etc.
- ¨ In cases where it is established that the certification given by a chartered accountant, lawyer, registered property valuer or such third party is wrong, the Indian Banks' Association (IBA) should put in place a process to issue a 'caution list' regarding the certifier, to all banks.

Issue of Equity Shares under FDI Scheme

The Reserve Bank in consultation with the Government of India, has reviewed the extant guidelines for issue of equity shares/preference shares under the government route of the foreign direct investment (FDI) scheme. It has been decided to permit issue of equity shares/preference shares under the government route of the FDI scheme for the following categories of transactions:

Import of capital goods/machineries/ equipments (including second-hand machineries); Pre-operative/pre-incorporation expenses (including payment of rent, etc.)

All requests for conversion should be accompanied by a special resolution of the company. Government's approval would be subject to pricing guidelines of the Reserve Bank and appropriate tax clearance.

First Quarter Review of Monetary Policy for 2011-2012

Dr. D. Subbarao, Governor, Reserve Bank of India, in a meeting with chief executives of major commercial banks presented the First Quarter Review of the Monetary Policy for the Year for 2011-12 on July 26, 2011. Following are the highlights of the policy :-

Projections

- Real GDP growth for 2011-12 retained at 8.0 per cent.
- Baseline projection for wholesale price index (WPI) inflation for March 2012 revised to 7.0 per cent.

Stance

- Maintain an interest rate environment that moderates inflation and anchors inflation expectations.
- Manage the risk of growth falling significantly below trend.

Monetary Measures

- Bank Rate retained at 6.0 per cent.
- Repo rate under the LAF increased by 50 basis points from 7.5 per cent to 8.0 per cent.
- Cash reserve ratio (CRR) of scheduled banks retained at 6.0 per cent of their net demand and time liabilities (NDTL).

Expected Outcomes

The monetary policy actions are expected to :

- Reinforce the cumulative impact of past actions on demand.
- Maintain the credibility of the commitment of monetary policy to controlling inflation, thereby keeping medium-term inflation expectations anchored.
- Reinforce the point that in the absence of complementary policy responses on both demand and supply sides, stronger monetary policy actions are required.

NHB sets up panel to study loan amount-NPA link

The housing finance regulator National Housing Bank has set up a committee to study the linkage among factors like loan-to-value (LTV), default pattern and creation of non performing assets (NPAs) in the fast growing housing finance market.

As the loan gets ammortised, the LTV ratio keeps reducing, which means the equity of the borrower in the loan increases. This should imply that as the loans get repaid, the potential default will decrease as the probability of default comes down.

Also under another initiative, NHB has set up a working group to look into the credit enhancement mechanism for the mortgage industry. This would include examining aspects and credit enhancement vehicle that would improve the efficiency in the resource mobilisation and lending activities for the housing finance institutions. This would also facilitate, centralise securitisation process and develop secondary mortgage market. NHB is keen to kickstart securitisation market with the SEBI guidelines already in place for listing and trading of securitised papers in the stock exchanges. This working group comprises members from RBI, SBI, Sebi, HDFC, IFC (the private sector arm of the World Bank) and NHB. Credit enhancement will also act as a risk mitigating measure in mortgage lending and will attract third party to the domestic housing finance market.

PSBs need Rs.1 lakh crore capital in next 3 years

Major public sector banks (PSBs) have asked for a capital support of around Rs.1 lakh crore from the government for the next three years. Amid rising fiscal deficit, the finance ministry last month asked the PSBs to submit their requirement of capital for the next three years in order to maintain their capital adequacy ratio at over 12% while growing their business. The move was also aimed at finding whether the government would be in a position to provide these funds or would have to allow these banks to raise resources by diluting the government stake. SBI, tops the list of banks that need capital from the government.

Loans to NBFCs rise 54.4% in May

Bank credit to non-banking finance companies (NBFCs) has risen by 54.4% y-o-y in May on the back of a 55.7% y-o-y growth in April despite the Reserve Bank of India's concerns about the sector. The RBI has withdrawn priority sector status for bank credit to the sector. In 2010-11, the increase in loans to NBFCs was 24%. Meanwhile, although the real estate sector is believed to be in a bit of a spot with transactions slowing down, banks continue to lend to the sector.

Bank credit to the commercial real estate sector rose 19.9% y-o-y in May, slightly lower than the growth of 21.9% y-o-y seen in April 2011. Credit to the real estate sector registered a growth of 24.6% in 2010-11, higher than the overall credit growth of 22.6%. In the preceding two years, the pace of growth was much slower at 17% and 11%, respectively.

In its financial stability report, RBI drew attention to the fact that many NBFCs, which are borrowing both from the markets and the banks, have the capability of being overleveraged and, being deeply interconnected, can pose systemic risks.

RBI had also expressed concerns over the lopsided growth in advances to retail, commercial real estate and infrastructure sector. The RBI has also expressed concerns on the faster deterioration in the asset quality under priority sector lending, especially agriculture. The gross NPA ratios for the agriculture segment rose to 3.3% in March 2011 as against 2.4% in March 2010. The central bank has constituted a panel to re-look at the priority sector lending tag, especially in cases where bank finance are being routed through other institutions.

SIDBI ties up with BEE for green tech

Small Industries Development Bank of India (SIDBI) has signed an agreement with the Bureau of Energy Efficiency (BEE) to create energy-efficient technologies for micro, small and medium enterprises (MSMEs) and to create awareness and capacity-building of local business development service providers to implement such technologies. "The agreement would facilitate energy efficiency improvement through capacity-building among MSMEs and extend financial support for preparing investment-grade proposals for energy efficiency improvements," SIDBI Chairman and Managing Director Shri Sushil Muhnot said.

Nabard to cut refinance rate for marginal farmers

To incentivise lending to marginal farmers and specific regions, National Bank for Agriculture and Rural Development cut its refinance rate to the banks giving loans to them. "If banks want to finance only in Punjab, Nabard would say money is perhaps not available or it is available at a higher cost. But if they want to finance in Bihar or Jharkhand, money is available at a lesser cost because the bank wants to incentivise capital formation in backward areas", said Chairman Shri Prakash Bakshi.

Nabard has a refinancing target of Rs.14,000 crore for the current financial year of which it has already done Rs.4,000 crore. Nabard's "priority" in this financial year was to finance warehousing projects under the Rural Infrastructure Development Fund, which would help create space for additional food grains.

Of the Rs.2,000 crore allocated to finance such warehousing projects this year, Nabard has already sanctioned projects of Rs.500 crore. The finance would help create up to 8 million tonnes of storage space by March 2012. On microlenders, Shri Bakshi said "there is a crisis at hand" prompted by repayment issues faced by the microfinance institutions (MFIs). Banks would have to take an "individual view" while lending to MFIs as the repayment rates and portfolio sizes had come down "drastically".

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ANSWERS OF CYBERQUIZ ~ 31

1.[b] **Industrial Robot :** A manipulating industrial robot as defined in ISO 8373 : "An automatically controlled, reprogrammable, multipurpose, manipulator programmable in three and more axes, which may be either fixed in place or or mobile for use in industrial automation applications".

2.[a] **Karel Capek :** Capek was a novelist, short-story writer, political thinker, playwright, and teacher from Czechoslovakia. It was actually Joseph Capek, Karel's brother, who coined the word on his brother's request who was looking for names for the creatures he described in his play R.U.R..

3.[d] **Forced Work :** It also means "drudgery" or "servitude"; a robotnik was meaning a peasant or serf in Czech.

4.[a] **Isaac Asimov :** Robotics is the science and technology of robots, their design, manufacture and application.

5.[d] **WABOT 1 :** WABOT 1 was in the research stage only and was not actually able to walk.

Don't let mistakes and failings take you prisoner. Ask God for fresh inspiration and wings of faith to help you rise above them.

POLICY POINTERS

Land Acquisition Becomes Fairer

The draft National Land Acquisition and Rehabilitation & Resettlement Bill, 2011, offers land owners a bigger share of the rewards of industrialisation and urbanization. It proposes a liberal compensation and award package for land owners. Land Acquisition under it will become fairer. Under it :

- Public purpose once stated cannot be changed.
- Any multi-cropped irrigated land cannot be acquired.
- Government will not get involved in private land buys for private purpose.
- Resettlement and rehabilitation law to apply if private land buys exceeds 100 acres.
- Law to supercede all other special land acquisition laws.

It will cover those who lose their land or other immovable assets, and also those who lose their livelihood. They will be compensated with at least twice the registered or stamp value of the land in urban areas and six times in rural areas.

Under it a generous Resettlement And Rehabilitation deal has been granted as under:

- Rs.2000/month /family inflation-indexed annuity for 20 years
- House for displaced & Employment to one person in family
- 20% of appreciated value to original land owner for up to 10 years.

A new clause introduced in the draft land acquisition bill will bring cases where the award of land is underway or possession has not taken place within the scope of compensatory and acquisition norms. This will make private developers, industries and the government, who are currently involved in the process of acquiring land, shell out generous compensation packages to land owners with retrospective effect.

The contents of LARR will further be applicable on acquisition of 50 acres of land by a single party in urban areas, reduced from an earlier requirement of 100 acres of acquisition. For rural areas, the new rule will apply on acquisition of 100 acres or more by a single party. The draft has also proposed a more focused definition of 'public purpose of land' for which the mandatory consensus of 80% of the people affected by the project is not required.

Plan panel for leveraging tourism to reduce poverty

The Planning Commission has advocated the need for leveraging the tourism sector during the 12th Plan (2012-17) to promote inclusive growth and help reduce poverty. This, the approach paper to the 12th Plan said, would help in increasing the benefits of tourism for the poor. The paper said trade, hotels, transport and communication sectors would have to grow 11 per cent to help the country achieve a nine per cent average annual gross domestic growth during the 12th Plan. It said actions needed to reduce poverty through tourism should go well beyond simply promoting different forms of tourism like community, heritage, eco and wellness. Any policy to reduce poverty through tourism should generate three types of benefits — economic, non-cash (like physical, social and cultural improvements) and tangible (participation and involvement) — for the locals.

Economic benefits should entail creation of employment at local levels, training of locals for employment, expansion of business opportunities for small and micro enterprises — that sell inputs such as food, fuel or building materials, either to business engaged in tourism or directly to tourists — such as tea shops, crafts bazaar, etc. The paper advocated sharing of incomes generated through donations, equity dividends, etc, with the locals for community development. On non-cash livelihood, the officials said the approach paper suggested tourism should lead to capacity building in local regions and help in improving access to services like healthcare, security and water supplies. Implementation of these strategies would involve developing formal and informal links between stakeholders and the government across all levels.

TUFS relaunched

Technology Upgradation Fund Scheme (Tufs), a subsidy scheme, was introduced in 1999 to catalyse investments in all sub-sectors of the textiles and jute industry, by way of five per cent interest reimbursement. The scheme was initially approved from April 1999 to March 31, 2004. Subsequently, it was extended, in 2004 and again in 2007, with modifications. The scheme was discontinued on June 28 last year. Crisil's research revealed Tufs facilitated an increase in productivity, in cost and waste reduction, and improved quality across the value chain. However, the gains made have varied across segments, with the processing and powerloom sectors emerging as areas of concern. To ensure optimum value addition across the chain, the evaluation study recommended TUFS be restructured to channelise investments towards hitherto low-focus areas.

Investments under TUFS had gained notable momentum in its last three years. Since its inception, the government released a total subsidy of Rs.11,196 crore, of which Rs.8,883 crore was disbursed in the last three years. TUFs is estimated to have catalysed investments of Rs.2,08,000 crore during those 11 years. Due to this the government re-introduced the subsidy under Tufs to new investors in totally downstream sectors on April 28 this year. Unlike the earlier open-ended scheme, the restructured one closes on March 31, 2012. This time it is restricted to cover only automatic shuttleless looms of 10 years' vintage and with a residual life of a minimum of 10 years. The value cap of automatic shuttleless looms will be decided by the Technical Advisory-cum-Monitoring Committee.

Starting a business in India to take less than a day

The Ministry of Corporate Affairs (MCA) has simplified the procedures for incorporation of a new business to enable promoters to get their companies incorporated within 24 hours. The new procedure to issue online certificate of incorporation will soon be implemented. Earlier, officials at the Registrar of Companies used to go through the available list of names and approve all documents manually. Incorporation took anywhere between four days to two weeks, depending upon individual issues.

Under the new procedure, the promoters need to get the application and other relevant documents certified by a practising professional and the applications will be processed electronically. "In case the e-forms 1, 18, 32 and e-form for Memorandum of Association and Articles of Association have been certified by the practising professional regarding the correctness of the information and declarations given by the subscribers, the application shall be processed electronically and the digital certificate of incorporation shall be issued online immediately by the Registrar of Companies".

India-Malaysia trade pact comes into force

The India-Malaysia Comprehensive Economic Cooperation Agreement (Ceca), which was inked earlier this year, came into effect on July 1, 2011. "The Ceca envisages liberalisation of trade in goods, trade in services, investments and other areas of economic cooperation," according to a statement from the ministry of external affairs (MEA). Trade between the two countries reached $10 billion in 2010-2011, an increase of 26% from the previous year.

The first review of the Ceca will be held within a year of it coming into force. This is India's fourth Ceca, after Singapore, South Korea and Japan. The trade in goods under the India-Malaysia Ceca takes tariff liberalisation beyond the India-Asian FTA commitments, which was implemented by both countries last January. Under this Ceca, the items on which India has obtained market access from Malaysia include basmati rice, mangoes, eggs, trucks, motorcycles and cotton garments, which are all items of considerable export interest to India. At the same time, adequate protection has been provided by the Indian side for sensitive sectors such as agriculture, fisheries, textiles, chemicals and auto.

DIPP sets tough riders in lifting FDI caps till 49%

The government's plan to remove sectoral FDI caps below 49% would come with a set of riders as it wants to closely scrutinise sensitive sectors like insurance, news media and defence once the liberal regime is in place. The department of industrial policy and promotion (DIPP), which earlier suggested 49% as the lower threshold for FDI cap, now wants to make it mandatory for all joint ventures seeking approval to increase foreign investment to 49% to have Indian citizens as their MD and CEO. Such firms should also have a government-nominated director on their boards.

The government will also scrutinise the balance sheets and other company statements to ensure there are no changes in ownership structure or control. In case of JVs in the defence sector, if the FDI is to the extent of 49%, such companies will have to compulsorily go public. The government will also make laws to restrict such joint ventures from making changes to initial investment agreements. Other conditions could be a minimum lock-in of three years for foreign funds before they can be repatriated.

Once the policy of having a minimum 49% FDI comes into force, the sectors that will benefit the most are defence, news media and insurance, where FDI is now capped at 26%. The case of multi-brand retail would come within its ambit once the government decides to throw open this sector to foreign investment.

The DIPP had earlier issued a discussion paper making a case for removing FDI caps below 49%.The reason was that current regulations allow foreign companies to invest in downstream sectors through an Indian-owned holding company. This way, such foreign companies can have investments in downstream sectors up to 49%. In such a scenario, it is felt that any cap below 49% becomes superfluous.

Rs.17,500-crore Delhi-Mumbai corridor gets approval of finmin

Finance minister Shri Pranab Mukherjee has agreed to provide Rs.17,500 crore for the Delhi Mumbai Industrial Corridor (DMIC). The project envisages creation of seven new cities along the corridor with a total investment of $90 billion. The plan is to set up industrial and infrastructure projects along the 1,483 km-long corridor linking New Delhi and Mumbai.

The project encompasses six states – National Capital Region of Delhi, Uttar Pradesh, Haryana, Rajasthan, Gujarat and Maharashtra. The government will invest Rs.2,500 crore each in the seven cities to be developed. The project will be monitored and implemented by the Delhi Mumbai Industrial Corridor Development Corporation. Currently, Infrastructure Leasing & Financial Services (IL&FS) owns 41% in the firm and Infrastructure Development Finance Company (IDFC) 10%.

The remaining 49% is owned by the government. The government is in talks with the two companies to buy them out and convert the corporation into a wholly-owned government subsidiary. The firm will coordinate project development, financing and implementation and will be headed by a full-time CMD. It will have representation from the central government, state governments and financial institutions.

The funds for the project will come from the Indian government, Japanese depository receipts issued by Indian companies, Japanese loans and investment by Japanese firms. A large part of the funds will come from the Japan International Cooperation Agency (JICA).

This project incorporates nine mega Industrial zones of about 200-250 sq km, high-speed freight line, three ports and six airports, a six-lane intersection-free expressway and a 4,000 MW power plant. Several industrial estates and clusters, industrial hubs, with top-of-the-line infrastructure will be developed along this corridor to attract more foreign investment. The project will include both PPP viable and non-viable projects. According to official estimates, over 180 million people, almost 15% of the country's population, will be impacted by the corridor. The project will be implemented in two phases. The first phase of the project will be completed by 2018.

Bihar, MP to surge in growth by 2020

According to Dun and Bradstreets research report Bihar's economy along with Madhya Pradesh's, is likely to grow at the highest pace of 12 per cent a year on an average due to increased focus on infrastructure development. Uttar Pradesh is likely to register an average annual growth of over nine per cent from the current financial year till 2019-2020.

Bihar's per capital income is expected to almost triple by 2010 due to its agro-based industry which is expected to be a major growth driver for the economy, generating large-scale employment in rural areas and high returns for the farmers.

Madhya Pradesh is expected to grow 12 per cent a year on average during 2009-10 to 2019-20. Orissa is likely to grow by 11.8 per cent and Rajasthan by 10.8 per cent.

Kerala healthcare model may be copied nationwide

The Kerala model in palliative care may be replicated nationwide. A discussion note, prepared by the India office of the World Health Organisation and the health ministry, has identified Kerala as the country's only state that has a palliative care policy in line with WHO's public health approach in this area. With three per cent of the country's population, Kerala houses two-thirds of a total of nearly 500 palliative care centres in India. Community mobilisation and involvement of the local self-government institutions have led to the success of the state's palliative care institutions.

The National Programme for Healthcare of the Elderly (NPHCE) is a key component of the central government's plans to tackle non-communicable illnesses. A separate scheme, called NPCDCS (National Programme for Prevention and Control of Cancer, Diabetes, Cardiovascular Diseases and Stroke), has also been test-launched along with NPHCE in 100 districts of the country. A pan-India rollout of these programmes is planned during the 12th Five-Year Plan (2012-2017). According to officials, the government will integrate these schemes with the National Rural Health Mission (NRHM) at the district level.

Haryana to spend Rs.1,444 crore on health services

The Haryana government will spend Rs.1,443.61 crore on health as the budget has been creased by Rs.76 crore in the current year. This will help the state government provide better health facilities to the people. "The state government is making earnest efforts to win the faith of the people in the services being provided by government hospitals. These efforts have borne fruits and a growth of over 20% had been registered in the number of patients visiting these hospitals," state health minister Shri Rao Narender Singh said. Patients visiting government hospitals were being provided medicines free of cost for which medicines worth Rs.40 crore had been provided to the hospitals. Super speciality hospitals were being set up in various districts while the process of setting up three medical colleges in the state had also been initiated. These colleges will not only provide great opportunities for pursuing medical education to students of the state but would also expand the ambit of medical facilities. 373 doctors had been recruited recently by the health department, out of which, more than 200 doctors had already joined.

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A good laugh with a loved one or co-worker is often just the thing to help overcome friction and communication problems.

MISCELLANY

REGIONAL RURAL BANKS

What are regional rural banks?

In the early 70s, there was a realisation that the even after nationalisation there were cultural issues which made it difficult for commercial banks, even under government ownership, to lend to farmers. To address this issue, the government set up a working group to suggest alternatives for institutional finances to the rural sector. Accepting the recommendations of the committee, the government promulgated the Regional Rural Banks Ordinance on September 1975, which was replaced by the Regional Rural Banks Act 1976. The Act allowed the government to set up banks from time to time at places where it considers necessary. Each bank carries on banking business within local limits specified by the government notification. The regional rural banks (RRBs) were owned by the central government, the state government and the sponsor bank who held shares in the ratio of 50,15 and 35%.

Why are they in the news?

The Reserve Bank of India in its discussion paper on grant of bank licences to corporate houses said that if corporates were keen on improving financial inclusions, they could look at taking over some of the weaker RRBs and strengthen them through capital and technology infusion.

Is this likely to happen?

There are several impediments. Firstly, the RRB Act will need to be amended. Secondly, there will be resistance from employee unions and state governments. Thirdly, corporates themselves may not be inclined to get into rural banking where the payback may take many more years.

What is the status of RRBs now?

The worst appears to be behind the RRBs, a large number of which were in the red for most of the previous decades. The process of consolidation through amalgamation of RRBs is now almost complete, resulting in a decline in the total number of RRBs to 84 as on August 31, 2009 (which includes a new RRB set up in the Union Territory of Puducherry). The process of recapitalisation of RRBs with negative net worth as on March 31, 2007, is also almost complete, with 27 RRBs fully recapitalised with an amount of Rs 1,796 crore as on July 31, 2009. The assets in the consolidated balance sheets of RRBs have increased by 16.5% in March 2009 to Rs 1.46 lakh crore.

They now open no-frills accounts and issue general credit cards. An RBI working group on technology in RRBs has observed that RRBs could not remain isolated from the technological developments sweeping the banking sector. The group has set a target date of September 2011 for all RRBs to move to a core banking solution platform.

* * *

If we put our faith in others or ourselves, we're bound to fail, because nobody is perfect. But if we put our faith in God, we're bound to win, because He is perfect and has a perfect plan for us.

THE POWER OF POSITIVE THINKING

By : William Meinsen

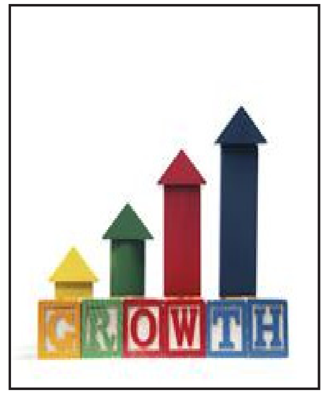
The Power of Positive Thinking. Since the beginning of time, all nationalities, religions and spiritual teachers knew that using the Power of the Mind (Higher Self) was the key to creating what you want in life. Here is where the Law of Attraction and the Power of Positive Thinking work together. In order to turn the Mind toward the positive, inner work and training are required. Attitude and thoughts do not change overnight.

1) Goals : Think about what you want to change in your life. What is it going to take to get your life where you want it. Here is where a little negative thinking could be your friend. What I mean by this is, you need to look deep within and really see the negative traits that are holding you back from that person you want to become. Daily Reflections are a good way to start your day. Take the time to meditate and get yourself quiet enough to hear your inner voice I know that when I am in trance like conditions the information I receive is far wiser than myself.

2) Accentuate the Positive : This is where we all have to make some simple choices, what do we think about today. How do we act? There are going to be thousands of choices to be made, things will happen all around you, things will happen to you, how you react will make the difference on how you feel at the end of the day. Law of Attraction Techniques will give you great insight in accomplishing this step. Accentuate the positive as in The Power of Positive Thinking.

3) The world is what you think it is : Why do all these things keep happening to me? No matter how hard I try, negative things keep happening. I wish there was a way to control these things. If all these people were not jerks, I would be more peaceful. Does this sound familiar? It was me for many years. The Power of Positive Thinking really does exist. It would be beneficial to understand how it works. Every thing starts in your Mind and how you see or view the world. Please give this great consideration in step 1.

4) To Love is to be Happy : This step is something I learned in Kindergarten and I am sure you did too. You must agree that how we view one another and how we react to a situation is the key to how we are going to experience our day. Whether you love someone or withhold it only affects you in the end. This is all about how you feel about yourself. I know that when my self esteem increased I was able to view the world and my part in it differently. Love really is the answer. The more you give, the more you receive and your experiences and interactions will change for the positive, This has a snow ball effect. The more you get, the more you will like it, so the more you will give and so on.



5) All power comes from within : Energy flows where attention goes; Now it is up to you. You are in charge of your life and how it flows.

How bad do you want to change? For me, I just got so tired of things not going well. My life was not full of happiness [maybe brief periods but it never lasted.] It was a constant battle to accomplish the things I wanted to do. My relationships were touch and go and my job situation was constantly changing. It was not until I embraced the Power Of Positive Thinking to my attitude and how I viewed the world and the people in it, that all of a sudden things appeared different. I saw how things could be, how people places and things were looking different.

My life became more rewarding and I experienced peace from the inside out. Little by little as my perspective on life and how I felt about myself began to change, I saw things around me start to change. People came into my life that were able to help me with my change. I seem to be miraculously creating things I never would have dreamed possible. Every day my life becomes better and more rewarding. I am now at peace and beginning to enjoy life thanks these principles. I pray that all who read this will find the inner strength and tools to put there life back on track. The Power of Positive Thinking will work for you just as it had for me. It works for everyone. ***