डा० अशोक कुमार वालिया
Dr. ASHOK KUMAR WALIA

वित्त, योजना, शहरी विकास, भूमि एवं भवन मंत्री
MINISTER OF FINANCE, PLANNING
URBAN DEVELOPMENT, LAND & BUILDING
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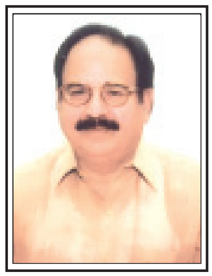
MESSAGE



I am glad to learn that the Council of State Industrial Development & Investment Corporation of India is bringing out new issue of its bi-monthly journal "COSIDICI COURIER".

I understand that this journal has proved to be useful to the commercial banks, financial institutions, university libraries and industry associations. Its time to accelerate pace of growth to ensure target of 10% growth rate as dreamt by the country. I am sure that the journal will provide ample information to facilitate growth of industry and commerce in the country.

I extend my best wishes for the successful publication of the new issue of bi-monthly journal "COSIDICI COURIER".

(DR. A. K. WALIA)

Sh. K. K. Mudgil
Secretary General
Council of State Industrial Development
& Investment Corporations of India
'Scope Complex' (Core 6, Floor-I),
7, Lodhi Place,
New Delhi-110003.

COSIDICI COURIER

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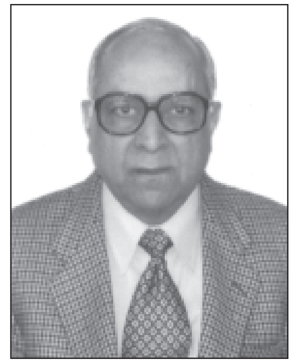
The views expressed in the journal are those of the contributors and not necessarily of the Council of State Industrial Development and Investment Corporations of India.

From The Editor's Desk

NEGLECT OF INDIAN AGRICULTURE – PRIMARY SECTOR OF THE ECONOMY

Indian agriculture has been facing serious crisis of confidence, low productivity and sustenance for quite sometime forcing farmers to commit suicide which is still continuing unabated. There has hardly been any agricultural economist in the country who has not voiced his concern about the consistently dwindling viability of Indian agriculture and steady fall in the annual growth rate rendering it as a losing proposition. The problem has assumed alarming proportions since 72% of the land holdings are below one hectare affecting the livelihood of nearly 70% of the farmers community. These economists and various committees set up by the Government have realistically diagnosed the basic ills of Indian agriculture and suggested various measures for putting it on sound footing, raising its annual growth rate stepping up productivity and thus mitigating the misery of the farming community especially small and marginal farmers, tenant cultivators, agricultural labourers and others. It is however, disappointing to observe that Government administrators, politicians and so-called reformers did not heed the advice of these specialists/ committees and instead politicised this issue. The recommendations of these committees had only evoked academic interest. Far from initiating the required measures for improving its viability and productivity, the government has been announcing, on the eve of elections, certain financial packages for providing instant relief to the farmers such as waiver of loans outstanding, re-schedulement of loan etc. involving massive financial outlay. These were short term palliatives which were not aimed at improving the agricultural productivity. The one-time waiver of loans if at all it reached the poor farmers was not a viable solution and would keep them in the same vicious circle of low productivity, poverty and destitution. What is therefore needed is to make agricultural operations viable, profitable and self-sustaining.

Unfortunately, the government tends to believe that massive infusion of currency notes in the economy could perhaps solve all the problems of the country. There has been phenomenal growth of currency in circulation as also government borrowings, both external and internal, which have pushed up alarmingly the fiscal deficit which, at present, on a conservative estimate stands approx. at ***10-12%*** of the GDP, if deficit of the states is also taken into account. It is a general principle of economics that pumping of paper currency in the economy, without corresponding increase in production asset formation productive activities and resultant generation of employment, could spell disaster in the economy. This is what we have been experiencing for the last two decades or more. As on June 30, 2008, the country's external debt stood at Rs.10,65,600 crore and internal debt at Rs.29,39,237 crore up from Rs.16,90,554 crore in 2003-2004. The external debt expanded by $ 12 billion every quarter during the last six quarters. It will thus be observed that the central government's debt liabilities have been increasing in absolute terms on account of persistent high fiscal deficit which in turn is financed by both internal and external borrowings. It is, therefore, a mind boggling fact that the debt liability of each individual citizen goes up by Rs.24,467 including external debt of about $ 194 per person. The general perception among politicians, economic reformers and government functionaries that spread of currency is a panacea for all ills is absolutely wrong and misplaced. Such policies are obviously designed by the party in power to mislead the general public and appease its vote bank for winning elections. Such a massive infusion of money in the field has only led to rampant corruption among the grass-root level politicians and Govt. functionaries and has not reached the target groups.



Shri K.K. Mudgil

Despite announcement of various sops and financial packages by the government in the past one decade or so, the agriculture has continuously lost its ground in asmuchas the growth rate of agriculture consistently fell from 4.5% till 2004-2005 to 1.6% in the year 2008-09. Similarly, the share of agriculture in GDP persistently fell from 38.9% in 1980 to 24.6% in 2000; 22% in 2004; 17% in 2006 and further to 16.3% in the year 2008-09. The sharp decline in agriculture's share in national income has resulted in stagnation in the growth of employment opportunities and productivity. Therefore, it is quite disturbing to pointout that about 60% of the country's labour force works on agriculture to produce just 16.3% of the national income while that of industry increased marginally from 24% to 26%. Growth was mainly in the services sector. The shift has taken place directly away from agriculture and in favour of services. While the Gross Capital Formation (*GCF*) in the economy steadily went up, it kept declining for agriculture. The share of agriculture in the total GCF (*1999-2000 prices*) fell from 7.7 percent in 2004-2005, 7.2% in 2005-06 and further to 7% in 2006-2007. What is really significant is that this decline has been caused by the fall in the share of the private sector in the GCF. According to the figures furnished in the Economic Survey, the private sector's share in the GCF has dropped from 7.7% in 2004-2005 to 7.1% in 2005-2006 and to 6.6% in 2006-2007; the private sector's share in 1999-2000 was as high as 11.9%. The waning private sector GCF in agriculture is a cause for serious concern. It is clear indication that farmers, the main contributors to private investment in agriculture, have failed to acquire capacity to invest more. The reasons for this are several and quite varied. Although the prices of agriculture commodities have remained high in the wholesale and retail markets, the farmers gets less than half the retail price. This has adversely affected the profitability of agriculture. It was found in the 59th Round of the National Sample Survey Organization (*NSSO*) that ***40%*** of the farmers wished to quit farming, while ***27%*** considered it unprofitable. The Minimum Support Prices (MSP) are available only to the producers of a few crops, notably wheat, rice and to some extent cotton. And these are available in a few states, where the official agencies operate in agricultural markets. Elsewhere, the farmers usually have to dispose off their produce at below the MSP. Even the Economic Survey has conceded that there is a need to narrow the gap between the producer prices and the consumer prices through proper marketing support.

Further, easy access to cheap credit, which is critical for boosting private investment in agriculture, is not available to the bulk of the farmer community. The report of the committee on Financial Inclusion (*January 2008*) has revealed that more than 73% of farmer households have no access to any formal sources of credit. Therefore, instead of populist measures like loan waivers etc. the stress should, therefore, be on getting more farmers into the institutional credit network. This will not only wean them off usurious money lenders but also improve their capacity to invest in productivity enhancing measures. In this connection, it is observed that most of the schemes of Priority Sector Lending to agriculture have proved completely ineffective and have by-passed the needs of small and marginal farmers, tenants and agricultural labourers. The Rural Credit Institutions (RCI) therefore, needs to be re-oriented to the needs of these farmers. The commercial banks have completely failed to dispense credit to the above category of farmers. Induction of new technology is also essential for agriculture to be economically viable and investment worthy. However, farmers have absolutely no access to such technology and extension agencies have abysmally failed to address this problem. The NSSO survey revealed that only ***30%*** of the farmers had adopted some new practices; for technical support only ***6%*** of the farmers relied on the extension agencies and ***3%*** on government agencies.

Concluding Observation :

There is no denying the fact that agriculture is the backbone of the Indian economy and is the source of livelihood for nearly 65% of the population. The overall decline in its growth and lack of efforts to it on sound lines have had devastating effect on the lives of poor farmers. These facts are a sad commentary on the Government's planning process. It is disgusting to observe that the planned economic development during the last 55 years has resulted in wide spread unemployment and poverty in the rural areas. The small and marginal farmers who constitute bulk of the farming community have been completely ignored for any government assistance. The problems of this sector, therefore, deserve to be given serious thought by the government agencies, planners, political leaders and agriculture economists. The imperative need is to put all the heads together for formulating an integrated plan for retrieving agriculture out of the present crisis and thus alleviating sufferings of the farmers. The underlying objective should be to make agriculture operations profitable, viable and investment worthy. Last but not the least, the government must bring about land reforms and consolidation of land holdings and provide some incentives to the small and marginal farmers to pool their land for adopting improved agricultural practices and thus increase productivity. It must not be forgotten that ***70%*** of the Indian population lives in about 6 lakh villages and depend upon agriculture for their subsistence. The continued neglect of this sector could ignite widespread discontent and social unrest besides accentuating the income disparities between rich and poor. It is indeed a national shame that farmers continue to commit suicide in the absence of any relief measures/incentives by the government which trends must be reversed without any delay.

(K.K. MUDGIL)

* * *

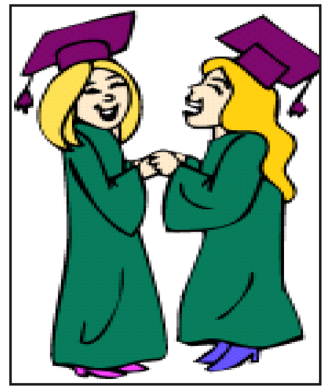
APPOINTMENTS

- Shri G.S. Sandhu, IAS has been appointed as Chairman & Managing Director, Rajasthan Financial Corporation (RFC), Jaipur vice Shri Ravi Mathur, IAS.

- Shri Rajeev Arora, IAS has been appointed as Managing Director, Haryana Financial Corporation (HFC), Chandigarh vice Smt. Dheera Khandelwal, IAS.

- Shri M.S. Manivannan, IAS has been appointed as Managing Director, Assam Financial Corporation (AFC), Guwahati vice Shri Ravi Shankar Prasad, IAS.

- Shri S.I. Sharma has been appointed as Managing Director, Manipur Industrial Development Corporation Ltd. (MANIDCO), Imphal vice Shri N. Joykumar Singh.



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MAOIST VIOLENCE – STICK FOR THE MAOIST AND CARROT FOR THE TRIBALS

By
B. R. Lall

Attack on CRPF on 6th April inflicting 76 casualties shocked the nation. Unfortunately, the well disciplined boys were neither properly trained nor equipped with requisite arms and the logistics support required for Counter Insurgency and Jungle Warfare Operations. They walked into the death trap laid by the terrorists. The CRPF does not have any regular special institute for such training. It has just acquired land on 20.3 2010 only in Karnataka, for running such facility.

Professional policemen did recommend creation of training facilities. Among others I myself, while posted as Director North Eastern Police Academy at Shillong in the mid 80s, had visualised that terror was growing in the north east and other parts and special training in Counter insurgency and Jungle Warfare was required. I projected the requirement to North Eastern Council that commissioned a study by the Administrative Staff College of India, Hyderabad. The study made out a case for establishing a specialized wing in the Academy for the police forces of the north east. In my forwarding note in 1989-90, I recommended to establish four such centres in other parts of the country so that the police forces could be ready to take on the forthcoming challenges that were staring directly in the face. The study was endorsed to MHA by the NEC. As Director in BPR&D in 1997-98 I reminded the ministry, but to no use.

If action is intended by any force, there should be complete preparation though basically, Naxalism is not a law and order problem, but that of economic, socio-political injustices, exploitation and of neglect of the helpless. The loot and exploitation of these helpless people by itself amounts to Financial Terrorism against them and Naxalism is thus only a reaction, that becomes a very strong ideology and philosophy for getting justice and bread to the exploited and the impoverished. But when the movement is hijacked by the political interest groups and the senseless indiscriminate violence follows, it transforms into a condemnable terrorist activity that has to be tackled as a law and order problem and Police become relevant, though as a last resort.

Disaffection has been growing steadily. The simmering can be traced to 50s and 60s. In 70s and 80s NGO's intervened in some areas and averted the loot and exploitation to some extent. As kendu leaf used to be bought from the tribals at three paisa a bundle of 50 but when these organizations intervened the price rose to Re. 1 per bundle. People may reconcile with poverty as their fate and continue to live with it peacefully like generations in the past, but it is difficult to reconcile with the sense of exploitation and loot. The young have great revulsion to being exploited.

Shri B. R. Lall, IPS (Retd.)

The police need to be prepared as they have to fight this menace and the raging fire has to be controlled at the earliest and at all costs without going into its cause or the merits. It is correct that the terrorists cannot stand before the might of the state. In the process a few hundred or even a few thousand would be killed, others would be subdued and lie low, licking their wounds. The problem will appear to have been solved, but the hunger and deprivation will compel the new hungry faces to rise again and a few years later there would be another build up and fire will have to be doused again and still again. It happened in Bengal in 1977 when Naxalites are supposed to have been eliminated, but in 30 years Naxalism is back with vengeance. It appears the forces may kill the Naxalites, but not the Naxalism. At that time it was difficult to rebuild and stand again, but now with technological and infrastructural developments, it is easy to build up quickly and our neighbours are too eager to fuel these fires. In future the fresh build up may not take even a decade. Will the nation ever remain embroiled in these exercises? In seventies it was in 2 or 3 district of West Bengal, In 1990 it was in 16 district spread over four states, now we face in over 200 districts spread over 16 states, a decade later it may be 400 districts or more (as one can see the next onslaught coming on in Rajasthan). At that stage no forces would be able to contain if tens of crores of people will be prepared to die for Roti, kapda aur makan. Perhaps these are the last and the final warning signals that we cannot afford to ignore.

The basic causes will have to be addressed. This is a problem of non governance, bad governance, bad administration and the resultant injustices that have been handed down in the administrative and the economic fields in particular over the decades. In Mizo Hills the movement started in 1959, in face of severe famine with a simple demand for food that resulted in formation of Mizo Food Front. When this simple demand was not met and the alternative was starving to death, they converted the organisation to Mizo National Front in October 1961 and declared rebellion. With a population of 2.5 lacs they turned violent and in 1966 could attack four big cities of Aizwal, Lung lie, Chawngte and Chhmluang, apart from other areas. Air strikes had to be resorted to, but still they could sustain the armed struggle for full 20 years. Ultimately, it was an agreement, a treaty assuring economic development that brought peace and not the gun. If guns could not subdue just 2.5 lac people, how can it be possible to contain crores?

As against Mizos who were neglected for food alone, people of areas like Dantewada are deprived of their land, jungles, home and hearth, ostensibly for economic development of the nation. If it is for the national good and these resources will be put to higher economic uses and the industry is literally going to mine gold from here, why can't they be compensated adequately and comprehensively including providing, in advance, an alternative way of livelihood better and more paying than earlier.

An all out programme of economic development and rehabilitation in the field of education, economic activity, housing and industrialization should be undertaken. Once the state decides to take up, let it be complete changeover to modern living. Money is no problem as the government is already throwing hefty amounts in a variety of schemes such as National Rural Employment Guarantee Scheme, National Rural Health Mission, Sarva Siksha Abhiyan, Integrated Child Development Scheme, Backward Tribes Initiative etc. This money, as per Rahul Gandhi, has been leaking fast and needs be put to proper use. With recent revision in rates these mineral rich states now get handsome amounts as royalty on mining. Chhatisgarh may collect Rs 2000 crores this year as the additional resource as compared to other states. When the money under other schemes enumerated above is pooled together alongwith the special grants from government of India, there would be ample resources. The development and rehabilitation need not wait for either the talks with the militants or the police action but should be undertaken immediately as in any case it is the duty of the government to make lives of the citizens economically viable, equip them with academic and other tools to stand on their own, to provide them safe and secure modern facilities and a free environment. Immediately the Government should take the following steps:

It is often said that the terrorists, in order to maintain their domination, do not allow development of the area by the governmental agencies and out of fear no employee wants to go to these areas. So security has to proceed first. With following steps, the Cluster development concept will take care.

Developmental Action :

1. *Develop Clusters.*

a) Acquire an area 3 km long and 3 km wide and enclose it with security walls and observation posts around, providing full security.

b) Immediately provide tentage or semi permanent limited accommodation and invite the people in Maoist infested areas to come and live here.

c) Raise some semi-permanent structures for primary/middle school, hospital and such like essential services and provide these services. Admit their children into the school and raise the level of the school as soon as necessary. As soon as building can be constructed, move them into pucca structures with hostel facilities, so that they can be educated and groomed well. That will attract more children and once children get admitted the parents are sure to be weaned away.

d) Mount a programme of construction of a township in this area of 9 sq km or 2250 acres, with housing in 1200 acres for one lac people,institutional infrastructure in another 250 acres and earmark 800 acres for industries.

e) Undertake construction of housing as project immediately so that immediate settlers get job on the project. Pay them wages through cheque. As soon as the houses are constructed move them from tents to these houses.

f) Simultaneously start work on one or two pilot industrial projects in either private or in the public sector. Ancillary industries will be put by these or the others on their own. This will provide employment and attract more settlers and wean away more people from Naxalism.

g) The town should also have arrangements for higher education free of cost upto University and professional colleges like IIT and IIM to be be located here apart from the chains of degree colleges and the ITIs.

Work can simultaneously be taken up on half a dozen such clusters spread over various areas so that the message on the ground gets widely circulated.

2. Harness water

a) Water is a tremendous local resource. With a precipitation of over 200 bcm, the state of Chhatisgarh is very rich in water as only 2 bcm is required to sustain the life of 2 crore people and another 25 bcm for the entire agriculture and industry at the most lucrative scale for all. Had the problem been addressed earlier, from any angle whatsoever, this dangerous situation could have been averted.

b) Since water is in plenty, only requirement is to store it. The stored water can be used for fisheries and also if just 1 bcm could be bottled and exported to gulf or other destinations, the yield can be handsome. Even @ Re 1 net margin for each bottle of a litre, one bcm of water will earn Rs 1trillion or one lac crores that forms over 10 % of the budget of GOI.

c) Water should be stored in a way that the land submerged is minimum. The selection of type of storage will depend upon the existing ground conditions.

3. Farming

Part of this population should take to farming near to the township. Farmers should move to the farms under police protection in groups in the special transport buses. This will be a requirement for a short time, till the bulk of the people abandon the Maoist cadres and abjure the path of violence and join the normal stream of life .

4. Develop Dairy and Poultry

Dairy and poultry farming should be encouraged on the periphery of the township within the walls in a big way not only for their own consumption, but also as industry to generate employment. The marketing could be arranged there itself by the state agencies.

All this should be done without giving an impression that it is a dole or out of pity on them. It all should happen in the most routine manner as it is their due and they need not be obliged to anyone big, living or dead. Such clusters will develop as hubs of economic activity and the life will gravitate around them. In this area it would be possible to provide full institutional security in place of the concept of Salva Judam which is counterproductive and amounts to throwing these people as cannon fodder as mere handing over a rifle does not amount to training that too in the face of the naxalites who are intensely trained and highly committed ideologically. Once the above arrangements pick up, the recruiting ground for Maoists will dry up automatically. These clusters will act as magnets that will attract more and more people to leave Maoists and adopt settled life as no one longs to die if one can live honourably. These people returning to the normal life will also open up roads for intelligence leading into the Maoists strongholds. Action Against the Maoists

1. Intelligence

Operationally, intelligence is the biggest weapon in the hands of the forces, but on the ground intelligence has been squeezed to political intelligence i.e. keeping a tab on the political opponents not only from the opposition but on dissidents from the ruling party as well. The intelligence, so essential for control of crime has also more or less faded. The political intelligence and the operational intelligence need be separated if collection of political intelligence by the state apparatus is a must.

2. Armed Action

a) there should be clarity in the government. At present the government does not appear to be clear in its policy as is reflected in the article titled “Rethink Counter Maoist Strategy” in the Economic Times on 14 April by Digvijay Singh, the powerful General Secretary of the ruling party. No force can fight the menace with that uncertain a mandate.

b) There should be collection of authentic intelligence on continuous basis by more than one agency and there should be arrangement for sharing and cross checking the same.

c) After the clarity of thought and arrangements for intelligence the strategy should be worked out.

d) The training should continue side by side right from now in weapons, field craft, and tactics and in collection of intelligence in the peculiar circumstances of the place.

e) Training, particularly of the middle and the senior level officers should include in countering the ideological content and projecting the benevolent policies of the state.

f) Everyone may not shift to these townships; train the officers deployed in this area in progressive agricultural and rural operations, so that they can win the trust of the people. I conducted this experiment in North East that met with resounding success.

g) The offensive should follow with full preparations only, till then only the holding up operations should continue.

There are two very important pre-requisites. First the honesty of purpose and implementation and second the sensitivity regarding time which is of the greatest essence as its availability is highly limited. We have to get set immediately.

***

The author is a retired IPS officer trained in Guerilla Warfare. He headed the North Eastern Police Academy that trains the police officers from all the North Eastern states. His three year stint in CBI gave him an insight into the bunglings at high places that ultimately impinge on the common man and the national security. As head of Shivalik Development Agency of Haryana, he observed how funds for rural development are siphoned off the system that he streamlined cutting down the costs drastically. He retired as Director General Police Haryana. He has written two books "Who Owns CBI:The Naked Truth" and "Financial Terrorism: Black Money and the Indian Elite."

LETTER TO THE EDITOR

543, PH-2,
Urban Estate,
Patiala

Dated : March 11, 2010

Dear Editor,

Thanks a lot for sending me your book ~ ***"Decentralised Economic Development"***. It is an excellent effort on your part. You have chosen the right person for the Forword to your book, Shri B.R. Lall, a man known for his integrity and impartiality as a police officer.

The compilation of different articles out of COSIDICI Courier is really analytical, informative and objective.

Please accept my heartiest congratulation on this unique accomplishment which will keep your name alive for generations to come.

With highest regards,

Yours sincerely,
Sd/-
(RANJIT)
Former Sr. Officer (R&D),
National Bank for Agriculture &
Rural Development (NABARD)

STRENGTHENING RURAL BANKING INFRASTRUCTURE

Dr. Amrit Patel

Interim budget 2009-10 required "new Government to sustain a growth rate of at least 9% per annum over an extended period of time; agriculture to continue to grow at an annual rate of 4% and to reduce the proportion of people living below poverty line to less than half from current levels by 2014". The budget for the year 2010-11 recognizes that the agricultural sector occupies centre-stage in Government's resolve to promote inclusive growth, enhance rural incomes and sustain food security. While it proposes following four-pronged strategy to accomplish these objectives, the current dismal rural credit scenario calls for serious concern, commitment and accountability of banks to strengthen rural banking infrastructure and credit delivery system.

Production: To substantially increase farm output by extending the green revolution to the States of Bihar, Chhatisgarh, Jharkhand, Eastern Uttar Pradesh, West Bengal and Orissa, actively involving Gram Sabhas and the farming families; and organizing 60,000 "pulses and oil seeds villages" in rain-fed areas and providing an integrated intervention for water harvesting, watershed management and soil health, to enhance the productivity of the dry land farming areas. The conservation farming system focusing on soil health, water conservation and preservation of biodiversity would sustain the gain already made in the green revolution areas.

Reduction in wastage: To significantly reduce wastages of farm produce in the fields, storages and operations of food supply chains in the country.

Food processing: To lend impetus to the development of food processing sector by providing state-of-the art infrastructure; establish five more mega food park projects, in addition to the existing 10 and provide access to External Commercial Borrowing for creating cold storage, cold room and farm level pre-cooling facility for preservation or storage of agricultural and allied produce, marine products and meat.

A Mahila Kisan Sashaktikaran Pariyojana to meet the specific needs of women farmers is being launched for which Rs.100 crore is provided as a sub–component of the National Rural Livelihood Mission.

Credit support: One of the key components of the strategy is to improve the availability of credit to farmers, raising from Rs.3,25,000 crore in 2009-10 to Rs.3,75,000 crore in 2010-11; extending the period for repayment of the loan amount by farmers by six months to June 30, 2010 under the Debt Waiver and Debt Relief Scheme, in view of the recent drought in some States and the severe floods in some other parts of the country; increasing the interest subvention from 1% to 2% in 2010-11, as incentive to farmers for repaying their short-term crop loans on time thereby making the effective rate of interest of 5% per annum for such farmers; and providing Rs. 1,200 crore for drought mitigation in the Bundelkhand region. By March 2012, banking facilities will be extended to cover 60,000 habitations, each having population in excess of 2,000 using Business Correspondents and other models with appropriate technology back up. Targeted beneficiaries will be provided insurance and other services.

Dismal Rural Credit Scenario: India has the world's most extensive banking infrastructure. There are about 60,000 retail credit outlets of the formal banking sector comprising 12,000 branches of Regional Rural Banks and over 30,000 rural and

The author is Ex-Deputy General Manager, Bank of Baroda, Currently International Consultant, Kazakhstan, e-mail: amrit_rpatel@yahoo.com; Courtesy: Kurukshetra

semi-urban branches of commercial banks, in addition to 112,000 cooperative credit societies at the village level. There is at least one retail credit outlet on an average for about 5,600 rural people or every 1,100 households, which can be expected to meet the financial needs of the entire rural population. While the Finance Minister happily mentions that *"banks have been consistently meeting the targets set for agriculture credit flow",* following is the dismal rural credit scenario, showing lack of banks' concern, commitment and accountability.

- According to NSSO, 45.9 million households [51.4% of 89.3 million] have yet not accessed credit for institutional or from non-institutional sources.
- As on June 2002, 22.9 million households [58.5%] accessed credit amounting to Rs. 47,820 crore [42.9%] from non-institutional sources. The amount per household worked out to Rs.20,882. Interest rate charged by non-institutional agencies was 28.58% per annum as against 12.48% charged by institutional agencies.
- Only 24% of the rural households with assets of less than Rs. 15,000. had accessed credit from institutional credit agencies
- As on 2007, there were 14,96,63,000 rural depositors as compared to 3,10,29,000 borrowers, indicating depositor-borrower ratio of 20.73%
- As on 2007, Savings Accounts and Credit Accounts per 1000 population in rural areas were only 26 and 65 respectively.
- Number of "no frill Accounts" opened with public sector banks during 2007 were 1,10,26,619 of which urban and metropolitan branches accounted for a lion share.
- NCAER & Max New York studies revealed that while 45.7% rural households kept money in banks, 41.7% kept in their homes.
- The IIMS survey 2007, revealed that even earners [between age 18-59 and earnings some cash] in rural areas availed 32.8% credit from institutional sources as against 60.6% from non-institutional sources for meeting needs of three important purposes [financial & medical emergencies and social obligations].
- Agricultural credit accounted for less than mandated 18% of Adjusted Net Bank Credit or OBE whichever is higher in case of 15 public sector banks including State Bank Group and in case of 17 out of 23 private sector banks as on March 2008.
- The recovery performance of 22 reporting public sector banks out of 28 under SHGs was from 51.5% to 56% [three banks], 72% to 79% [six banks], 80% to 89.9% [three banks] and 92% to 99% [ten banks] as on March 2007.
- The average credit amount per hectare sourced from institutional sources was Rs. 1916 [57.1% of Rs.3356] and per capital credit availed from institutional sources was Rs.254 [57.1% of Rs.445] in 2002.
- Financial exclusion was most acute in Central, Eastern and North-Eastern regions, having a concentration of 64% of all financially excluded farmer households in the country. Overall indebtedness to formal sources of finance alone was only 19.66% in these three regions.
- Marginal farmer households constituted 66% of total farm households, of which 45% were indebted to either formal or non-formal sources of finance. Only 20% of indebted marginal farmer households had access to formal sources of credit.
- Among non-cultivator households nearly 80% did not access credit from any sources.
- Only 36% of Scheduled Tribe farmer households were indebted and 51% [Scheduled Caste and other backward classes] were mostly indebted to informal sources.
- According to RBI data, critical exclusion [in terms of credit] was manifested in 256 districts, spread across 17 States and one UT, with a credit gap of 95% and above, in respect of commercial banks and RRBs.
- As per CMIE [March 2006], there were 11.56 crore land holdings of which 5.91 crore [51%] Kisan Credit Cards were issued as on March 2006.
- Total numbers of financially excluded cultivator and non-cultivator households were 11,15,54,000 in India.

Review of Agricultural Finance: The major challenges faced in agricultural credit involve designing policies and credit delivery systems that boost farm output and create demand for agricultural products. The agricultural credit policy direction should consider the emerging need for crop and livestock diversification in the rural areas. The performance review of agricultural credit in India reveals that though the overall flow of institutional credit increased over the years, still substantial gaps persist in rural financial markets. These gaps relate to significantly inadequate provision of formal credit to small farmers and medium and long-term credit to support farm investments and agro-processing industries. Furthermore, the existing legal framework and tenancy related laws have greatly hampered the credit flow and the development of strong and efficient agricultural credit institutions.

The specific needs of the agricultural sector for financial services demand a broader systemic approach. For improving the flow of credit to agriculture, especially small farmers, there is need to understand the extent of availability and distribution, legal and social structures governing their use, cropping patterns, current and emerging technologies and dynamics of rural markets, among others, to gauge the credit requirements. It is necessary to scientifically estimate the agricultural credit requirement area-wise, sector and sub-sector-wise as empirical studies establish a strong correlation between rural financial market development and high agricultural growth. A critical determinant factor for significant expansion of agricultural credit is the modernization and commercialization of small farms on which farmers depend for their subsistence and livelihood. Development of efficient marketing system, among others, would result in the commercialization of subsistence framers by providing outlets and incentives for increased production. Hence, agricultural credit can act as a catalyst but, by itself, cannot make a significant impact on agricultural growth unless critical issues related to social, economic, technological and institutional infrastructure and capacity building of farmers are addressed.

Term Loan: Since the early 1990s term loan to agriculture in total agricultural credit has significantly declined. This is a matter of concern as this occurred when the share of agricultural credit in total credit also declined [until last few years]. The decline is all the more distributing because the share of overall medium and long-term loans in the portfolio of banks increased sharply in recent years. The deceleration in the growth of long-term loans impairs agricultural borrowers' credit absorption capacity, which would eventually affect the growth of crop loans as well.

The flow of investment credit to agriculture is constrained by high transaction costs, structural deficiencies in the rural credit delivery system, issues relating to credit worthiness, lack of collaterals in view of low asset base of farmers, low volume of loans with associated higher risks and high manpower requirements, among others. Banks are more interested in extending short-term credit as it bears low credit risk, entails lower supervision and monitoring costs, and facilitates asset liability management. As the decline in the share of long-term credit to agriculture could have serious implications for investment in agriculture, it is necessary that banks should substantially increase the share of medium and long-term funding to agriculture. Term loans to agriculture, however, increased sharply in 2007, which needs to be sustained.

Enabling environment: Improving the sustainability of credit to agriculture by creating enabling environment must be accorded priority. Credit is needed sine qua non to lubricate the process of agricultural development. However, it cannot make its impact felt unless agricultural activities requiring credit are technologically and technically feasible and economically viable. This calls for integration of supplies [timely, quality and reasonably priced supply of inputs of production, farm equipment, machinery, fuel and skilled labor] and services [technical guidance for adopting yield enhancing, cost minimizing and environment-friendly agricultural technology and better access to agricultural insurance and marketing services and facilities], besides irrigation facilities rural roads, transport, communication and other infrastructure.

A major issue in this context is the efficient use of resources [land, labor, livestock, water and farm power etc] to improve productivity, output and profitability of farm enterprise through provision of credit. Greater market orientation of the sector, accompanied by appropriate incentive driven schemes, would motivate farmers to adopt market based solutions for input procurement and marketing of output through autonomous bodies, cooperatives and other forms of organizations.

Further, credit absorption could be considerably enhanced if investment and production credit are integrated and scales of finance used at the district level are reviewed and readjusted in line with the requirements of modern, market-oriented capital intensive agriculture using newer technologies and superior inputs.

The need, thus, is to create a favorable environment in which agriculture is sustained as a business and both public and private institutions participate willingly in the provision of financial services to agriculture on a sustainable basis. There is, also, a case for giving a push to private investment [including foreign direct investment] in agriculture for growth of agribusiness and farm-market linkages with stress on creating an enabling environment for private investment and reciprocal trade. The food security aspects should focus on sharing technological expertise and promotion of private sector extension in agriculture. Agri-meteorological observatories in all 27 agro-ecological regions need to be well equipped with the state-of-the art infrastructure to facilitate weather forecasting to improve crop production management in response to vagaries of weather and potential impact of climate change variability. Despite its high social returns, R&D expenditure on agriculture in India is low by international standards. While the Eleventh Plan has outlay of Rs. 41,300 crore or a mere Rs. 8,000 crore a year for various agriculture related schemes [less than 1% of the value of agricultural output], adequate R&D expenditure is required, backed by modern technologies and capable institutions, to evolve appropriate technologies for areas as diverse as rain-fed, flood-prone and drought-prone and to fight pest and disease menace.

Demand Driven Credit: The experience of the success of State-owned banks in some other developing countries such as BRI-UD [Indonesia] in providing rural credit in general and BACC [Thailand] in providing agricultural credit shows that though the design specifics of agricultural institutions may vary, a combination of decentralized decision-making, efficiency in operations and strong institutional support can result in commercially viable operations, while at the small and marginal farmers. In both the cases, the emphasis was on a demand-led rather than a supply-led approach. In demand-centric model, the policies would be directed at creating attractive financial products and at the same time encouraging experimentation and adoption of new financial technologies, especially in maintaining cost-effective accurate management information systems. Supply driven credit in India has been less effective in reaching the needy in the agriculture and rural sectors. Therefore, the demand driven focus could be explored in the agricultural sector in India. Under a demand centric approach for credit, deposits and other financial products, the primary focus would be on creating an enabling financial environment in rural areas primarily by a combination of favorable macroeconomic, agriculture and credit sector policies coupled with strong institutional design for their implementation. In order to have an effective coverage of the small and marginal farmers under such an approach, there should exist a decentralized network of branches that work as profit centres. Devising products to suit the specific needs of the farmers, especially on the loan repayment front, is critical. For farmers, timeliness and assured availability of credit is more critical than interest subsidy. In fact, the experiences of a number of micro-credit systems have been more or less on this line of thinking.

Score Carding for Credit Evaluation: Banks and other rural financial institutions could consider score carding using limited information obtained from loan application forms. Through it, the financial institutions could try to estimate the determinants of successful performance/repayment on agricultural loans from the previous experience, and to use those determinants [in a mechanistic, simple-to-use scoring procedure] to classify the loan applications into three categories; [i] accept [ii] reject and [iii] needs further analysis from a loan officer. This process could be used both to improve the speed reduce the cost of credit decision and to direct loan officer's time and energy to those credits that need more analysis.

Coordination: There is need for the convergence of both informal institutional arrangements. The challenge is to coordinate a variety of existing viable financial institutions that are client oriented, that mobilize deposits efficiently and provide access to entrepreneurs and other rural clients due to specific nature of agricultural credit demand. Agricultural lending has a particular term-structure [seasonal and long-term]. Accordingly, coordinating the credit flow from both informal and formal credit sectors would promote the agricultural growth.

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PROFILE OF MEMBER CORPORATIONS

MANIPUR INDUSTRIAL DEVELOPMENT CORPORATION (MANIDCO)

The Manipur Industrial Development Corporation (MANIDCO) formerly known as The Manipur Small Industries Corporation Ltd.(MSIC) is the only financial institutions doing twin functions in the state of Manipur. They may be grouped as below **:**

Financial Institutions

Catering of long term financial assistance to the industrial units ranging from tiny, cottage, SSI, SVO and Medium in the State.

Promotional Activities

Distribution of scarce Industrial assistance to the industrial units ranging from tiny, cottage, SSI, SVO and Medium in the State.

Infrastructure

Developing infrastructure for development purposes and execution of Engineering works in different areas.

Objectives

To aid, advice, assist finance, protect and promote the interest of small/medium industries in the state. To enter into contract with the Govt. of India, State Govt. to grant guarantee or recommend the grant of loan to small industries to acquire land or to take on lease, to guarantee to the NSIC in respect of the money to be paid by the entrepreneurs to NSIC under the scheme of Hire - purchase, to promote and operate schemes for development of small industries in the state. To invest capital of the company in or to deal with share, to establish, promote, subsidiaries and otherwise assist any company or companies for the purpose of setting up of an Industry etc. 4. Promotional Activities

The Corporation under this activity and in the interest of the Small Scale Industrial units has been lifting scarce raw-materials under SSIDC allocation of the Government of India and State allocation for distributing to SSI units of the State.

The corporation has also been lifting other materials like cement, plastics, soap-materials for the SSI units of the State

Marketing Assistance Scheme of SSI Products

MANIDCO under the scheme as an encouragement to the SSI units to promote their sales has arranged to supply their products to the Government Departments and other establishments.

Infrastructure

For Industrial Infrastructure Development within this state, this corporation has a separate Infrastructural Development cell/Engineering cell. This cell executes several infrastructure developments work for various Government departments/under takings. This cell has also taken up other civil works of other Government apartments, which do not have separate construction cell.

Industrial Scenario of Manipur

It has become a niche to say that Manipur is industrially backward. Many reasons have also been cited for the backwardness. It is however not properly appreciated that the backwardness also conceals the various opportunities open. In fact, many different routes and patterns of industrialization can be thought of in the context of Manipur. Given the relatively satisfactory literacy rate, the geographical location linking India with South East Asia and the scope for contemporary weightless industrialization, Manipur beckons industrialization of the most modern kind. The State is a suitable place for knowledge-intensive industrialization with high learning components.

Though constrained by various limitations, the State Government has been making serious efforts for fostering conventional industrialization in the state. Apart from providing a package of incentives and concessions as laid out in its industrial policies and programmes in consonance with those of the Government of India, the State Government participated in the industrialization campaign with the incorporation of the *Manipur Spinning Mills Corporation Ltd*. in 1974 which started its commercial production in 1980. In order to facilitate growth of industries, the *Manipur Small Industries Corporation* was set up in 1969 and it was further upgraded to *Manipur Industrial Development Corporation Ltd*. (MANIDCO) in 1987. *Manipur Handloom and Handicraft Development Corporation Ltd*. was set up in 1976 to directly help production and marketing of handloom and handicraft products. Subsequently, State sponsored undertakings like, *Manipur Electronics Development Corporation Ltd*., *Manipur Cements Ltd*., *Manipur State Drugs and Pharmaceuticals Ltd*., *Manipur Pulp and Allied Products Ltd*. and *Khandsari Sugar Factory* as a Govt. factory came up in the State. Regional/State branch offices of *Small Industries Service Institute*, *National Small Industries Corporation Ltd*., *Centre for Electronics Design & Technology* and *Central Institute of Plastic Engineering & Technology* also, came up in the State to invigorate the growth of industries. District Industries Centres were set up in the districts in 1978-79 and decentralization of industrial growth in the rural areas began. Schemes like Seed Margin Money, Self Employment for Educated Unemployed Youths and Prime Minister's Rozgar Yojana were instrumented in the growth of industrial activities in the State.

In tune with the present trend of economic reforms and given the limited capacity of the State government, the various corporations are looking for investors for expansion.

- Industrial Policy of Manipur,1996
- Small Industrial Service Institute, Imphal
- SIDO & Non-SIDO Industrial Units
- Prime Minister's Rozgar Yojana (PMRY)
- Handloom
- Handicrafts
- Food Processing Industries
- Training
- List of working SSI Units in Manipur
- Industrial Corporations
- New Industrial Package for the North-East
- Indo-Myanmar Border Trade Promotion
- Infrastructure Development Projects
- Mineral Development

Technologies for the Rural Sector

- Aromatic & Medicinal Plants
- Building/Construction Technologies
- Chemical Technologies
- Cottage And Small Industries
- Energy
- Food And Agro -Based Technologies
- Forestry
- Machinery And Equipment
- Csir, National Laboratories
- Csir, Polytechnology Transfer Centres
- Technology Institutions In India
- Software Technology Parks In India

* * *

Nobody can go back and start a new beginning, but anyone can start today and make a new ending.

Maria Robinson

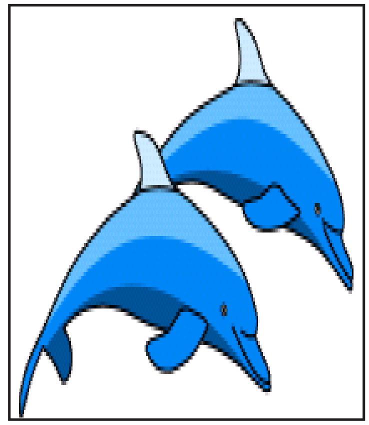
HSIIDC

Delhi Mumbai Industrial Corridor Project – Current status

The Government of India (GoI) is establishing a Dedicated Freight Corridor between Delhi and Mumbai, with terminals at Dadri in the National Capital Region of Delhi and Jawaharlal Nehru Port near Mumbai. The Corridor, covering a length of around 1500 kilometers, will pass through the states of Uttar Pradesh, National Capital Territory of Delhi, Haryana, Rajasthan, Gujarat and Maharashtra. The Dedicated Freight Corridor is expected to offer high-speed connectivity for high axle load wagons through high power locomotives.

In order to tap the immense opportunities likely to be thrown open by the Corridor, a band of 150 to 200 kilometers around both its sides, is being developed as the Delhi-Mumbai Industrial Corridor (DMIC). The vision for the development of DMIC is to create base in this band with globally competitive environment and state-of-the-art infrastructure to activate regional commerce and enhance foreign investments. Government of India has incorporated a Special Purpose Vehicle, Delhi Mumbai Industrial Corridor Development Corporation (DMICDC), in January 2008, to coordinate DMIC Project Development, Finance and implementation. The DMIC project is to be developed in Phases, with the Phase I to be implemented by 2012 and Phase II by 2016.

The DMIC Sub-Region in Haryana covers about 29,362 square kilometers area, which accounts for about 66.4% of the total area of the state. The Sub region includes 13 districts of the state viz Karnal, Panipat, Sonepat, Jind, Hissar, Bhiwani, Rohtak, Jhajjar, Mohindergarh, Rewari, Gurgaon, Mewat & Faridabad. According to the Perspective Plan Report prepared by the consultants (M/s Scott Wilson & C.B. Richard Ellis), that the value of output in the DMIC sub region of Haryana is estimated to grow by 15 times over the 30 years period (2010-40).



As a strategy towards development of the project, nodes have been identified within the Corridor as Investment Regions (IRs), with minimum area of 200 square kilometers and Industrial Areas (IAs), with minimum area of 100 square kilometers. These regions/areas would include self-sustained industrial townships with world-class infrastructure served by multi-modal connectivity for freight movement/logistic hubs, domestic/international air connectivity, reliable power, quality social infrastructure and globally competitive environment. The project would open up vast opportunities along the various national highways (NH-1, NH-2, NH-8 & NH-10) for developing industrial, urban and supporting infrastructure. The following projects have been planned in Haryana:-

S. No.	*Proposed Location*	*Location w.r.t. DFC Alignment*	*Implementation During*	*Expected date of Completion*
a.	***Investment Region (IR):***			
i.	Manesar-Bawal	Within 50 kms	Phase I	December 2012
ii.	Kundli - Sonipat	Within 100 kms	Phase II	December 2016
b.	***Industrial Areas (IA):***			
i.	Faridabad-Palwal	50 to 100 kms	Phase I	December 2012
ii.	Rewari – Hissar	50 to 100 kms	Phase II	December 2016

Apart from the above, the State Government has identified a few viable stand-alone projects for development as model initiatives and to capitalize on the existing potential, under the Public Private Partnership Model. These projects, christened *"Early Bird Projects"*, are listed as under:

- Regional MRTS between Gurgaon-Manesar-Bawal with feeder service to enhance connectivity between Delhi and the up-coming manufacturing areas.
- Logistic Hub at IMT Manesar
- Exhibition-cum-Convention Centre
- New Passenger Rail Links: Palwal–Rewari via Bhiwadi, Farukhnagar–Jhajjar

The State Government has designated HSIIDC as the nodal agency for the project and approved participation by HSIIDC in the equity of DMICDC, to the tune of 4% (Rs. 40 lakh). Managing Director, HSIIDC has also been nominated as the special representative of HSIIDC in the board meetings of DMIC DC. A Memorandum of Understanding (MoU) was signed on 4th October 2008 between HSIIDC and DMICDC.

The DMICDC has appointed a consortium led by Jurong Consultants (India)Private Limited with KPMG Advisory Services Private Limited, DTZ International Property Advisors Private Limited, NIIT-GS (ESRI India), as consultants for providing Consultancy Services for Preparation of Development Plan for the Manesar Bawal Investment Region (MBIR) within the Haryana Sub-Region of DMC and undertaking feasibility studies for the Early Bird Projects identified by the Government of Haryana. The current status of the project has been detailed in the

Current status:

A. Delineation of Manesar Bawal Investment Region (MBIR):

As per the mandate of the project RFP, the consultants carried out a detailed study and analysed the sub region comprising of Gurgaon, Rewari and Mewat districts and Rewari had emerged as the most suitable candidate district for the MBIR. Pursuant to a detailed land suitability analysis (based on the parameters suggested by the State Government – being away from the National Highway and urbanizable areas of the Rewari district and extensive list of 15 parameters across the critical sectors – topography, connectivity, water, and socio-economic) two alternate areas had been delineated within Rewari district. The consultants had zeroed down to an area surrounding the Jatusana and Kanina Blocks for the Greenfield Township with a projected population of about 4 million.

In the meeting held on 3rd February 2010 under the Chairmanship of PSCM, it was decided that the proposed township would be a brown-field project taking into account the already approved Master Plans of the existing townships of Rewari, Bawal and Daruhera. The consultants were advised that sufficient adjoining area be included in contiguity of these towns so as to finally cater to a urban complex catering to a projected population of 4 to 4.5 million.

B. Augmentation of water supply :

Availability of water being an important factor to ensure sustainability of the Manesar-Bawal Investment Region, the consultants were also advised to work on identifying sources for augmenting water supply to the region. The consultants had suggested that there were excess water flows available in Yamuna at Tajewala barrage (now Hathnikund) during the monsoon period which could be tapped for meeting the demand in the MBIR and other developments elsewhere in the state. In the meeting held on 3rd February 2010 under the chairmanship of PSCM, the proposal of the consultants was agreed to and they were advised to continue with their study for preparation of pre-feasibility report on fresh water. It was also suggested that the Consultants may consider the Jawaharlal Nehru Canal as the major source of conveyance of water from Tajewala to the MBIR and to make use of Masani Barrage for pondage and increase its storage capacity by going deeper/ raising the embankment.

C. Early Bird Project:

i. Exhibition-cum-Convention Centre (ECC) Project:

The consultants had undertaken study of about 8 sites for the proposed Exhibition-cum-Convention Centre and had recommended the Panchgaon Chowk site as the most appropriate site for the project.

ii. Integrated Multimodal Logistic Hub (IMLH):

HSIIDC had signed a Memorandum of Understanding with M/s Dedicated Freight Corridor Corporation of India Limited (DFCCIL) for setting up an Integrated Multimodal Logistics Hub (IMLH). The site falls in village Ludahana, Pithanwas, Garhi and Bolni upto Rajasthan border along Rewari to Kot Quasim road

iii. Mass Rapid Transit System between Gurgaon-Manesar-Bawal (MRTS):

The consultants have been suggested that the alignment could take off from the state boundary near Dwarka and follow the northern and southern periphery roads proposed under the Master Plan for Gurgaon Manesar Urban Complex to form a ring and then move along the IMT Manesar upto the Orbital rail Corridor and onto the Panchgaon Chowk and run along the National Highway No.8 beyond that point till its terminus at Bawal on a dedicated right of way of 30 meters. The consultants have further been advised to suggest a rail transit system that was less capital intensive and affordable to the users who were most likely to be the industrial workers.

MPFC

Credit Rating & Bond Issue

MPFC for the first time, launched a Bonds Issue of Rs. 25.00 Crores (with permission to retain subscription upto Rs. 50.00 Crores under Green Shoe Option) through private placement route. This bonds issue received good response from the market in the month of March and was fully subscribed. The MPFC Bonds are guaranteed by MP Government and carry an interest rate of 9.15%p.a. These Bonds will be listed on the Bombay Stock Exchange (BSE). Arrangers to the issue were M/s AK Capital, M/s SPA Merchant Bankers, M/s Darashaw, M/s Almond Global Securities and M/s Axis Bank Ltd.

Corporation was accredited with a credit rating of BBB+(SO), (pronounced as Triple B+ structure obligation) by the credit rating agency CARE. Instruments with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such instruments carry moderate credit risk. This rating indicates the security and safety of the securities of the Corporation.

ISO Surveillance Audit

2nd Surveillance Audit for the ISO 9001-2000 was conducted by the lead auditor Mr. Sachin Khandeparkar of M/s Qualitate Varities Quality Assurance, Norway on 12th Jan 2010.

The lead auditor found satisfaction in the training imparted to 14 officers of the corporation by RBI, BoI, SIDBI etc. The auditors also saw the customer feedback obtained from 315 customers, out of which more than 76% informed that the services of the corporation are excellent.

The auditor inspected all the departments of the Head office and was pleased with the policies and practices being followed also with the reports and records maintenance. ISO Certification of the Corporation has been revalidated for one year subsequent to the inspection and report of the lead auditor.

IDCO

IDCO to promote exclusive zones for MSMEs

To meet the infrastructure needs of micro, small and medium enterprises (MSMEs) on a priority basis, the Orissa government has reserved 20 per cent of the area in all industrial estates, industrial parks, industrial corridors and land banks for such units. The Industrial Infrastructure Development Corporation (IDCO) will promote new exclusive zones for MSMEs in all major industrial hubs of the state. The locations where exclusive industrial parks will be promoted include Kalinaganagar, Barbil, Jharsuguda, Sambalpur, Dhenkanal, Rourkela, Baragarh, Balasore, Dhamara, Gopalpur, Chhatrapur, Raygada, Kalahandi and Choudwar. Such exclusive zones will also come up near the Special Economic Zones (SEZs) in the state. The government has notified reservation of 20 percent land in all industrial estates for MSMEs.

The government has also decided that wherever land is provided to large and medium industries, 10 per cent of the land, subject to a maximum limit of 200 acres, will be earmarked for setting up MSMEs. This will facilitate the setting up of ancillary and down-stream units, preferably in cluster mode.

This condition will be applicable to companies that have already signed a memorandum of understanding (MoU) with the state government and those who are expected to sign MoUs later. Common Facility Centres (CFCs), to be set up by the Special Purpose Vehicle (SPV) constituted for the MSME clusters, would be entitled for allotment of land free of cost at various locations in the state. Idco, the land acquisition arm of the Orissa government, will earmark these locations. The CFCs' land cost will be treated as the state government's shareholding in the SPV. To provide assured sources of raw material for such units, the Orissa Small Industries Corporation (OSIC) and the National Small Industries Corporation (NSIC) will set up raw material banks. The two organisations will act as nodal agencies for MSMEs and public sector resource companies will accord priority to OSIC and NISC in supply of raw materials, which will be made available to MSMEs at the lowest possible rate.

MIDC

MIDC forms infra JV with GAIL

Maharashtra Industrial Development Corporation has entered into a joint venture with GAIL INDIA to lay natural gas infrastructure within the latter's industrial estates across the entire state. And, with authorization from the national regulator, PNGRB, develop natural gas distribution infrastructure elsewhere, too. The proposed distribution network is expected to benefit the proposed gas-based power projects of 10,000 Mw capacity in the state.

EDC GOA

Joint Ventures and Subsidiaries

EDC has spearheaded diverse industries of the State of Goa towards success. It has played a pioneering role through its joint ventures and subsidiary companies in the field of engineering, pharmaceuticals, electronics, auto accessories, computer knowledge etc.

EDC promoted Automobile Corporation of Goa Ltd. (ACGL) in joint venture with Tata Motors in 1980, at Honda in the Backward Sattari taluka. This major bus body manufacturing Company encouraged the development of small and medium industries in Goa, via the ancillary route. EDC also established Goa Auto Accessories Ltd. (GAAL) as a wholly owned subsidiary at the same place, which even today plays the role of a major ancillary to ACGL.

Around the same time, Goa Antibiotics and Pharmaceuticals Ltd. (GAPL) was set up in joint venture with Hindustan Antibiotics Ltd. (HAL), to give a boost to the pharma sector, in the backward Pernem taluka. After the exit of HAL in 1987, EDC continues to run the Company as a wholly owned subsidiary which has shown remarkable improvement, over the last few years. GAPL production facilities have been accredited with WHO-GMP certification.

Goa Electronics Limited (GEL), a wholly owned subsidiary of EDC, started in technical collaboration with Electronics Corporation of India Limited (ECIL) and Bharat Electronics Ltd., has been providing IT support to Government departments in the State of Goa. GEL has developed a wide spectrum of services and products to meet the ever growing demands of Information Technology specifically focusing on the Government Sector. Prisons Management System (PRISM) software developed by GEL won the prestigious National CSI-Nihilent Award 2009 in the G2C/G2G category.

EDC had also set up other companies such as, Goa Fans & Electricals Ltd. in joint venture with Crompton Greaves, Titan Time Products with Titan Industries, Goa Time Movers with HMT, Goa Telecommunications & System Ltd., etc. Some of these companies have either been taken over by the joint venture partners or by the private sector.

Patto Plaza Complex at Panaji

EDC embarked upon the monumental task of developing the Patto Plaza Complex. The Complex is presently the Central Commercial Hub of the capital city of Panaji, spread over an extensive prime land of more than 1,70,000 sq mts. on the banks of the river Mandovi. The area has been painstakingly planned and developed and now houses all the major institutions, industrial houses, multinationals and business establishments, making it a nucleus of diverse interests and activities.

Corporate Social Responsibility

CMRY

EDC is successfully implementing the Government of Goa sponsored self-employment scheme titled Chief Minister's Rozgar Yojana (CMRY) and has already crossed the 3000 landmark of direct job creation. The scheme continues to grow from strength to strength.

NRGs

During the Kuwait crisis in 1990-91, where hundreds of Goans had to return, EDC had set up a special cell to assist the Kuwait returnees and had also operated a special scheme for their rehabilitation. Similarly, prior to the appointment of the Commissioner for NRI Affairs by the Government, the Corporation established and operated the NRI (Goa) Facilitation Centre, as mandated by the State Government. The Centre helped NRGs to rebuild a bond with their motherland, apart from successfully executing various other tasks assigned to the Centre.

Centre for Empowerment & Excellence

Since the year 1983, EDC Ltd. has been consistently conducting training programs on its own and in collaboration with prominent institutions in the country. EDC takes pride in having created more than 1000 first generation entrepreneurs, who have excelled in their chosen fields.

Recently, it has launched an initiative titled ***"Centre for Empowerment & Excellence"*** aimed at training and empowering individuals to strive for excellence. To fortify this initiative EDC Ltd. has developed a cutting edge training complex inclusive of a state-of-the-art auditorium "Nalanda", apart from other smaller halls. It is perfect platform to shape managers, first generation and existing entrepreneurs and Government officials, into leaders of tomorrow.

Contribution towards Natural Calamities

EDC values and respects human life and time and again rallied to help victims of natural calamities. In keeping with its social responsibility obligations, it has contributed Rs. 1 crore to the Chief Minister's Relief Fund to help the flood victims in Canacona.

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NEWS FROM STATES

HIMACHAL PRADESH

Himachal to get $ 450-m WB aid to boost eco-friendly growth

The World Bank has agreed to sanction $450-million loan for promoting sustainable environmental growth in Himachal Pradesh. The loan will enable Himachal to become first carbon-neutral state in Asia. The bank in its latest report has made a special mention of the increase in green cover in the state as a result of *"Himachal Mid-Himalayan Watershed Development Project."*

The move would boost socio-economic development in the hill state. Around 12,000 hectare of degraded land has been identified for afforestation, which would enable the state to earn carbon credits for 30 years. A validator from the World Bank will verify the area of land to be made available for the purpose.

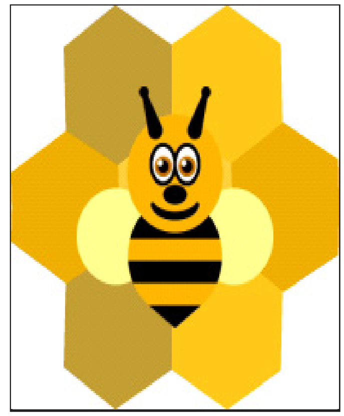
Environment and forest minister JP Nadda said Himachal could earn at least Rs six crore annually from the sale of carbon credits to the World Bank. The forest department has identified 25 species, including fruit and medicinal plants like mango, fig and amla, which not only have a good capacity of carbon sequestration but also help in regulation of hydrological cycle.

The state also has a huge potential for hydroelectric generation to earn carbon credits as hydroelectric projects provide clean power compared to the highly polluting coal-based thermal plants. The government has also planned to begin environment audit for all departments from this year. The state government has already banned deforestation and strict vigil is being kept over smuggling of forest wealth, besides encouraging people's participation in increasing the green cover.

Industry captains evince interest in Himachal's BT park

Many Companies from the real estate as well as biotech industry have evinced interest in developing Himachal Pradesh's first biotechnology park.

The park is proposed to come up at village Aduwal, near Nalagarh in Solan district and is likely to catalyse an investment of around Rs 500 crore including investment from the private companies setting up base in the industrial cluster of the park. It will be developed over 35 acre under the public-private partnership (PPP) mode, and UK-based consultant Matt MacDonald will assist the department in selecting the promoter, as well as signing the final agreement with the company.



Tax holiday ends in HP, Uttarakhand

The Finance Minister, Shri Pranab Mukherjee has allowed the tax holiday to lapse in Himachal Pradesh and Uttarakhand. This was done to launch the comprehensive goods and service tax regime. Henceforth, new investments in these states will not be eligible for 100% excise duty holiday provided as a part of the industrial development package for upliftment of these industrially backward states.

However, all investments made till March 31, 2010, will continue to enjoy the benefit for another 10 years. This tax holiday has come under severe criticism for reasons such as misuse, flight of capital from neighbouring states and skewed development in these states.

The Union finance ministry had tightened the eligibility norms for availing excise exemption in these states to ensure only companies carrying out genuine manufacturing activities enjoyed the benefit. Companies which merely labelled, packaged or did sorting instead of manufacturing were no longer eligible for the tax holiday.

The Centre incurred a revenue loss of over Rs.10,000 crore in the current financial year on account of area-based exemption that is available to states such as Jammu & Kashmir and north eastern states.

With comprehensive indirect tax reform, goods and services tax (GST), on its way, both the Centre and states are looking at replacing the complete duty exemption with a tax refund scheme. The empowered committee of state finance ministers had also recommended replacing area-based and industry-based exemptions with direct subsidy.

UTTARAKHAND

U'khand announces surcharge on food items, FMCGs

The Uttarakhand government announced a surcharge of 0.5-1% on select consumer goods and day-to-day food items like dal, sugar and rice, which would come into effect March, 2010.

In a notification, the government said a surcharge of 0.5% will be imposed on items where the value added tax (VAT) is 4 % and 1% on items with 12.5% VAT. The new surcharge food will be levied on essential items like dal, sugar, rice and fast moving consumer goods (FMCG) items, making them dearer. State media advisory committee chairman Devendra Bhasin said the surcharge was imposed since the government was facing a heavy burden of the Sixth Pay panel. The finance department hopes to generate Rs 100-150 crore through the new surcharge.

PUNJAB

Power to become costly in Punjab

In the budget 2010-11 presented by Punjab State Finance Minister, Shri Manpreet Badal it is proposed to hike electricity duty by 3% in the Budget which will help the state to raise Rs 270 crore per annum.

The revenue deficit for 2010-11 is estimated at Rs 3,787.73 crore as against revised estimates of Rs 4,151.51 crore for 2009-10. Increase in deficit over the previous year is mainly on account of implementation of recommendations of the fifth Punjab Pay Commission.

The state's debt burden is expected to reach Rs 64,924 crore by this fiscal end. The total debt stock has increased from Rs 32,496 crore in 2001-01 to Rs 57,787 crore in 2008-09. There is a sharp cut in the entertainment duty payable by cinema halls from 125% to 25%, while fully exempting theatres from tax.

The Budget formulates an annual Plan of Rs.9,050 crore against the Plan size of Rs 7, 363 crore in 2009-10. The Plan focuses on power, human resource development, infrastructure, greater stress on welfare of scheduled castes and other weaker sections of the society, development of agriculture, development of rural and urban areas, irrigation and power programmes, improved health, medical services and education.

The Budget also introduced a three-point programme focusing on agriculture, energy and water.

Rs.300 cr ADB loan for Punjab

Asian Development Bank (ADB) has sanctioned a loan of Rs 300 crore for the implementation of the recommendations made by United Nations World Tourism Organisation (UNWTO) in their project appraisal report for developing the tourism sector in the state.

In the first phase, the funding will come for the Amritsar, Sultanpur Lodhi and Keshopur wetlands.

Rising steel prices hit Punjab units

Rising prices of raw material, cheap imports from China coupled with labour shortage have hit the hand tools, steel, auto parts and nut bolts industry in Punjab.

Worst hit are nearly 200 hand tool industrial units in the state where sales have dipped by 30% while cost of production has increased on rising steel prices and non-availability of power.

Most of these hand tool units are engaged in the manufacture of spanners, pliers, screw drivers, ranches and tool kits. In 2006-07, sales turnover of these units was Rs.372 crore, which dipped to just Rs.51.43 crore in 2009-2010. In addition, a two-member Punjab Government's Resource Mobilisation Committee has decided to impose additional VAT in lieu of octroi and increase in VAT from 4 to 5% in addition to entry tax. While the government aims to fetch revenue of Rs 4,000 crore from it, industrialists say they would be burdened with additional taxes as already the industry is reeling under power and labour crisis.

Punjab seeks Rs.1k-cr Nabard aid

The Punjab government has recommended a tranche of eight projects worth Rs.1,000 crore to the National Bank of Agriculture and Rural Development (NABARD) for assistance during 2010-2011.

Shri Manpreet Singh Badal, Finance Minister, Punjab said a project worth Rs 124.5 crore has been recommended for setting up low-cost sanitary lavatories in the rural areas. To increase the efficiency of the Bhakra Main Canal System, lining of watercourses measuring 1,824 km, with an outlay of Rs.180.2 crore has also been proposed.

To augment the road connectivity, the state government has recommend an investment of Rs.251.19 crore for strengthening and construction of new roads and bridges in the state. The Punjab NABARD project also envisages integrated development in the Kandi area of the state, with a proposed outlay of Rs.364.75 crore. This project involves construction of nine new dams and rehabilitation of the water distribution system of the five existing low dams.

In order to check water-borne diseases, especially in the southern districts of Punjab, a project worth Rs 64.59 crore has been proposed for installation of dual-filtration and ultra-filtration in five districts, where water supply is based on canal water.

MAHARASHTRA

Zero-interest crop loans of upto Rs.50,000 proposed

The Maharashtra government has proposed crop loans of upto Rs.50,000 at zero interest. Its annual budget for 2010-2011 seeks to double the scope of the Dr. Panjabrao Deshmukh Crop Incentive Scheme from the present level of Rs.25,000 for such loans.

The scheme would apply to farmers who regularly repay their crop loans. During 2010-2011, the government proposes to disburse Rs.12,000 crore in such loans.

Terminal Market Complexes will come up in Mumbai, Nagpur and Nashik. The government has also announced a Jeevandai Scheme. Under it, heart diseases, cancer, surgery of brain and spinal cord, kidney transplant and surgery of the urinary tract, burns and accidents would be covered. For the first phase, an allocation of Rs 250 crore is proposed, covering the districts of Raigad, Jalgaon, Solapur, Nanded, Amravati and Gadchiroli.

Under this scheme, health cards would be issued and a trust chaired by the Chief Minister would monitor implementation. Reimbursement of expenditure on treatment would be through an insurance company. The government would select private and government hospitals for implementation.

Areas between Mumbai and Pune are to become part of a *'knowledge corridor'* for jobs. A policy is also to be formulated to make the quadrilateral of Mumbai-Pune-Nashik-Aurangabad a focal point of agro industries and industrial development.

The Deputy Chief Minister, Shri Chhagan Bhujbal said the government had proposed Rs.7,366 crore for irrigation and Rs.3,020 crore for the tribal sub plan. A special provision of Rs 650 crore to remove a physical backlog on related facilities in the districts of Amravati, Akola, Washim, Buldhana and Ratnagiri has been proposed.

HARYANA

Haryana social infra mission gets Rs. 150 cr

The Haryana government has launched Jawahar Social Infrastructure Mission with an allocation of Rs. 150 crore to create state-of-the-art schools, vocational education and training centres and state institutes for the differently abled children who are mentally challenged and suffer from impaired vision, hearing and speech. Homes for senior citizens and children are also planned.

Shri Jagannath Pahadia said more than 19 lakh people are receiving financial help under different social security schemes. Rates of monthly pension have been increased for the aged, the differently abled, widows and the destitute. Budget for this purpose has been more than doubled from Rs.660 crore in 2008-09 to Rs. 1,374 crore during the current fiscal.

Haryana sees record 70% investment in development

Haryana has achieved the distinction of registering 70% of the implementation rate of pledged investments against 33% of the same for various states.

There were 635 live investment projects worth around Rs. 3.5 lakh crore in Haryana till 2009 end. Real estate industry has got the lion's share of 55% in the total live investment. Services and electricity are the next two important destinations of investment. Manufacturing attracted 8% of the investment while the share of investments in irrigation was mere 0.17%.

However, power availability and the quality of power has been major determinant for economic growth. As per the available information power is a major growth hurdle in Haryana. The state experienced about 8.5% of power deficit in 2008-09. The peak hour deficit was recorded at 13% during the same year. This is considered to be one of alarming scenarios on India. This turns out to be a major weakness of the state and affects the growth potential of the state economy.

Haryana's first N-power plant to come up at Fatehabad village

Nuclear Power Corp of India Ltd (NPCIL) has selected Gorakhpur village (around 175 km from Delhi) in Fatehabad district of Haryana to set up the state's first 4X700 mw nuclear power plant.

The decision was taken after the high-level land selection committee, comprising engineers of NPCIL, visited three villages—Gorakhpur, Kajalheri and Kumharia last week. The site has been approved keeping in mind factors like availability of land and water, and also its distance from populated places. Terming the project as completely safe, NPCIL officials assure the nuclear radiations won't be harmful at all. "The radio activity is within the safe limit and as per estimates, radiation from three years of exposure in nuclear area is less than one single exposure of x-ray."

The Centre had accorded in-principle approval in October 2009 for setting up of the plant in two phases under the ongoing 11th Plan period. The plant will be based on indigenous technology and in the first phase, two units of 700mw will be developed. *"the nuclear power plant will be completely safe and will usher in an era of prosperity in this area by providing employment and uninterrupted power supply to the people. With the setting up of this plant, infrastructure facilities in this area will also develop."*

The plant will be set up over 1,000 acres and will consume about 50 tonne of uranium annually, with about 700 officials/officers working in this plant. "The project is likely to entail an investment of around Rs. 12,000-14,000 crore over a period of time. It will be a green project with zero emission , thus having no health hazard even from radiation. The state government has assured supply of 320 cusec of water for the project,". The land will be acquired by the state government around the villages of Kajalheri, Gorakhpur and Kumharia in Fatehabad. Adequate compensation and annuity will be provided to the land owners.

Rs.1.1 k-cr projects approved for industry in Haryana

A high-level plot allotment committee has cleared the allotment of industrial plots to 19 units in various industrial estates developed by the Haryana State Industrial and Infrastructure Development Corporation (HSIIDC).

The total investment involved in setting up these projects will be around Rs. 1,100 crore. These projects will provide direct employment to more than 6,000 persons on implementation. The committee has been constituted by the state government to consider projects involving capital investment of Rs. 30 crore and those with FDI component.

Managing director of HSIIDC Shri Rajeev Arora said allotments have been made for projects in diverse fields of brake parts (back plate & anti-noise shims), tooth brushes, stainless steel products, machine and machine parts including machine assembling, overhauling, moulds and tools, extruder food products and dehydration of vegetables, fruit, retort food, jams and ketchup cold-rolled stainless steel coils, CNG dispensers and compressors, seeds processing plant cum storage facility, footwear, food processing units etc. Around 49.16 acre has been allotted for industrial plots in estates at Kundli, Rai, Growth Centre Bawal, Bahadurgarh, Karnal, IMT Manesar and Gurgaon for these projects he added. A number of companies have been allotted industrial plots for food processing units in different industrial estates developed by the Corporation.

Haryana allots Rs. 713 cr for development

The Haryana government has allocated a sum of Rs. 713.79 crore under the economic stimulus package for 2010-11 to undertake various development works. A spokesman said the development works to be undertaken under the package include upgrading of district hospitals, setting up of new medical colleges, improvement of water supply and sanitation facilities in urban areas.

Rs. 283-lakh grant for biotech centre

The department of science and technology, Haryana has given a grant of Rs. 233.85 lakh to the Centre for Plant Biotechnology (CPB), Hisar for setting up a centre of excellence on *"DNA testing and diagnostics facility for research and application in the state".* Shri S. S. Prasad, financial commissioner and principal secretary, department of science and technology, said the grant was being released to CPB in recognition of commendable progress made by the Centre under various states and research projects funded by the Centre.

Haryana registers mini projects under national solar mission

Haryana has initiated the process of registration of developers of small-scale solar photo voltaic (SPV) rooftop power plants to be included under the national solar mission (NSM). As per the proposed guidelines for small solar power plants, connected to 11 kv grid under the national solar mission, projects commissioned on or before March 31, 2013 (up to a maximum of 100 mw) will only be eligible for incentive under phase I.

Registration of the developer with the state renewable energy development agency is necessary to become a part of generation-based incentive scheme. The Indian Renewable Energy Development Agency (IREDA) is expected to invite applications from the developers from June this year under the generation-based incentive scheme. Only those developers can apply who will be pre-registered with the state. Then the projects will be allocated up to 100 mw and they should be commissioned by March 31, 2013. Two types of solar power projects will be included under the NSM. These include large capacity (above 3 mw) projects and small-scale (up to 500 kw and 1mw-3mw).

Haryana govt gives final shape to road safety plan

The Haryana government has finalised an integrated state-level traffic plan to prevent road accidents on highways.

The plan would be implemented in all the districts of the state. It will ensure implementation of traffic rules on national and state highways with the help of technology, identify accident-prone areas and under take consequent remedial measures, besides regulating traffic where maintenance or road widening work is in progress or encroachment exists and remove road engineering deficits.

The government also plans to curb the menace of over overloading of material and passengers in commercial vehicles, ensure quick response of concerned PCRs/riders, medical and units and site photographs.

The plan also aimed at ensuring quick spot visit by the staff of concerned police station alongwith crane and ambulance and removing obstruction for smooth regulation of traffic, diverting traffic through alternate routes, when required, making proper lighting arrangements in darkness/fog situations, initiate simultaneous action to catch offenders of road accidents and educating people regarding traffic rules.

Rs. 900-cr plan to boost development of Palwal

A credit plan of Rs. 900 crore has been envisaged for the year 2010-11 by National Agricultural and Rural Development Bank (Nabard) and Oriental Bank of Commerce, which is a district lead bank, for the all round development of Palwal district. A spokesman of Nabard said the credit plan for the year 2010-11 indicated an overall increase of 31% over the credit plan of Rs. 688.29 crore for the 2009-10. Giving details of the credit plan, he said, a provision of bank loan of Rs.694.6 crore has made in the Plan for the development of agricultural sector.

Out of this, Rs. 544.5 crore will be advanced as crop loan and Rs. 150.1 crore as term loan. For non-agricultural sector and small industries category, a provision of giving a loan of Rs.62.80 crore has been made and a target to advance a loan amounting to Rs. 142.60 crore has been made for other areas of priority.

WEST BENGAL

Budget of West Bengal

Bengal financial minister Shri Asim Dasgupta on March 22, 2010 presented a Rs.16,734-crore Budget for 2010-11, with a pro-poor, pro-agriculture and minority tilt. Plan outlay for agriculture has been hiked 28%, from Rs. 178 crore in 2009-10 to Rs.228 crore for the current financial year. The state government has hiked industry outlay by only 14%, from Rs. 350 crore in 2009-10 to Rs. 400 crore in 2010-11. Plan outlay for the department of minorities affaires and madrasah education has been increased from Rs.121 crore in the current year to Rs. 300 crore for the coming fiscal.

GUJARAT

Gujarat most polluted state with 29% of hazardous waste

Gujarat is the most polluted state according to the latest report of the Central Pollution Control Board (CPCB). CPCB, the country's nodal pollution watchdog has declared Gujarat as the most polluted state in the country. The conclusion has been based on the increasing levels of pollution and toxic wastes. According to the data compiled by the CPCB, there are just seven states in the country which account for 80% of the total hazardous waste generated and Gujarat tops this list followed by Maharashtra and Andhra Pradesh. Gujarat accounts for 29% of the 6.2 million tonne of hazardous waste. It is 25% in Maharashtra. Andhra Pradesh is rated next with 9% in generation of hazardous waste followed by Rajasthan with 5% and West Bengal and Tamil Nadu reckoned at 4% each. Corroborating the CPCB's findings, members secretary, Gujarat Pollution Control Board (GPCB) Shri R. G. Shah said, "We are generating highest amount of hazardous waste on account of the fact that the state has the highest number of chemical industries."

KARNATAKA

Budget outlay up at Rs. 70k cr

Giving priority to infrastructure, human resources development and agriculture, the Karnataka government has presented a Budget increasing outlay to Rs. 70,063 crore for 2010-11, up from Rs. 60,051 crore in 2009-10. Agriculture will get Rs. 13,484 crore as assistance to farmers followed by Human Resource development, which would get Rs. 13,162 crore. Infrastructure and welfare schemes would get 13% and 11% respectively of the total outlay, said Karnataka chief minister Shri B.S. Yedyurappa. The government is to provide Rs. 2,500 crore budgetary support for supplying electricity to irrigation pump sets.The government has taken steps to double the power generation capacity of the state in the next four years from the current 8,000 mw. A capital support of Rs. 500 crore would be provided to the Karnataka Power Corporation and power transmission and distribution companies. The subsidized loan scheme under which farmers could borrow money at 3% interest would be extended only to those who made timely repayment. VAT exemption on paddy, rice, wheat, pulses and products of rice and wheat extended for one more year from April 2010. VAT rate 4% increased to 5% on all goods except declared goods. It has been increased to 15% from the current 12.5% on tobacco.

DELHI

Delhi Budget lays stress on transport

Dr. A. K. Walia, Finance Minister Delhi presented the state budget on March 23, 2010. According to it the Delhi government has lowered its allocation for urban development in 2010-11, the year in which the city will organise the Commonwealth Games because the construction work has been completed. In the Budget announced for the next financial year, the government allocated Rs. 3,373 crore for the department, compared with Rs. 3,852 crore in 2009-10. It earmarked Rs. 2,290 crore for the Public Works Department (PWD), 20 per cent of the total Plan allocation of Rs. 11,340 crore. Last year, it had allocated Rs. 2,931 crore. The total Plan allocation itself has come down from Rs. 11,426 crore last year. The allocation for the power department, however, has been increased to Rs.110 crore from Rs. 100 crore for the current year.

A large part of the total Plan spending for the next year would go to the transport department, which would see a 31 per cent rise in it funds to Rs. 2,109 crore. The department of education has seen a rise in allocation to Rs. 797 crore from 2010-11 from Rs. 660 crore in current year.

The government also earmarked Rs. 459 for the social welfare department, against Rs. 332 crore in the lest Budget. The industry department has seen a steep fall in its allocation to Rs.23.8 crore from Rs.96.5 crore in 2009-10. The information technology department has seen a drop of Rs. 3 crore in allocation to Rs. 50 crore. Allocation to the directorate of health services has been increased to Rs. 324 for the coming year from Rs. 244 crore. Funds to the law department have more than doubled to Rs.7 crore from Rs.3 crore.

UTTAR PRADESH

Nabard pegs UP agriculture credit at Rs.33,824 crore

Buoyed by good agricultural production figures in Uttar Pradesh this year, National Bank for Agriculture and Rural Development (Nabard) has pegged the aggregate credit potential for the sector in 2010-11 annual site credit plan at Rs. 33,824 crore. This indicates a growth rate of around 27% over the likely achievement under agriculture sector at around Rs. 26,593.57 crore during 2009-10. *"The reason for a rise in projection stems from the fact that due to the loan waiver scheme of the Centre, many farmers, who were hitherto not eligible to take loans have now come under the eligibility criteria and hence have the potential to take loans."* Nabard has sanctioned Rs. 1,364 crore to the UP government for creation of rural infrastructure during the year under the direct financing scheme.

States' combined fiscal deficit doubles over 3 years

The combined fiscal deficit of states would touch 3.2 per cent of Gross Domestic Product in 2009-10, the year their borrowing limits were enhanced to counter the impact of the global economic crisis.

It emphasised the need to bring in the goods and service tax (GST), to enable an increase of revenues for the states. It also suggested movement on fiscal consolidation, including cuts in spending to bring these in line with revenue. It also recommended a review of the public distribution system (PDS), with the subsidy to be given directly the consumer, who could then buy the intended product directly from the normal market.

The ceiling of the borrowing limit had been raised to enable each state to borrow up to four per cent of its gross state domestic product (GSDP). The Union government had also revised the fiscal deficit target for states for 2009-10 from 3 per cent to 4 per cent of their respective GSDP. As a result, during the current financial year, the amount raised by state governments aggregated to Rs.105,937.7 crore till December 2009, as compared to Rs.52,842.7 crore raised during the corresponding period last year.

"The introduction of VAT (Value Added Tax) by states resulted in good growth in states' own tax revenue in the last few years". Till December 2009, an amount of Rs. 2,558 crore had been released as central compensation for revenue loss on account of VAT. Similarly, about Rs. 6,000 crore was released to the states till December 2009 as part of the compensation to phase out central sales tax.

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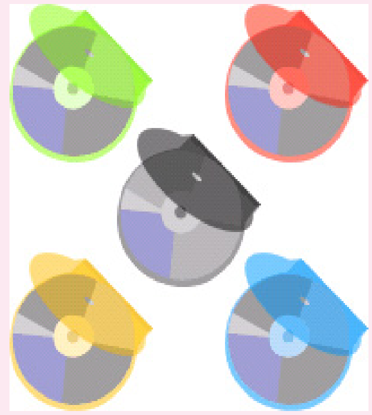
QUESTIONS OF CYBERQUIZ ~ 23



1. *What is a "pure play" business ?*

[a] A business which has profit motive only and does not do anything for social welfare; [b] A business which has a web presence only, does not have any physical presence; [c] A business which is a traditional business with physical presence; [d] A traditional business expanding to web-based business.

2. *Jonathan Ive won several international awards for the design of this Apple computer. But ironically, the product did not get the anticipated success in the market partly due to its design which caused quite a few inconveniences including lack of space for internal upgrades. Name this product which was otherwise visually very attractive ?*

[a] Newton PDA; [b] Power Mac G4 Cube; [c] iMac G3; [d] iPod MP3

3. *Apple Computer has been involved in quite a few high-profile litigations in its history. In one of such cases, it filed a lawsuit in 1991 against a company over the allegation that it had used illegal copies of Apple's O/S and ROM. The final result of the case proved that software could be protected under copyright laws. Name that company.*

[a] Data General; [b] Hewlett-Packard; [c] Franklin Computer Corp.; [d] Tangerine Computer Systems.

4. *What type of machine is a green machine ?*

[a] Machines which are dominantly in green color rather than the traditional beige, grey, black or silver; [b] Machines whose manufacture, use and disposal is environmental friendly; [c] Machines built for field use by military; [d] Machines built based on quantum theory.

5. This CEO from the software industry once had to undergo surgery of his vocal cords after he screamed the name of a product of his company continuously in a meeting in 1991. Name this CEO well-known for his *"passionate expression of his enthusiasm"*.

[a] Michael Saul Dell; [b] Scott McNealy; [c] Vinod Khosla; [d] Steven Anthony Ballmer.

***

For Answers See **Page No. 30**

Every day is a journey, and the journey itself is home

Matsuo Basho

DO YOU KNOW ?

LIST OF INTERNATIONAL YEARS

1981	:	International Year of Disabled Persons
1982	:	International Year of Mobilization for Sanctions against South Africa
1983	:	World Communications Year
1984	:	Year of Women in South Africa
1985	:	International Youth Year
1986	:	International Year of Peace
1987	:	International Year of Shelter of Homeless
1990	:	International Literacy Year
1992	:	International Space Year
1993	:	International year of Indigenous population
1994	:	International year of Family
1995	:	International year of Tolerance
1996	:	International Year for Eradication of Poverty
1998	:	International year of Ocean
1999	:	International year of Aging (Older) people
2000	:	International year of peace- Culture
2000	:	International year of Gratitude
2001	:	International Volunteer's year and International year if woman Empowerment
2001	:	International year for Eradication of Mental Diseases (WHO)
2001	:	United Nation's year for Interaction among Civilization
2002	:	International Mountain year
2002	:	International Fresh of Eco-tourism
2003	:	International Fresh Water year
2004	:	International Rice year
2005	:	International year of Micro credit and International year of Physics
2006	:	International year of Desert and Desertification
2007	:	International Polar Year
2008	:	Year of Good Governance (for SAARC countries)
2009	:	International Year of Reconciliation
2009	:	International Year of Astronomy
2010	:	International Year of Biodiversity
2010	:	International Year for the Rapprochement of Cultures
2011	:	International Year of Forests
2011	:	International Year of Chemistry

* * *

SUCCESS STORY OF KARNATAKA STATE FINANCIAL CORPORATION

Industrial Hydraulics Pvt. Ltd., Belgaum

Mr. Bhujbali P. Desai started ***Industrial Hydraulics Pvt. Ltd***. in 1983 with the financial assistance of Rs.2 lakhs from Karnataka State Financial Corporation (KSFC) initially. The promoter of the company has developed a vertical die casting machine and Industrial Hydraulics is the only company to manufacture this machinery in India. The company has developed the biggest vertical die casting machine in Asia, which injects 100 kgs. of molten aluminium at a time and also hydraulic gravity die casting machinery.

The company has availed several loans amounting to Rs.17.28 lakhs from KSFC for expansion activities till date.

The main customers of the unit are HAL, Indian Railways, TATA, BEML, BHEL and others.

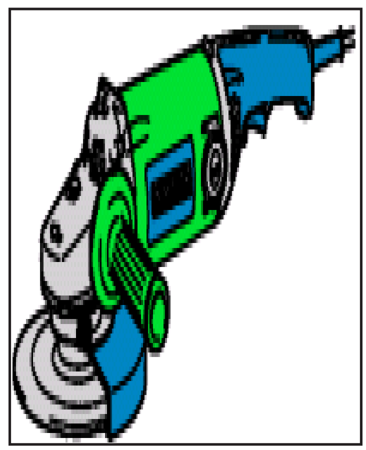
The company had a turnover of Rs.152.26 lakhs and Rs.295.80 lakhs in the years 2007 and 2008 respectively.

Fitwel Tols and Forgings Pvt. Ltd., Tumkur

Fitwel Tools and Forgings Pvt. Ltd. was established in the year 1987 as an ancillary to Karnataka State Small Industries Development Corporation (KSSIDC). The company is involved in the manufacture of hand tools particularly double ended open jaw spanners, bi-hexagon ring spanners, cutting pliers and water pump pliers. After working as an ancillary to KSSIDC for three years, the unit became an independent unit in 1990.

The promoter, Mr. D.R. Subramanya, has 35 years of experience in the field of manufacturing forgings. This experience enabled him to develop and nurture the company into a leading forging manufacturer in a short span of time. The company lays great emphasis on speed, quality and quantum of progress.

Fitwel Tools and Forgings has so far produced over 100 million arm rockers, one million gear shifters and fork forgings. The company has a production capacity of 7.2 million components of small precision forgings, per annum.



The comapny has availed financial asistance of Rs.206.7 lakhs from KSFC. The promoter aims to be a leader in the precion forging industry by investing in the latest technology and by developing infrastructure to meet the increasing quality and quantity requirements of customers. Fitwel Tools and Forgings is an ISO 9001-2000 and ISO/TS 16949 : 2002 certified company.

* * *

India climbs three positions to 9th in industrial output

India has emerged among the top ten countries in industrial production, according to a Union report. Climbing three positions to the 9th place in 2009, India has left behind economies of Canada, Brazil and Maxico. USA and China lead the rankings. The other countries in the top 10 are Japan, Germany, Republic of Korea, France, Italy, the United Kingdom and Brazil. The sectors in which India have come in the top ten are in leather and its products, footwear; coke, refined petroleum products among others. Despite India's growth in industrial production, the manufacturing value added per capita still remains a concern. India's MVA per capital, according to the Year-book, is $283 compared to $631 of Brazil and $1093 Mexico.

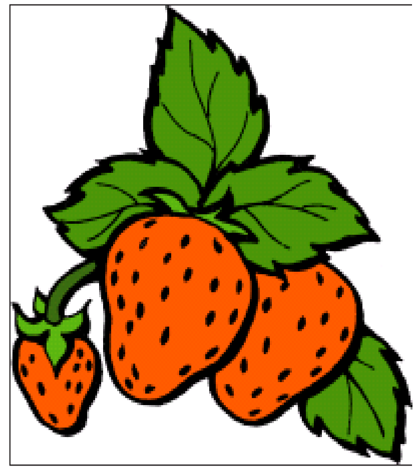
Exports up 11.5% in Jan, 3rd month in a row

Exports from India continued to rise steadily for the third consecutive month January touching 414.34 billion, 11.5% growth from the $12.86 billion recorded a year ago. In rupee terms, the growth was 4.9% in January from a year ago, said the commerce ministry. Exports were hit badly by the slump in global demand in key western markets and were on a slide for 13 months since October 2008. The trend was reversed in November 2009 as exports grew 18.2%. In December the rise was 9.3%.

With economic activity on the rise and consequently the imports, the country's trade deficit almost doubled to $ 10.36 billion for the month under review from $5.3 billion in January 2009.

Imports clocked a positive growth for the second straight month after failing for 11 months in a row since December 2008. Inwards shipments rose by 35.5% to $24.70 billion in January from $18.22 billion in the same period last year. Analysis said the rising trend of the past three months shows that the worst for India's exports is over. The government officials said fruits and vegetables, marine products and tobacco did exceedingly well in January while tea, coffee, gems & jewellery, drugs and plastics also improved.

Exports to get a boost as work on Baddi trade centre takes off



Work at the site of the proposed Baddi trade Centre has been start. As the land development work gets underway, the retention wall constructed and other basic infrastructure is being readied. The trade centre will come up at Bhatoli Kalan village in Baddi industrial belt spread over around 15 acre.

The project is likely to attract an investment of about Rs. 10.4 crore and has already been approved under the Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) scheme of the Centre. About 80% of the funds will be allotted by the central government and the rest will be contributed by the state government.

The Baddi Barotiwala Nalagarh Development Authority (BBNDA) has forwarded a proposal to the state government for inclusion of the existing convention centre building within the plans of the upcoming trade centre. *"Considering the design and requirements of the trade centre, it has been proposed to bring the existing building of the convention centre under the periphery of the trade centre project only"*. The design for the centre is ready and the detailed project report has been prepared. It is expected that the trade centre will be ready within year from the day of allotment of the development work to the contractor.

The centre once operational, will facilitate smooth flow of exports from the region, as well as attract traders from across the globe, providing a gateway to the international market. It will house a convention centre-cum-exhibition hall, where industrialists from Baddi and nearby regions will be provided an opportunity to display their products. A society formed by BBNDA and other industry representatives under the supervision of the state government will manage the centre. The plan also proposes a conference hall, an amphitheatre and a club.

Handicrafts exports rise 2% in FY10

Handicrafts exports registered an increase of 6.55% at Rs.8,718.94 crore during 2009-10, up by Rs. 538.28 crore as against Rs. 8,183 crore in 2008-09 in rupee terms. The handicrafts exports figure grew 1.8% in dollar terms at $1,830.23 million during 2009-10, up by $32.35million compared to the previous fiscal, according to the provisional export data released by the Export Promotion Council for Handicrafts (EPCH).

On an average, exports increased by 10% per annum till 2006-07. However, due to recession in the global market, export of handicrafts had fallen considerably. As against Rs. 17,288 crore in 2006-07, the exports came down to Rs. 14,012 crore in 2007-08 and further to Rs.8,183 crore in 2008-09. The government had to take corrective and supportive action to check the decline in exports by announcing various schemes and support systems for exporters so that they can withstand the fierce competition in the global market arising out of economic downturn. As result, the exports started picking up in 2009-10. An increase in exports of handicrafts has been registered in almost all categories of products.

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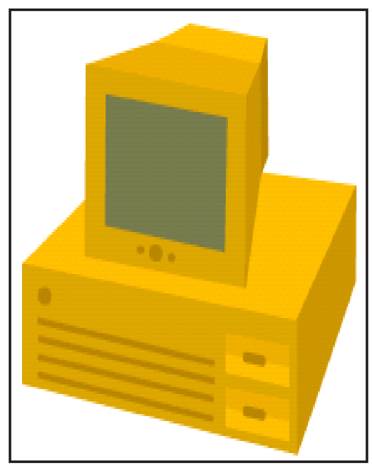
ANSWERS OF CYBERQUIZ ~ 23



1.[b] A business which has a web presence only, does not have any physical presence : Types of business described in option c and d are termed “brick-and-mortar and click-and-mortar” business respectively.

2.[b] Power Mac G4 Cube : Introduced in 2000, it was a quite 8” x 8” x 8” cube suspended in a 10” tall Lucite enclosure. It did not have a fan for cooling.

3.[c] Franklin Computer Corp. : The company was a manufacturer of Apple II series clones.

4.[c] Machines built for field use by military : The term comes from olive green color used by military on their equipments. These machines and their peripherals are built to the military specifications.

5.[d] Steven Anthony Ballmer : Steven Anthony Ballmer is the CEO of Microsoft Corporation since January, 2000.

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The more you praise and celebrate your life,
the more there is in life to celebrate

Oprah Winfrey

MSME min seeks tax sops for VCs, PEs

The ministry of micro, small and medium enterprises wants the Finance ministry to provide tax concessions to venture capitalists and private equity players, who fund the small scale sector.

"We will take up the issue (to provide tax breaks or sops to these firms) with the finance ministry and the revenue department soon in order to attract more funds to the sector since it is considered a high-risk area," MSME ministry Secretary, Shri Dinesh Rai. He also asked the venture capitalists and private equity players to come out with clear cut guidelines in terms of the incentives they would like to get from the government.

RBI Committee for doubling collateral-free loans to MSEs

A Reserve Bank panel has suggested doubling the limit of collateral-free loans to Rs.10 lakh for the micro and small enterprises (MSEs) and easing credit flow to them.

"One of the recommendations of the group is to increase the limit of collateral-free loan from Rs.5 lakh to Rs.10 lakh," RBI Executive Director and head of the working group Shri V.K. Sharma said at a meeting of the National Board for Micro, Small and Medium Enterprises in New Delhi in April, 2010.

The guarantee for the collateral-free loans is extended by the Credit Guarantee Fund Trust for MSEs (CGTMSE) so that the risk is not borne by bankers. The CGTMSE charges a fee for the guarantee.

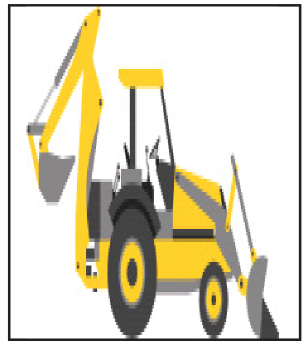
Orissa seeks national institute for MSMEs

The Orissa government has urged the Union ministry of Micro, Small and Medium Enterprises (MSMEs) to set up a national-level Entrepreneurship Development Institute in the state.

The state government, in its proposal, has proposed to convert the existing Institute of Entrepreneurship Development (IED) at Bhubaneswar, a nodal agency of the Orissa government, to a national-level institute for MSMEs.

The proposed national institute for MSMEs is envisioned as being in line with the National Institute of Enterprise and Business Development, Noida; the National Institute of MSMEs at Hyderabad and the Indian Institute of Entrepreneurship located at Guwahati.

Power shortage hits SMEs in Andhra



Acute power shortage in Andhra Pradesh is expected to severely impact the small and medium enterprises (SME) sector. The state government had recently issued orders for a two-days-a-week power cut, along with power cuts during peak hours, effective March 12.

With two-days-a-week power cut and a four-hour power cut every day, industries do not have ample supply for 68 hours of the 168 hours in a week. The weekend holiday means the industries remain idle for 92 hours a week.

Power shortage is the latest problem the industry is facing, after recession, drought, floods and Telangana agitations which plagued it last year.

The power crisis will be a disaster for SME sector. The manufacturing sector is the largest provider of blue collar jobs. About four million people are employed in about 350,000 SMEs in the state. Massive loss of employment is feared, with the companies unable to put their machinery to optimum use. The state has allowed the industries open access — companies can buy power from external sources. But, this will benefit only a fraction of companies, which can afford to spend more on power during summer. Also, lack of dedicated feeders will be a barrier to some SMEs, which are willing to purchase power at a high price.

Establishment of MSME Credit Monitoring Cell

The Government has set up a MSME Credit Monitoring Cell. Matters of MSMEs remaining unresolved with the Banks-SME Helpline for more than a fortnight brought to the notice of Cell would be taken up with the concerned bank for early resolution.

MSMEs may contact MSME Credit Monitoring Cell (MCMC) at **Telefax: 011-23062465, email id: creditmon@ dcmsme.gov.in** or at Room No. 734 B, 7th floor, A-wing, Nirman Bhawan, Maulana Azad Road, New Delhi- 110108 for lodging such grievances. Sub judice cases will not be entertained by Credit Monitoring Cell.

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HOW TO MANAGE WORK-RELATED STRESS WITH CREATIVITY

By

Rick Carter

The stress you suffer at work is a major source of stress in your life. The stress of time deadlines. The stress of poorly defined goals. The stress of annoying co-workers, incompetent employees, or uncaring management. All of these can pound on you and lead to major problems in your life, if not handled properly.

Stress that is not managed can wreck your health. Headaches, sleep problems, excessive weight gain or loss, and digestion problems are what you can expect in the short term. But it gets worse, long term. Unmanaged stress can lead to heart disease, high blood pressure and stroke can occur. These are just your physical problems. Stress can cause, or make worse, emotional problems like depression, lack of concentration, interference with relationships, and loss of self-esteem.

There are probably hundreds of *"stress management programs"* that will give you cute little tips for handling stress at work or sayings to repeat when you feel the stress. But you know that the stress at work needs a management system that is as tough, and as big, to fight back and defeat that stress.

One of the biggest problems with most management systems is that they are usually built around one single concept or tool. Systems to handle stress are built on meditation, time management, goal setting, improving interpersonal relationships, and cognitive reorientation. Now, these are all great tools. And all of them work to reduce some stress.

But stress at work is not limited to just one type of stress. What is needed is a comprehensive management system, to handle all of the stresses you are hit with at work. A system that provides you with all of the tools you need. One tool that many systems overlook is creative problem solving. By having the skill of creatively analyzing problems and coming up with a broader range of solutions, you are not limited to the *"fight or flight"* response to stress. By having a buffet of answers, you can pick the best way to fight the problem. Meditating on stress may inspire you to come up with an answer. But deliberately focusing on solving the problem will do that far more efficiently.

Now, here's the great thing about this. Not only will you develop a reputation as the coolest head in a crisis, you will be looked to as the person with the good ideas. The one who others call on when they run out of ideas. The one who can lead them out of the woods. People like this are called *"leaders"* and generally get the good promotions, pay raises, and respect of management and co-workers.

Using creative problem solving as part of a comprehensive stress management system can reduce or eliminate the stress you have at work. Using a system that has creative problem system as a key component, rather than a system that is built on one tool with other tools tacked on, will give you the most flexible response to stress when it hits.

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Courtesy : News Of The Week

SEZ power cos can sell to outside clients

The government has formally allowed power producers in special economic zones (SEZs) to sell electricity to outside customers by paying a customs duty of 16% of the sale price.

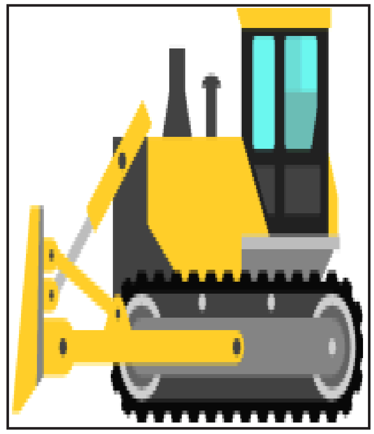
The commerce ministry on March 05, 2010 notified that power generating units in SEZs will be deemed to have the licence to distribute power from the day they get SEZ status. Finance minister Pranab Mukherjee has in Budget 2010-11 imposed a 16% customs duty on the sale of power by SEZ units to outside customers retrospectively from June 2009. The minister, however, exempted import of electrical energy other than from SEZ units from the customs duty. Therefore, some state run agencies that import power from neighboring countries will not be taxed.

The move is expected to reduce the profit margins of groups like Reliance, Adani and Essar that produce power from SEZ units. RIL subsidiary Reliance Jamnagar Infrastructure Ltd, Adani group's Mundra SEZ and Essar's Hazira SEZ have power generation units. The government's logic is that the surplus power generated by these units should be made available to outside customers starving for power, but there should be a level-playing field for power producers inside and outside SEZs.

SEZ units are exempt from all taxes — including customs, excise, service and income taxes — since they bring valuable foreign exchange. The government also believes that because of the cost advantage in SEZs, power producers there make a hefty profit compared to producers outside. They should therefore, be willing to share a part of it with the government. The government also believes that if SEZ units are allowed to sell to customers in the domestic tariff area without a tax, it would discourage investments in DTA in the power sector. While power projects within SEZs are allowed duty-free imports irrespective of their capacity, only mega power projects get this benefit outside SEZs.

Core Sector grows 9.4% in January

India's core sector, comprising six key infrastructure industries, grew 9.4 per cent in January 2010, compared with 6 per cent in the previous month and 2.2 per cent in January 2009. The growth, signifying recovery in industrial manufacturing, was primarily led by an increase in the production of crude oil, electricity and finished steel.



The sector, which accounts for 26.7 per cent of the Index of Industrial Production (IIP), will help in clocking double digit industrial growth for second month in a row. *"The data is on expected lines. We can definitely expect double-digit growth in IIP numbers for January. While the core data fluctuates a lot, it will surely push the industrial growth higher,"* said Shri DK Joshi, principal economist at research and ratings agency Crisil India. IIP grew 16.8 per cent last December when the core sector had shown a 6 per cent growth.

Cumulatively, the core sector grew 5.4 per cent in the April 2009-January 2010 period, against 3 per cent in the corresponding period of 2008-09.

Crude oil production grew 9.7 per cent in January compared to a drop of 8.1 per cent in the same month last fiscal. Electricity and finished steel grew 5.6 per cent and 16.2 per cent, respectively, in January 2010 compared with 1.8 per cent and 3.2 per cent, respectively, in January 2009.

Production of petroleum products registered a growth of 3.8 per cent in January as compared to a drop of 1.3 per cent in the same month last year. Output of coal and cement grew 6 per cent and 12.4 per cent, respectively in January, 2010 as compared to a growth of 6.7 per cent and 3.2 per cent in the corresponding month last year.

In the April-January period, the output of petroleum refinery products dropped 0.5 per cent while coal output grew 8.2 per cent. Crude oil production was recorded down 0.1 per cent. Production of electricity, cement and finished steel grew 6.1 per cent, 11.2 per cent and 4.9 per cent, respectively, in the 10 months ended January 2010.

Tax holiday ends, but STPI scheme flourishes in Maha

The Maharashtra Budget has stopped the tax holiday of the Software Technology Parks of India (STPI) scheme, which will end by March 2011. However, business has not been affected and there have been 88 new registrations so far.

There have been 47 new registrations in Pune and another 35 new applications have come in from Mumbai, while remaining registrations have come from Nagpur, Kolhapur, Aurangabad, Nashik and Goa. The total number of approved units currently stands at 945, while 681 units are operational. Pune continues to dominate the state's IT exports, contributing more than half of the total.

Japan commits Rs.10,535 cr for six infrastructure projects

Japan in March committed 215 billion yen (Rs 10,535 crore) for six infrastructure projects in India, including Phase II of the Mass Rapid Transport System (MRTS) for Delhi. An Agreement to this effect was signed between Finance Ministry officials and the Japanese Ambassador to India Hideaki Domichi. The agreement allocates 30.54 billion yen (Rs.1,648 crore) for the second phase of DMRTS. In addition, 23.4 billion yen (Rs.1,146 crore) will go towards Calcutta East-West Metro Project Phase II, 59.85 billion yen (Rs.2,932.6 crore) for Chennai Metro Project Phase II and 90.3 billion yen (Rs.4,422 crore) for the first phase of a dedicated Freight Corridor Project of Railways. Besides, three billion yen (Rs.150 crore) would be given for Rengali irrigation project in Orissa and 5.3 billion yen (Rs.263.8 crore) for a forestry project in Sikkim.

Punjab seeks Rs.313 cr for education infra

Punjab Chief Minister, Shri Parkash Singh Badal has urged human resource development minister, Kapil Sibal to immediately release Rs.313.16 crore for upgrading the educational infrastructure under various central government schemes in the state.

This is for the construction of 21 model schools in the state and under Rashtriya Madhyamik Shiksha Abhiyan (RMSA) as the state government had already released its due share. In addition to it, the CM also sought immediate sanction for a project amounting to Rs.265.66 crore for schools, which required major repairs under RMSA.

* * *

The darkest night is often the bridge to the brightest tomorrow. Celebrate endings, for they precede new beginnings

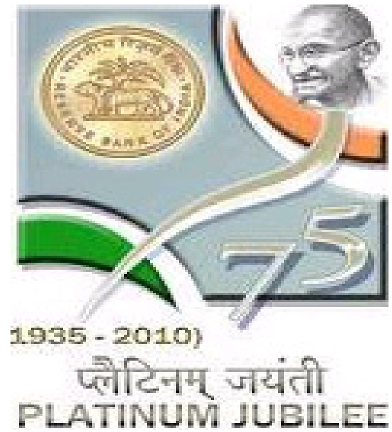
Jonathan L Huie

Monetary and Credit Information Review

Guidelines on the Base Rate

The Reserve Bank has directed scheduled commercial banks to switch over to the new system of base rate in place of the existing benchmark prime lending rate (BPLR) system from July 1, 2010. The main highlights of the new base rate system are as follows **:**

- Base rate shall include all those elements of the lending rates that are common across all categories of borrowers. Banks may choose any benchmark to arrive at the base rate for a specific tenor that may be disclosed transparently. Banks are free to use any methodology provided if it is consistent and is made available for supervisory review/scrutiny, as and when required.
- Banks may determine their actual lending rates on loans and advances with reference to the base rate and by including such other customer specific charges as considered appropriate. The actual lending rates charged may be transparent and consistent and be made available for supervisory review/ scrutiny, as and when required.
- In order to give banks some time to stabilise the system of base rate calculation, banks are permitted to change the benchmark and methodology any time during the initial six month period i.e. end-December 2010.
- All categories of loans should henceforth be priced only with reference to the base rate. However, the following categories of loans could be priced without reference to the base rate: (a) advances under differential rate of interest scheme (b) loans to banks' own employees (c) loans to banks' depositors against their own deposits.
- The base rate could also serve as the reference benchmark rate for floating rate loan products, apart from external market benchmark rates. The floating interest rate based on external benchmarks should, however, be equal to or above the base rate at the time of sanction or renewal.
- Changes in the base rate shall be applicable in respect of all existing loans linked to the base rate, in a transparent and non-discriminatory manner.
- Since the base rate will be the minimum rate for all loans, banks are not permitted to resort to any lending below the base rate. Accordingly, the current stipulation of BPLR as the ceiling rate for loans up to Rs.2.00 lakh stands withdrawn.



- Banks are required to review the base rate at least once in a quarter with the approval of the board or their asset liability management committees (ALCOs) as per the bank's practice. Since transparency in the pricing of lending products has been a key objective, banks are required to exhibit the information on their base rate at all branches and also on their websites. Changes in the base rate should also be conveyed to the general public from time to time through appropriate channels. Banks are required to provide information on the actual minimum and maximum lending rates to the Reserve Bank on a quarterly basis, as hitherto.
- The base rate system would be applicable for all new loans and for those old loans that come up for renewal. Existing loans based on the BPLR system may run till their maturity. In case existing borrowers want to switch to the new system, before expiry of the existing contracts, an option may be given to them, on mutually agreed terms. Banks, however, should not charge any fee for such switch-over. The Reserve Bank will separately announce the stipulation for export credit.

It may be recalled that the draft guidelines on the system of base rate were placed on the Reserve Bank's website in February 2010. Taking into consideration feedback/suggestions received, the final guidelines have been issued. It is expected that implementation of the base rate system would enhance transparency in lending rates of banks and would also lead to better assessment of transmission of monetary policy.

Prudential Norms - Projects under Implementation

In terms of the extant prudential norms on income recognition, asset classification and provisioning pertaining to advances (IRAC norms), a grace period of two years for infrastructure projects, and six months for industrial projects, is available for commencement of commercial operations after the original date of completion of the project, for the purpose of retaining the standard asset classification. The Reserve Bank has decided to modify the IRAC norms for project loans in view of several representations received to the effect that there are occasions when the completion of projects is delayed due to reasons beyond the control of the promoters. Some of the main highlights of revised guidelines are as follows**:**

If an infrastructure project loan classified as 'standard asset' is restructured any time during the period up to two years from the original date of commencement of commercial operations (DCCO), it can be retained as a standard asset if the account continues to be serviced as per the restructured terms **:**

Banks should maintain provisions of 0.40 per cent until two years from the original DCCO and 1.00 per cent during the third and the fourth year after the original DCCO on such accounts as long as these are classified as standard assets.

In case of non-infrastructure projects, if the delay in commencement of commercial operations extends beyond the period of six months from the date of completion, banks can prescribe a fresh DCCO, provided the fresh DCCO does not extend beyond a period of twelve months from the original DCCO.

Any change in the repayment schedule of a project loan caused due to an increase in the project outlay on account of increase in scope and size of the project, would not be treated as restructuring if**:**

(a) The increase in scope and size of the project takes place before commencement of commercial operations of the existing project.

(b) The rise in cost excluding any cost-overrun in respect of the original project is 25 per cent or more of the original outlay.

These guidelines will, however, not be applicable to restructuring of advances classified as commercial real estate exposure, capital market exposure and consumer and personal advances which will continue to be dealt with in terms of the extant provisions in the IRAC norms. 'Project Loan' would mean any term loan which has been extended for the purpose of setting up of an economic venture. Banks must fix a DCCO for all project loans at the time of sanction of the loan/financial closure.

Annual Policy Statement for 2010-11

Dr. D. Subbarao, Governor, Reserve Bank of India, in a meeting with chief executives of major commercial banks presented the Annual Policy Statement for 2010-11 on April 20, 2010. He said the immediate challenges facing the economy are (a) uncertainty about the pace and shape of global recovery; (b) increase in global commodity prices could add to inflationary pressure; (c) an unfavourable south-west monsoon could exacerbate food inflation while also imposing fiscal burden and dampening rural consumer and investment demand; (d) large capital inflows pose a challenge for exchange rate and monetary management; (e) the overall size of the government borrowing programme is still very large and can exert pressure on interest rates. The monetary policy has been formulated keeping the above in view. The highlights are **:**

Projections

- Real GDP growth for 2010-11 placed at 8.0 per cent with an upside bias.
- Money supply (M3) growth for 2010-11 placed at 17.0 per cent.
- Aggregate deposits of scheduled commercial banks projected to grow by 18.0 per cent.
- The growth in non-food credit of scheduled commercial banks is placed at 20.0 per cent.

Stance

- Anchor inflation expectations, while being prepared to respond appropriately, swiftly and effectively to further buildup of inflationary pressures.
- Actively manage liquidity to ensure that the growth in demand for credit by both the private and public sectors is satisfied in a non-disruptive way.
- Maintain an interest rate regime consistent with price, output and financial stability.

Monetary Measures

- Bank rate retained at 6.0 per cent.
- Repo rate under the Liquidity Adjustment Facility (LAF) increased by 25 basis points from 5.0 per cent to 5.25 per cent with immediate effect.

- Reverse repo rate under the LAF increased by 25 basis points from 3.5 per cent to 3.75 per cent with immediate effect.
- Cash reserve ratio (CRR) of scheduled banks increased by 25 basis points from 5.75 per cent to 6.0 per cent of their net demand and time liabilities (NDTL) effective the fortnight beginning April 24, 2010.

Developmental and Regulatory Policies

- Final guidelines on the issuance of non-convertible debentures (NCDs) of maturity less than one year to be issued by end-June 2010.
- Recognised stock exchanges to introduce plain vanilla currency options on spot US Dollar/Rupee exchange rate for residents.
- Banks to classify their investments in non-SLR bonds issued by companies engaged in infrastructure activities and having a minimum residual maturity of seven years under the held to maturity (HTM) category.
- A reporting platform for all secondary market transactions for certificate of deposits and commercial papers to be created.
- A working group to be constituted to work out the modalities for a single point reporting mechanism for all OTC interest rate and forex derivative transactions.
- Banks to be permitted for engaging any individual, including those operating common service centres (CSCs) as business correspondents.
- A working group to be constituted for better understanding of the grass-root level rural co-operatives for promoting financial inclusion.
- Committee to be set up for studying the advisability of granting new urban co-operative banking licences.
- Well-managed urban co-operative banks (UCBs) to be allowed to set up off-site ATMs without seeking approval through the annual business plans.

RRBs with low capital adequacy to get funds first

The government is planning to give priority to regional rural banks (RRBs) with low capital adequacy ratio (CAR) as part of efforts to recapitalise them in 2010-2011. This is on the lines of the proposed capital infusion into public sector banks. *"We are waiting for the committee's report on RRBs which will assess the requirements of rural banks and the capital support needed. Based on its recommendations; we will decide how much capital is needed. We want all RRBs to have at least 7 percent CAR*" said a finance ministry official.

The government has provided Rs.3,959 crore to rural banks on two prior occasions as part of its initiative to recapitalise them, including in 2006-07. Shri Prakash Bakshi, Executive Director, National Bank for Agriculture and Rural Development (NABARD) said that the recapitalisation would be linked to certain performance benchmarks, including capital adequacy, non-performing assets (NPAs) and the credit deposit ratio.

Centre to help PSU banks stick to CAR with Rs.35,000 crore infusion

The government has chalked out a two year plan to infuse around Rs.35,000 crore of capital in public sector banks to enable them to meet the economy's credit requirement. The proposed capital infusion will be done in Tier-I capital funds, which will help them to maintain an 8% Tier-I capital adequacy ratio (CAR).

According to the government review, the combined capital requirement of public sector banks (PSBs) over the next two years is around Rs.38,000 crore. *"We have already approved a capital support of Rs.4,600 crore to four banks, of which Rs.1,900 crore has already been disbursed",* according to the Finance Ministry.

The infusion of capital in PSBs is to ensure that the banking system does not suffer from capital adequacy constraints. Capital infusion is also necessary in the case of some banks such as Oriental Bank of Commerce, Dena Bank and Andhra Bank which will not be able to access the capital market till 2011 as the government holding in these banks is close to 51%. The government has clearly indicated that it will not bring down its holding in banks below 51%.

Banks's capital structure consists of Tier-I and Tier-II capital. The major components of Tier-I capital are enquity share capital, equity share premium and statutory reserves. According to Basel-II requirements, banks need to maintain a CAR of 12%, including Tier-I and Tier-II capital.

"The move will also help banks to raise Tier-II capital, which will have a multiplier effect on their credit lending and ratings both in international and domestic markets", said a State Bank of India (SBI) official. The bank has already indicated that it is planning to raise around Rs.20,000 crore in 12-18 months through a rights issue.

Govt. to infuse Rs.500 cr into IIFCL

The government will infuse Rs.500 crore into the state-owned India Infrastructure Finance Company (IIFCL) in 2010-11, in a bid to strengthen its capital base.

The Rs.500 crore Budget provision is for the equity support to meet the capital requirement of the company during the year. As per the business programme, capital requirement during 2010-11 would be Rs.2,363 crore to support direct lending to infrastructure projects as well as refinancing to banks.

The present authorised capital of the company stands at Rs.2,000 crore and the paid-up capital is Rs.1,800 crore. The government established IIFCL in 2006 to provide long-term financial assistance to infrastructure projects.

"Its disbursements are expected to touch Rs.9,000 crore by end March 2010 and reach around Rs.20,000 crore by March, 2011", finance minister, Shri Pranab Mukherjee said.

IIFCL has also been authorised to refinance bank lending to infrastructure projects. It has refinanced Rs.3,000 crore during the current year and is expected to more than double that amount in 2010-11.

IIFCL for the nine month period ended December, 2009, recorded nearly two-fold jump in net profit at Rs.152 crore. The company had earned a net profit of Rs.82 crore in the same period previous fiscal.

Rs.9,000 cr capital infusion for PSU banks by April-May

The government is to pump in around Rs.9,000 crore into select state run banks by April-May, in the first phase of its capital infusion programme announced in the Budget 2010-2011. It is expected that UCO Bank, Bank of Maharashtra, Indian Overseas Bank, Syndicate Bank, Dena Bank, among others will make it to the list.

In the Budget, the government has ear-marked Rs.16,500 crore for recapitalisation of state-run banks, to enable them to maintain 8% Tier-I capital by March 31, 2011. However, the government is yet to decide which banks it would infuse funds into and the amount for each lender. The ways of new technology models for spreading banking activities in unbanked areas as promised by finance minister, Shri Pranab Mukherjee in the Budget are being discused.

The government and RBI have chalked out a road map to take banking services to the already identified 60,000 unbanked areas with a population of over 2,000 by 2012.

$ 75-m IFC loan to IDFC for climate change projects

The World Bank's multilateral lending arm, International Finance Corporation (IFC), will provide $75 million (around Rs 338 crore) to Infrastructure Development Finance Corporation (IDFC) for investments in renewable energy, cleaner production and energy efficiency projects. This project is part of IFC's climate change strategy of partnering with financial intermediaries to scale up the impact for climate change projects in India. IDFC, which has its registered office in Chennai, invests in infrastructure projects all over India.

The project will help IDFC scale up its capacity to assess renewable energy and energy efficiency projects through sharing of IFC's experience and knowledge of these sectors worldwide. Through the proposed facility, IDFC and IFC will be able to leverage each other's strengths, IDFC's client reach in the local market and IFC's expertise in climate change projects, to achieve a wider scale and impact on climate change investments in India. The expansion into climate change areas by a leading financial intermediary like IDFC is expected to help attract other financial institutions to increase their risk appetite and invest more in these sectors. IFC's engagement across several solar initiatives, both in manufacturing and project development, in India and abroad, has enabled it to develop a deep understanding and knowledge about this sector. IFC has also been closely working with key policy makers in India in helping them develop a framework for promoting solar energy applications

CIBIL in pact with 31 MFIs to set up credit bureau

Credit Information Bureau India Limited has entered into an agreement with 31 leading micro finance institutions to set up a credit information bureau for MFIs. These MFIs are part of the Micro finance Institutions Network, which was set up recently as a self regulatory organisation of MFIs, a release said. *"The establishment of Micro finance Credit Information Bureau is a vital step towards inculcating financial discipline among the borrowers of micro-loans and will increase credit penetration,"* Cibil's Managing Director, Shri Arun Thukral said.

* * *

MISCELLANY

DIVIDEND INCOME

What is dividend income?

Dividend is the portion of profits that a company distributes among its shareholders in the form of cash. Usually it is expressed per share. In some cases it is expressed as a percentage of the share's face value. So if your company declares a 100% dividend, you will get an amount equal to the face value of the share and not equal to its market price. When dividend is expressed in percentage terms, it is the face value that is referred to. The same holds good when it comes to dividends declared by mutual funds—it is par value of units that is considered—which usually stands at Rs. 10.

What is dividend yield?

The ratio of dividend amount per share to the prevailing market price of the share is a yardstick to identify attractively-valued stocks. Other things remaining equal, the higher the dividend yield and the rate of interest quoted on a fixed deposit, the only difference being that on the latter, the amount invested is expected to be returned along with a pre-determined interest whereas in the case of stocks, neither future dividends nor prices are fixed. One can extend the logic of dividend yield of a stock to a stock index to determine if an index is quoting at a cheap valuation.

Are stocks with high dividend yield good investments?

If you come across a stock with a high-dividend yield, don't lap it up blindly. Check if the dividends are regularly paid by the company, which should have a dividend policy in place. You should also be aware of the source of the dividend, i.e., whether it is paid out of a previous year's profits or out of profits earned from non-operating activities such as sale of assets, etc. You further need to have a good sector understanding to pick up good opportunities.

Investing on the basis of dividend yield has emerged as a popular practice in developed markets. One such popular practice is 'Dogs of Dow' where investors each year pick up 10 stocks which have the highest dividend yields on the Dow Jones Industrial Average index. These stocks are held till the end of the year. This has made many invest in equities with minimum efforts on research and earn healthy returns.

How will I benefit from dividend income?

In India, equity dividends paid by listed companies are tax free in the hands of shareholders. The company declaring the dividend has to pay a dividend distribution tax to the government. Though dividend is one of the reasons that makes investors hold on to equities, capital appreciation is a more important reason. Dividend yield can be a good tool to identify an undervalued stock that many offer good appreciation.

There are investors who recognise the importance of dividend yield investing. Mutual funds have long ago identified it as a useful strategy in the Indian capital markets. There also are dedicated schemes that invest in equity and equity-related instruments of companies focusing on dividend yields of companies. The schemes maintain a portfolio of stocks that are available at attractive dividend yield among a host of other factors. The strategy is known as a defensive investment strategy.

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