COSIDICI COURIER

BI MONTHLY JOURNAL OF COUNCIL OF STATE INDUSTRIAL DEVELOPMENT and INVESTMENT CORPORATIONS OF INDIA

VOL. XXXXVIII NO. 6 **NOVEMBER-DECEMBER, 2010**

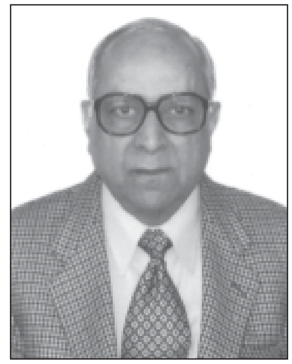
CONTENTS

From The Editor's Desk

PROFESSIONALISATION OF STATE FINANCIAL CORPORATIONS (SFCs)

There is no denying the fact that the State Financial Corporations (SFCs) set up in the country in early 50s have done a commendable job in decentralization of industrial activities, removal of regional economic imbalances, generation of employment opportunities and removal of poverty in the rural & semi-urban areas. These Development Financial Institutions (DFIs) have developed spirit of entrepreneurship in the decentralized sector and contributed immensely towards the industrial development of the country during the last five decades. These DFIs received support and encouragement in desired measures from all corners such as Government of India, State Governments, RBI, IDBI, SIDBI etc. Ever since these DFIs came into existence they have been managed and controlled by the respective state governments. However, a disquieting feature of their working has been that despite their strategic importance in the national economy and their laudable objectives they have not been able to acquire essential business and professional characteristics in their functioning. Because of their monopoly in the field for nearly four decades, they tended to function like any deptt. of the State Government with attendant pitfalls and insensitivity. During the past two decades a number of Committees / Working Groups have been set up to study the problems of these Institutions and suggest measures for their revival. But nothing concrete had emerged so far. As a result, these important channels for providing financial assistance to the SSIs have been effective only in a few states. The underlying cause for poor performance of these DFIs was diagnosed by two of the various Committees, namely; Khan Working Group on "Harmonizing the role and operations of DFIs and Banks' and Kapur Committee on "Credit to SSIs" (1998). The Khan Working Group observed as under :-

"A thorough revamp of the management structure and an infusion of professionalism into the operations of the SLFIs is imperative for their sustainable turnaround. The Chief Executives of SLFI, who are usually serving IAS Officers, are appointed by the State Government. It has been the practice with most of the State Governments to change the Chief Executives frequently resulting in lack of continuity at the top management level. With a view to fostering professionalism and efficiency, the CEOs of the SLIs should ideally be a professional/technocrat and be appointed by the Board and shareholders for a fixed term to whom he should be accountable for his performance".



Shri K.K. Mudgil

The Kapur Committee has been rather more critical about SFCs. The Committee observed :-

"Most of the SFCs are plagued by low recoveries, indifferent management and political interference. Normally, the Chairman is a political person and the Managing Director is drawn from Civil Services. Even though the MD has to be appointed by the State Government in consultation with IDBI, (now SIDBI) yet this consultation rarely takes place before the appointment is made. As a result, appointment of MDs without considering their background etc. and their frequent transfers have played havoc with the management of these corporations".

Although SFCs Act was comprehensively amended by the Government in the year 2000, the management of SFCs continues to be the weakest area in the SFCs Act; there has been no perceptible reform in this regard except some window-dressing measures like nominations of Directors by other financial institutions and individual shareholders. Keeping the post of Managing Director and Chairman separate is bound to create avoidable complications and at times lead to friction between the two. The ideal situation would have been to appoint Chairman & Managing Director (single individual) by the State Government in consultation with SIDBI.

The very existence of an institution depends upon the quality of its management and the outlook of its staff. Over a period of time, some glaring deficiencies have crept into the managerial functioning of the State Financial Corporations. The staffing pattern of SFCs warrants rationalization and the urgent need is to change the mindset of the employees and inculcate in them a sense of loyalty, discipline and responsibility. In the wake of ongoing financial sector reforms and an aggressive competition SFCs have to face from commercial banks and other financial institutions, it is absolutely necessary that customer service in SFCs is improved to a large extent. Only those financial institutions will survive in the market, which provide efficient customer service to their clients and also imbibe best practices in their operations. With these objectives in view, COSIDICI has arranged training programmes on continuing basis for the officers of SFCs/SIDCs at the Reserve Bank's College of Agricultural Banking, Pune, where the above aspects form part of the curriculum. The employees of SFCs are required to be motivated to give their best and in that direction, the Chief Executives and other senior officers of SFCs can play a very significant role.

Ever-rising level of overdues and non-performing assets in SFCs has been a major contributory factor in crippling the financial health of these institutions. There could be no two opinions that re-cycling of funds in a financial institution is absolutely necessary for it to survive and sustain itself in the long run. If a large chunk of its resources are locked up in overdues and NPAs, it is bound to land itself in a serious crisis sooner of later. This is what has exactly happened in the case of SFCs, which have been struggling for survival. The urgent need, therefore, is to tackle the problem of rising NPAs and unless the balance sheets of these Corporations are cleansed by curtailing the NPAs either by way of recovery or write-off, their re-vitalization would remain a distant dream. Although these Corporations are adequately armed by virtue of Sections 29 to 32 of the SFCs Act for recovery of their dues, these statutory provisions have somehow not helped these Corporations. This was largely on account of external pressures, political interference and long-drawn litigation.

The panacea for the present difficulties of SFCs lies in launching a special campaign for the recovery of overdues and NPAs. The SFCs may appoint special teams of officers to establish direct contact with the defaulters and explore the possibility of recovering their dues. If necessary and depending upon the merit of each case, the Corporation can resort to 'One Time Settlement' of its dues with the defaulting units. In this connection, looking to what has happened in the past, it is extremely important that the Chief Executives of the SFCs may take the State Governments into confidence in invoking Section 29 of the SFCs Act for recovery of their dues. The recovery of NPAs along with the interest will improve the profitability of the Corporations and will also improve its capital adequacy ratio to that extent. I, therefore, strongly feel that of all the strategies, which may be perceived for reviving SFCs, recovery of NPAs should occupy a place of highest priority and all efforts should be directed towards this end. The SFCs may draw up a detailed action plan for this purpose and deploy a large number of their officers for recovering the NPAs. The progress of this campaign may be monitored by a team of senior executives headed by the Managing Director at the Head Office of the Corporation.

COSIDICI while evolving strategies for the revival of SFCs, has always emphasized the imperative need and urgency for bringing about financial and operational efficiency in the SFCs and also to improve their customer services. These Corporations require organizational, financial and managerial re-structuring to bring about necessary reforms in their functioning in tune with business environment brought about by ongoing financial sector reforms. Any step such as re-capitalization taken in isolation would, therefore, prove ineffective and futile.

{ K.K. MUDGIL }

LETTER TO THE EDITOR

Date : 29.10.2010

Dear Editor,

Thank you for your letter dated October 19, 2010 alongwith the book ***"Decentralised Economic Development"*** authored by your goodself.

I went through the book. It is a scientific analysis of the current world economic crisis. I am sure this book will prove to be a guide for economic upliftment of the country and individuals.

With regards,

Yours sincerely,
Sd/-

{Dr. S. Akbar Kausar}
Alkausar Unani Kidney Foundation
370, Mosque Street, New Town,
Vaniyambadi-635752, Vellore District,
TAMILNADU

DO YOU KNOW !

COMMONWEALTH A VOLUNTARY ASSOCIATION

The Commonwealth of Nations, normally referred to as the 'Commonwealth' and previously known as the 'British Commonwealth', is an intergovernmental organisation of fifty-four independent Member States. Fifty-four independent states working together in the common interests of their citizens for development, democracy and peace. Commonwealth countries work together in a spirit of co-operation, partnership and understanding. This openness and flexibility are integral to the Commonwealth's effectiveness.

Antigua and Barbuda	Jamaica	St Lucia
Australia	Kenya	St Vincent and the Grenadines
The Bahamas	Kiribati	Samoa
Bangladesh	Lesotho	Seychelles
Barbados	Malawi	Sierra Leone
Belize	Malaysia	Singapore
Botswana	Maldives	Solomon Islands
Brunei Darussalam	Malta	South Africa
Cameroon	Mauritius	Sri Lanka
Canada	Mozambique	Swaziland
Cyprus	Namibia	Tonga
Dominica	Nauru**	Trinidad and Tobago
Fiji Islands*	New Zealand	Tuvalu
The Gambia	Nigeria	Uganda
Ghana	Pakistan	United Kingdom
Grenada	Papua New Guinea	United Republic of Tanzania
Guyana	Rwanda	Vanuatu
India	St Kitts and Nevis	Zambia

*Following the decisions taken by the Commonwealth Ministerial Action Group on 31 July 2009, Fiji Islands was suspended from membership of the Commonwealth on 1st September 2009.

**Nauru is a Member in Arrears

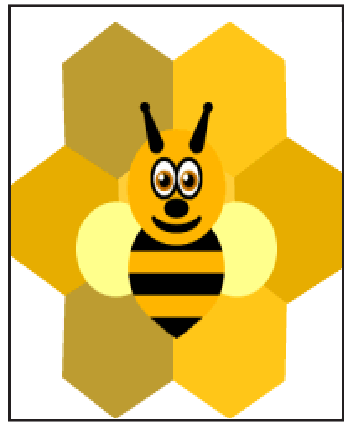
ECONOMIC GEOGRAPHY MATTERS

The recent controversy with regard to computation of the GDP raises some issues. Is GDP always the appropriate indicator to measure the economic activity of a country or a region? Why is it important for us to have a geographical perspective on this aggregate measure of economic activity? Economic activity clearly is much more intense near oceans, or, if inland, along navigable rivers where transportation by ship is feasible. The best example of capitalising on the geography of a place for furthering economic activity is China's special economic zones, which India is now trying to emulate. The 2009 World Development Report highlights the fact that since the 1990s, millions of Chinese workers have migrated to get closer to economic opportunity concentrated along the coast.

John Gallup, Jeffrey Sachs and Andrew Mellinger in 1999 introduced the concept of 'GDP density', calculated by multiplying GDP per capita by the number of people per square kilometer. Defined in this way, GDP density is a measure of economic activity by area. One of the original purposes for deriving this measure was to study the role of geography in economic development. As described by Sachs, et al, one finding is that the great majority of the poorest countries lie in the geographical tropics, the area between the Tropic of Cancer and the Tropic of Capricorn. In contrast, most of the richest countries lie in the temperate zones as well as along coastal areas. Reasons for these differences are discussed by the authors.

Taking this geographical measure, we find that the GDP density in China presents a declining trend from the southeast to the northwest of China. In fact, China is divided into five grades of GDP density. While the GDP density for India, based on 1999 data, was roughly $117.204 (based on an exchange rate of $1= Rs.46.37), we found that there are no recent estimates of GDP density at the subnational level for Indian states.

Based on data from the Central Statistical Organisation, we computed and examined GDP density for all Indian states in constant 1999-00 prices from 1999-00 to 2009-10, and compared this with GDP per capita for the states over the same period. The findings are interesting. If we were to take GDP per capita, the bottom states were Madhya Pradesh, Uttar Pradesh and Bihar (both in 1999-00 and 2006-07).



Also, West Bengal is at 16 and 17 respectively (based on 1999-00 and 2006-07 GDP per capita). However, if we were to take our new geographical measure, GDP density, into account, MP, UP and Bihar are in the top 15 states (their ranking being eight, 12 and 14, respectively). West Bengal's rank moves up to six (both in terms of its 1999-00 and 2006-07 GDP density). Madhya Pradesh's GDP density is higher than India's national average, being $310.402 (in 1999, in 1999-00 constant prices). So is Uttar Pradesh's ($156.186 in 1999 in 1999-00 constant prices) when compared with the national average for that year (Bihar's is slightly lower than the national average for that year, being $114.911).

This implies that these states have a smaller area in relation to their economic activity. While Goa and Delhi are the top ones in terms of GDP per capita, Delhi, Chandigarh and Puducherry are the richest in terms of GDP per square kilometer (GDP density). Thus, Goa moves out of the top three league when GDP density is taken into account.

The above implies that GDP density is a much more important measure of economic activity for the poorer states. This is so because the data shows that while the areas are relatively poor, economic activity in these states is quite high in relation to their geographical area. This is important to know because of the implications for service provision, along with others. Given density varies across regions much more than GDP per capita, it tends to have a larger effect on income per unit area — the most important variable in determining the feasibility of public network access.

Take the example of telecom. Economies of density are an important characteristic that defines cost per line in the provision of telecom. 'Cherry-picking' high average revenue per user (ARPU) in select high density locations is a strategy successfully adopted by private competitive fixed-line telecom service providers in the country to reduce breakeven time from six-seven years down to one-two years. The current categories of telecom circles of A, B and C in India are based on revenue potential for telecom services (with circle A having the most revenue potential and circle C, the least). This classification is the basis of varying licence rates (10%, 8% and 6% of adjusted gross revenue) and varying reserve prices (Rs.320, Rs.120 and Rs.30 crore, respectively) for the recently concluded 3G auction.

However, a look at the GDP density for these states shows some surprising findings. The category B circles of Haryana, Kerala and Punjab lead in GDP density over all the category A circles of Andhra Pradesh, Gujarat, Karnataka, Maharashtra (including Mumbai) and Tamil Nadu. This implies that the potential for recovering the cost of service provision in these 'poor revenue potential' states is better than what is perceived to be the case. Based on this, a relook at the categorisation of circles as envisioned in the basic, cellular and unified access service licence guidelines, might be needed.

Thus far, cross-country econometric models of growth have focused only on GDP per capita as a variable to be explained. But we believe that geography continues to matter importantly for economic development along with economic and political institutions. From an analytical point of view, we believe that geographical considerations should be reintroduced into econometric and theoretical studies of cross-country economic growth, which so far have almost completely neglected geographical themes.

***

G. Venkatesh and V. Sridhar are with Sasken Communication Technologies and Kala S. Sridhar is with Public Affairs Centre. Views are personal.

Courtesy : The Economic Times

APPOINTMENTS

- Dr. Niranjan Mardi, IAS has been appointed as Chairman & Managing Director, State Industries Promotion Corporation of TamilNadu Ltd. {SIPCOT}, Chennai vice Shri N. Govindan, IAS.
- Dr. S.M. Jaamdar, IAS has been appointed as Managing Director, Karnataka State Financial Corporation {KSFC}, Bangalore vice Shri Kaushik Mukherjee, IAS.

***

STATES CAN HARNESS THEIR POPULATION TO GROW

India is at the centre of the population-versus growth debate. With the world's second-largest population at 1.2 billion, the country must focus on turning this population into a benefit rather than a disadvantage. This month, we look at how states in India can use their population size and growth rate to improve their competitiveness.

Traditional economic thinking sees population as a drag on a nation's economic growth. However, with the world looking towards India as a growing and vibrant market, her 'demographic advantage' is often touted as her biggest asset.

According to the theory of demographic dividend, the rate of economic growth increases due to a rising share of working age people in a population. For India, falling fertility rates are resulting in a larger chunk of working-age people, who can contribute to the GDP and generate higher output per capita.

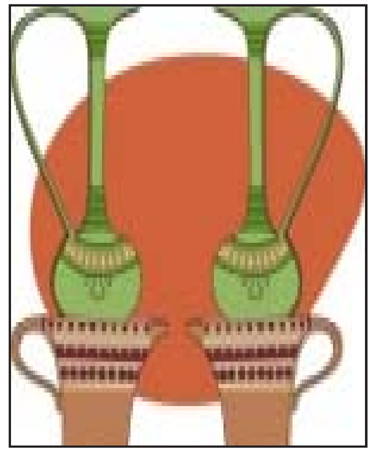
In fact, the International Labour Organization (ILO) has stated that India will account for the highest working age population in the next 10 years, in a report released recently. In the document prepared for the G-20 Summit held earlier this month in Seoul, the ILO says that the G-20 nations will see their working age population between 15 and 64 years increase by 212 million in the period 2010-2020. Over 64% of this increase will occur in India alone!

This month's IFC India State Development Barometer takes a sharp look at what population really means to the economic growth of India's states and analyses how states can use their demographic situation to improve their competitiveness, and hence, enhance their prosperity.

Rising stars among states

It is widely accepted that growth among Indian states is skewed, with some prosperous states bearing the burden of growth, while several other lag in terms of GDP growth and development parameters.

The average decadal GDP growth figures show that unexpected states such as Bihar and Orissa, historically notorious for poor growth, have exhibited a sustained GDP growth rate. Bihar, specifically, is notable for exhibiting a remarkable decadal growth rate of 10.83% while contributing on a modest population base. Bihar accounts for 8.1% to the country's population, as seen in the accompanying graph.



Meanwhile, states such as Maharashtra, Goa, Punjab and Tamil Nadu, that are known for their higher levels of industrialisation, human development or agricultural prosperity seem to have slowed in terms of GDP growth over the past decade.

Size does matter

A large size of population appears to be a burden on the economy of states such as Uttar Pradesh, Rajasthan, West Bengal and Madhya Pradesh. These states are also usually characterised by low per capita income and higher disparities. Large population size is a major factor, among several others, that is dragging down the economic growth of relatively affluent states like Maharashtra, Karnataka and Tamil Nadu. Yet, a few states such as Bihar, Andhra Pradesh and Gujarat with large populations are exhibiting high GDP growth.

No burden on economic growth

Sixteen states in India have a GDP growth higher than the national average. Of these, ten states show a population growth rate higher than the national average, while six other states have a population growth rate lower than the national average.

Population growth, considered a burden to economic growth, seems to have little correlation with GDP growth (correlation = 0.24). Large states such as Bihar, for instance, have showed sustained GDP growth over the decade along with a steadily rising population, whereas states such as Punjab and Manipur with slower population increase are showing GDP growth rates that are lower than the national average.

Population, a double-edged sword

Clearly, population is a double-edged sword. On one hand, the data shows that there is no clear correlation between growth in population and GDP. Yet, according to the demographic dividend theory, a large working age population is an asset.

In order to be able to catapult their growth rates, states need to look closely at their competitiveness, which in turn is linked to their level of productivity. Improved competitiveness leads to improved incomes and better quality of life across the board. When viewed from this standpoint, states will be able to develop strategies on how best to utilise their workforce — small or large, growing slow or growing fast — to maximise productivity.

Group 1: States with lower population growth rates and high GDP growth rates, such as Kerala, Andhra Pradesh and Orissa need to look closely at the training levels of their workforce and create strategy to move towards high value sectors and industries that need a more skilled workforce, which are also correspondingly far more productive.

Group 2: States with healthy GDP and population growth rates, such as Chandigarh , Delhi, Haryana and Bihar must focus on sectors where they are inherently competitive because of the presence of natural resources or traditional skills and knowledge. These states should find ways to turn the availability of a large workforce in their favour by offering suitable education policies and opportunities. Setting the right priorities is critical to enhance competitiveness for this band of Indian states.

Group 3: A number of states such as Karnataka, West Bengal, Rajasthan, Tamil Nadu and Mizoram are performing only slightly below India's average GDP growth rate. These states can quickly catapult themselves into Group 2 with a focused effort on productivity.

Group 4: A roadmap for enhancing competitiveness is critical for poorly performing states. Among these, states such as Uttar Pradesh and Madhya Pradesh with large and growing populations must control the rate of population growth through effective healthcare and outreach efforts, as arresting population growth takes time. They also need to harness their large growing workforce effectively and focus on promoting economic activities that can employ and utilise a large labour workforce, like certain types of manufacturing.

Vision for the future

A look at the relationship between the population and GDP growth serves to highlight how states in various stages of growth — both economic and demographic — can harness their position in the best possible manner. This is best done by first ascertaining a state's inherent competitive edge — these could be resources , sectors, human potential, etc — and then designing and implementing policy around this to achieve highly productive and efficient clusters that provide employment, contribute to growing the GDP and bring prosperity as well.

* * *

Courtesy : The Economic Times

Your goal should be your obsession. Everything you do should move you in that direction.

PROFILE OF MEMBER CORPORATIONS

MADHYA PRADESH FINANCIAL CORPORATION {MPFC}

Madhya Pradesh Financial Corporation is the premier institution of the state, engaged in providing financial assistance and related services to small to medium sized industries. Also, it is registered as Category-I Merchant Banker with Securities Exchange Board of India and setup a separate merchant banking division in the name of MPFC Capital Markets.

Incorporated in the year 1955,under the State Financial Corporation Act, 1951 (No. LXIII of 1951), it works under the control of the Board of Directors, consisting of representatives from State Government, Small Industries Development Bank of India, Reserve Bank of India, Scheduled Banks, Insurance Companies, Co-operative Banks and other shareholders.

MPFC is a well knit organisation with its head quarters at Indore - the industrial hub of Madhya Pradesh, and 20 offices at different places.

SERVICES

M.P. Financial Corporation has been providing financial assistance to industrial units in the state of Madhya Pradesh for the last five decades. It has been extending wide ranging fund and non fund based services. A number of new schemes for providing financial assistance and services to industries, professionals and other business associates have been successfully introduced by the corporation.

MPFCs fund based schemes are available for setting up industrial/business ventures within the state of Madhya Pradesh. Whereas, its non fund based schemes are available throughout India

THE CORPORATION OFFERS:

- Financial assistance by sanction of Term Loans to new Tiny, Small and Medium enterprises and Services Sector for acquiring fixed assets like land, building, plant & machinery and other miscellaneous assets.
- Sanction of Term Loans to existing industrial concerns and services sector units for expansion/ modernisation/ diversification.

- Sanction of Working Capital Term Loans to meet working capital requirements of industrial / service enterprises under special schemes.

ACTIVITIES FINANCED BY THE CORPORATION:

- General Loans for setting up new tiny, small and medium scale
- enterprises and service sector units.
- Hotels/Restaurants.
- Tourism related facilities (Amusement parks, Convention centers,
- restaurants, Travel & Transport, Tourist service agencies, Mobile
- canteen /catering),
- Hospitals/Nursing Homes.
- Acquiring Electro Medical Equipment, setting up of Medical Stores.
- Transport Loans (SRTOs) & acquisition of private vehicles,
- Construction and purchase of commercial complex and
- Development of Residential Colonies.

- Development /maintenance and construction of roads.
- Qualified Professionals (Management, Accounting, Medical
- Professionals, Architects & Engineers, Veterinary clinics),

AREA OF OPERATION:

The Corporation extends financial assistance for an enterprise established/to be established in the State of Madhya Pradesh with its net work of 20 branches covering all the districts of the State.

TERM LOAN

- Term loan is provided for the purpose of creation of fixed assets(such as land, factory building, plant and machinery, electricals etc.), for setting up of new unit and for mordernisation, diversification, expansion, and/or replacement of equipments in existing units.
- Finance is provided to new industrial units. It is also provided to Hotels, Service Industries, Transportation, R & D activities.
- The maximum limit of assistance to non-corporate sector is Rs. 200.00 lacs and for corporate sector it is Rs. 500.00 lacs.
- Period of assistance depends upon merits of the case ranging between 5-8 years.

EQUIPMENT FINANCE

- Assistance is available for acquiring identifiable and new items of plant & machinery, equipments etc.
- It is available to industrial concerns in existance for atleast 4 years, earning profits/ declaring dividend on its share for preceding two years and are not in default to institutions/ banks in payment of their dues dues.
- Maximum amount available is 77.5% of the cost of the machine - restricted to Rs. 90.00 lacs per proposal.
- The overall debt equity ratio (including the assistance under the scheme) should not be more than 2:1.

ASSET CREDIT

- Assistance under this scheme is available for purchase of equipments for the purpose of expansion, mordernisation, diversification and/or for the replacement of the equipments. Medical equipments, energy saving systems, vehicles and other equipments for manufacturing and service industry are also eligible under the scheme.
- This scheme is available to existing, concerns having atleast two years profitable operations.
- Upto 100% of the cost of the equipment can be financed under the scheme with a minimum of Rs 25.00 lacs and maximum of Rs. 500.00 lacs.
- The debt equity ratio (including the assistance under the scheme) should be 1:1.
- The assistance under the scheme is available for 3 to 5 years & is repayble in monthly/ quarterly instalments.

SHORT TERM LOAN

- This scheme has been designed to meet the short term requirement of funds for working capital purposes due to peak season needs or for fulfillment of specific order/job enhancement of working capital limits pending upto Bank etc.
- It is provided to concerns which are in the profit for the last 4 years, having working capital limits sanctioned by any other commercial bank, having regular account with MPFC /Other financial institution.
- The minimum assistance under the scheme is Rs. 2.00 lacs and maximum Rs. 100.00 lacs.
- The debt equity ratio should not be more than 1:1 and current ratio should not be less than 1.5:1.
- Repayment should be done within 12 months.

***

NEWS FROM STATES

Karnataka government to reserve 10% of the total land notified for industrial use for SMEs

The Karnataka government, which attracted investment proposals totaling a record Rs4 lakh crore during global investors meet held in November 2010 now has to accommodate a huge number large-scale industries and a large number of ancillaries that will form their vendor base.

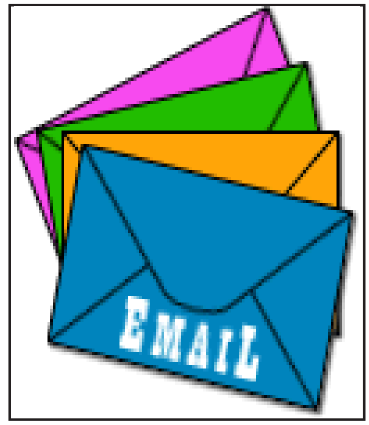
While the state is acquiring nearly 100,000 acres of land for big industrial projects, it is also set to create new industrial townships for small and medium enterprises (SMEs), for the first time in 20 years. The state government has conceived, also for the first time, a new 'walk to work' model for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

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

The government notified 80,000 acres of land for big projects across the state. Government would be setting apart about 10 per cent of the total land for SMEs for both expansion of existing companies and also for new units, which will come up along with the big industrial projects.

To begin with, the government is acquiring 200 acres of land at Nelamangala near Bangalore to develop the Greater Peenya industrial estate, which would cater to the land requirements of about 300 units. The government is setting apart some portion of this land for construction of residential colonies.

In addition, the government also plans to develop a new industrial estate at Kamakshipalya in Bangalore. It is also acquiring 600 acres at Doddaballapur and 3,000 acres near Bangalore international airport for development of new industrial townships. The government has also received an encouraging response from industries for aerospace, software and hardware parks near the international airport. The government will create common infrastructure like an effluent treatment plant and provide land for the companies.



The government is promoting the "walk to work" concept in the state for the first time. Land has been identified for development of new industrial townships in other places like Hoskote, Gauribidanur, Bagepalli, Kolar, Harohalli and Bidar. The government has also acquired 63 acres at Gamanagatti in Hubli for creation of a new industrial estate. The Karnataka government is also planning to acquire another 800 acres for the expansion of the Mangalore Special Economic Zone in Mangalore. The SEZ is presently spread over 1,800 acres.

Gujarat launches innovation fund

In a move to support innovation among small and medium enterprises (SMEs) in Gujarat, the state government has launched a fund with a corpus of around Rs60 crore.

Gujarat Chief Minister Shri Narendra Modi, said, "One of the main focus areas for the government is SMEs. We don't have raw materials in the state, but we have still attracted large investments in the manufacturing sector. This was because of SMEs and they are our assets." In 2007-08 and 2008-09, of the total number of jobs created in the state, 78 per cent were by SMEs and the agriculture sector, and they were the state government's first priority. The state administration has said around 300,000 jobs are expected to be created in the state in the next three years by SMEs.

In 2009, despite the global slowdown, 3,346 MoUs entailing investments worth $240 billion were signed at the 2009 Summit. Of the total number of MoUs, 1,800 are with SMEs. He added that 70 per cent are nearing completion and in the next three years 90 per cent of the MoUs will be implemented. The national average percentage of execution of MoUs is 20 per cent, whereas in Gujarat it is currently 70 per cent in the SME segment. According to the state government's estimate, three lakh jobs will be created through these MoUs.

Gujarat setting up Rs.8,000-crore solar power park

Charanaka, a village in north Gujarat is set to become the state's hub of solar power generation . Solar panels will be laid on close to 3,000 acres of land in this village, where the state government is going to set up a 'Gujarat Solar Park' at an investment of Rs.8,000 crore.

The apex state utility, Gujarat Urja Vikas Nigam Ltd (GUVNL), is currently in the process of entering into long term power purchase with agreements with 80 solar power project investors to commission almost 1,000 MW of generation capacity. This capacity will help procure 1,700 million units of environment friendly electricity per annum.

Many of these 80 developers will set up their generation facilities ranging from 1-45 MW units at Gujarat Solar Park. In first phase, developers will commission 500 MW of generation capacity at the park. The Centre's National Solar Mission aims to install 1,000 MW of grid solar power by 2013, and 20,000 MW by 2022. Interestingly, Gujarat is the lone state which is in the process of inking power purchase agreements to procure 965 MW of solar power from 80 project developers to attract investments of Rs.15,000 crore in the next couple of years.

Japan to develop eco city in Haryana

The Japanese government is to develop an eco city/smart community project in Haryana under the aegis of Delhi Mumbai Industrial Corridor (DMIC), on the lines of Kitakyushu town of Japan. The project will be undertaken on pilot basis at Industrial Model Township (IMT) of Manesar at first and then later extended to the upcoming Manesar-Bawal investment region being developed under the DMIC. A memorandum of understanding (MoU) has already been signed between Japan and India in April this year during the visit of Japanese Prime Minister Naoto Kan to India. The project will be routed through HSIIDC.

Once the concept is ready, other factors like investment, implementation and institutional framework will be worked out. A consortium of companies—Toshiba, NEC and Tokyo Gas has been assigned the task of implementation of the project. MoU has been signed between the Delhi Mumbai Industrial Corridor Development Corporation (DMICDC), Haryana government through HSIIDC and the consortium on April 30 this year. The consortium will undertake the project's implementation in Manesar-Bawal region. Feasibility studies are being conducted in the areas of water, power, logistics, solid waste management and the team is interacting with various departments of the state government.

Japan has successfully implemented the concept in Kitakyushu town and developed it as a smart community. It is recognised as a unique model of sustainable industrial development where different wastes including automobiles, home appliances, medical instruments, construction waste, food waste etc are recycled through various private companies.

Haryana govt sanctions Rs.192 cr for education

The Haryana government has earmarked a sum of Rs.192.18 crore for various educational schemes—launched for the students belonging to Scheduled Castes, Backward Classes-A and families living below poverty line—during the current financial year. The Haryana education minister Ms. Geeta Bhukkal said under the cash award scheme, one-time cash amount was given to all SC students in Classes 1 to VIII for the purchase of school bags, uniform and stationary articles.

More than 7.64 lakh students benefited from the scheme last year. The finance department has agreed to increase the ceiling of the scheme to Rs.76.98 crore, the minister said. Similarly, under the cash award scheme, one-time allowance of

Rs.1,450 is given to each SC student in classes 1X to XII for the purchase of uniform, stationery, school bag, dictionary and other articles. More than 2.15 lakh students benefited from the scheme last year for which a provision of Rs.5 lakh has been made for 2010.11. The finance department has accorded sanction of Rs.21.85 crore under the scheme.

Besides, scholarships ranging from Rs.75 to Rs.400 are given to all BPL and BC-A students studying in class I to XII. Monthly stipend is also given on quarterly basis to SC students.

Haryana plans mass bio-fuel production

To make Haryana eco-friendly, the state government has formulated a plan for mass production of bio-fuels from all kinds of biomass and organic waste. "A Rs.1.83-crore plant will be set up at Hansi in Hisar district which will produce bio gas from animal waste. The plant will produce 1,000 cubic metre bio-gas and 3.96 tonne organic fertiliser daily". The gas would be purified up to 96% and filled in cylinders and will be sold at the rate of Rs.25 per kg.

"One such plant would also be set up at Mohana in Sonipat at a cost of Rs.1.45 crore. By converting biomass, animal waste, wastes from hotels, hospitals and industries into bio-fuels, emission of methane gas into the environment could be prevented". The department also plans to set up biogas plants with capacity of 25cubic metre to 85 cubic metre in other places like Kurukshetra and Rohtak.

Punjab to spend Rs.417 cr for more rail over bridges

Punjab government and the Railway on November 17, 2010 signed a memorandum of understanding (MoU) to enable the state PWD department to execute railway over bridges. The PWD department had started construction of 28 ROBs/RUBs, of which 22 were completed and operationalised in the year 2010 at a cost of Rs.392 crore. Long standing problem of congestion on southern side of Ludhiana city would be solved with 2 ROBs along with four-laning of 27 km road along Sidhwan canal. The Punjab government is spending Rs.328 crore on this project alone to be completed by September 2011.

Punjab government to collect Rs.10k-cr VAT collection this fiscal

"Punjab State government is set to double VAT collection from Rs.5,000 crore to Rs.10,000 crore within three years whereas excise collection had reached Rs.2,500 crore from Rs.1,500 crore and was expected to cross Rs.3,000 crore next year," state's deputy chief minister, Shri Sukhbir Singh Badal said.

HP not hit by rollback of industrial package

The Centre's decision to revoke the incentives given to Himachal Pradesh under a special industrial package has not impeded industrial expansion in the state, with investments worth Rs.14,079.63 crore and providing employment to 1,32,066 people cleared till date.

Out of this, 2,616 industrial units were set up at an investment of Rs.6120.92 crore during the past three years, which are already providing employment to 36,902 youth in the state. What is more, several leading industrial houses have shown a keen interest in setting up major projects in the state, even after the withdrawal of the special package.

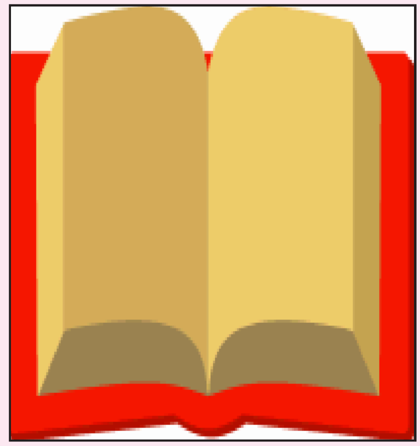
The state government has taken a proactive stance on pollution and environmental conservation issues and has only allowed units that meet stringent norms to set up shop in the state. Some distinct advantages like rich natural resources, uninterrupted and cheap power supply, sound industrial infrastructure and the transparent process for clearance of projects were attracting industrialists to Himachal, industries director Shri Onkar Sharma said.

Under the Development of Industrial Estate/ Industrial Area schemes, industrial sheds and plots equipped with basic infrastructure facilities are being developed in identified industrial areas in the state. Sheds and plots are provided to potential entrepreneurs at reasonable rates and on a lease-hold basis.

New industrial units are being set up in the 612-bigha the Baddi-Barotiwala-Nalagarh Industrial Area Solan district. To ensure that land is judiciously and optimally utilised, the state government is identifying both government-held and private land holdings to strengthen the land bank.

***

QUESTIONS OF CYBERQUIZ ~ 27



Q.1 This stalwart of Indian IT industry could finish is bachelor's degree in engineering from Stanford University more han twenty-eight years after he enrolled for it there. Who is he ?

[a] Azim Premji; [b] Sabeer Bhatia; [c] Fakir Chand Kohli; [d] Shiv Nadar.

Q.2 During the height of the Industrial Revolution, the United States was receiving waves of new immigrants. The U.S. Census Bureau was not able to count the ever expanding population with its then existing methods. The Bureau sponsored a contest to find a more efficient means of tabulating census data. Who was the winner of this contest?

[a] Herman Hollerith; [b] Dr. Alexander Dey; [c] Charles F. Flint; [d] Thomas J. Watson, Sr.

Q.3 Which former Pepsi executive was hired by Steve Jobs, co-founder of Apple Computer, as the company's CEO, and who was instrumental in getting Steve quitting his own company in 1985?

[a] John Sculley; [b] Jeff Raskin; [c] Brian Howard; [d] Marc LeBrun.

Q.4 This well-known Indian entrepreneur, chief-executive and policymaker had designed a computer.-themed deck of playing cards in which the King had been replaced by a programmer which resembled the inventor himself. It had a computer bug for the standard joker. Who is he ?

[a] S. Ramalinga Raju; [b] Shiv Nadar; [c] Narendra K. Patni; [d] Sam Pitroda.

Q.5 What first known attempt was made by John Atanasoff and his assistant Clifford Berry from 1936 to 1938 in the USA ?

[a] Development of the first programming language; [b] Development of the first electronic vaccum tube; [c] Development of the first known electronic digital computer; [d] Development of a computerized information system.

For Answers See **Page No. 22**

SUCCESS STORIES

MPFC ASSISTED UNIT {ITL INDUSTRIES LTD.}

The Company was established in the year 1985 by Shri Rajendra Singh Jain, a technocrat and Shri Mahendra Singh Jain, a commerce post graduate. MPFC advanced a term loan of Rs.9.00 lacs for the first time in the year 1989 for manufacture of hacksaw machines when the company was in its infant stage. In those days these machines were imported in India. The Company identified Band Sawing Machines as its key product and decided to meet the foreign competition head on. At a later stage they introduced Bandsaw Machines using Linear Motion Guides & Bearings Block instead of conventional hard chrome plated columns and bushes for sliding of cutting arm. With the usages of Linear Motion Guides and Bearing blocks, the up-down movements of cutting arm became very smooth and jerk free, resulting in better accuracy and productivity. The machine has also been aesthetically redesigned giving it a look of CNC machines and has reduced the exposed part and 'foot-print' of machines as well.

During the last decade, the company has implemented schemes of diversification/expansion in quick succession to increase its range of products and at present it has established itself as a reliable 'Cutting Solution Provider' in domestic as well as global market.

Shri Rajendra Singh Jain, Managing Director of the company is recipient of Udhyog Patra Award in 1987 as a recognition to the self made industrialist. He has also been awarded by CMTI-PMT Trust for the Best Designed Machine of the year in the IMTEX' 92 held at Pragati Maidan, New Delhi and recently the company has received highest Export awards in SSI category from EEPC (Engineering Export Promotion Council) promoted by Government of India.

***

ASSISTED UNIT OF KSFC {ASHRAYA HOSPITAL}

Ashraya Hospital, is a partnership firm established in the year 1988, by Dr. Vijay Kumar and Dr. Shubha Vijay as managing partners. Firstly, It started as ***"Vijaya Diagnostic and Service Centre"*** with financial assistance of Rs.18.00 lakhs from the Karnataka State Financial Corporation.

To start with, the unit had 25 beds. After doing well in 5 years the establishment needed further expansion. The Corporation extended loan of Rs.7.2 lakhs in 1993 and Rs.2.70 lakhs in 1994-95. Hence, an additional floor was constructed 30 more beds were included and the name was changed to ***"Ashraya Hospital"***.

By 2000 the hospital was able to sustain itself from its own income from the revenue generated a few high end investigation equipment like scan machine, Gastroscopy, C-Arm, Ventilators, Cardiac Monitor, Defibrillators were purchased.

After realising the need of patients, a new block was established in 2009 with 5 floors availing a loan of Rs.80.00 lakhs from KSFC. The project cost was Rs.2.00 crore. Now the hospital has got accommodation for 150 beds, around 50 consultants and 80 paramedical staff including nurses. Around 200 people are getting direct and indirect employment opportunities and the patients of the town and district are getting multi-specialty aid under one roof. The hospital has shown a net profit of Rs.11.35 crore in 2007-08, Rs.6.69 crore in 2008-09 and Rs.7.06 crore in 2009-10. The promoters are happy to be associated with Karnataka State Financial Corporation and thank the Corporation for the helping hand and hurdle free financial assistance.

***

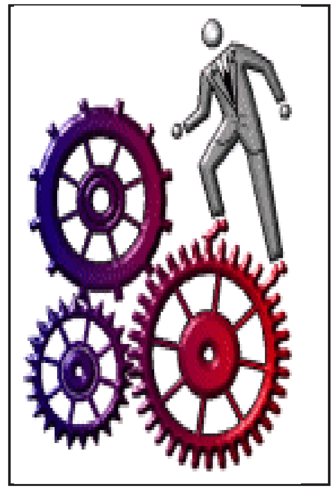
MPFC

The annual General Meeting of the Shareholders of the Corporation was held on 28th September 2010 under the Chairmanship of Mrs. Veera Rana, IAS Managing Director. The Chairperson informed to the shareholders that the Corporation has been making steady growth in all the operational areas. This year also Govt. of M.P. has provided Rs.5.00 Crores towards share capital while SIDBI has provided refinance support of Rs.78.36 Crore. The Corporation has successfully completed its first issue of Non-SLR Bonds through private placement route. A sum of 37.14 Crore have been raised through this issue out of which 23.37 crore have been received till 31st March, 2010. CARE Ltd has awarded “BBB+” credit rating to this bond issue of the Corporation. The shareholders offered various suggestions and expressed their satisfaction on the efforts made by the Corporation to contain the NPA levels.

KSFC

Role of KSFC in positioning Karnataka in the next Decade with reference to industry (extract from an article by Shri Kaushik Mukherjee, IAS, MD, KSFC)

KSFC has played a pioneer role in the development of Micro and Small scale enterprises in the State of Karnataka. It has fulfilled the objectives of developmental lending such as industrialisation of backward areas, assistance to weaker sections, promoting first generation entrepreneurs, assistance to technocrats and women. Several units, which received start-up assistance from KSFC have today become large industrial conglomerates. A few examples are Infosys Technologies Ltd., BPL (I) Ltd., Biocon Limited, Ace Designers Ltd., Reva Motors, etc., The following statement made by Sri Narayana Murthy, Chairman, Infosys Technologies Ltd., in his Annual General Body Meeting held in April 2004 is nostalgically recollected; “...the assistance rendered by KSFC during the late 80s when the bankers were shying away to fund their venture...” This statement amply highlights the significance of developmental banking in general and the role played by KSFC in particular in promoting first generation entrepreneurs and its consequential benefits to the Karnataka economy at large.



I. SOCIO-ECONOMIC IMPACT OF KSFC:

- Has assisted 1,62,106 cases to an extent of Rs.9,733 crore.
- Of these, 1,05,410 cases are in the micro & small scale sector amounting to Rs.5,009 crore contributing to a share of 51 per cent of the assisted units.
- Backward districts have received substantial loan assistance of Rs.3,144 crore to 76,360 cases.
- Has created mare than 10 lakh jobs in the State.
- Has assisted more than 27,000 women entrepreneurs to the tune of Rs.1,500 crore.
- 18,690 SC/ST entrepreneurs have availed financial assistance of Rs.315 crore.
- Rs.688 crore has been sanctioned to 18,119 entrepreneurs belonging to the minority communities.

II. PRESENT PERFORMANCE:

The operations of KSFC for Financial Year 2009-10 is as below :

Sanction :

The total sanctions of the Corporation under various schemes during the FY 2009-10 were Rs.631.49 crore for 146 cases. The cumulative sanctions of the Corporation (under all activities) reached Rs.9,733.26 crore covering 1,62,106 cases as on 31st March 2010.

Disbursements :

The Disbursements made by the Corporation during the FY 2009-10 amounted to Rs.434.39 crore. The cumulative disbursements reached Rs.7,647.84 crore as on 31st March 2010.

Recovery :

The total amount recovered by the Corporation under various schemes during the FY 2009-10 was Rs.555.26 crore. The cumulative recovery amounted to Rs.10,217.48 crore as on 31st March 2010.

Gross Income	:	Rs.209.21 crore
Operating Profit	:	Rs.9.80 crore

III. CHALLENGES AND FUTURE ROLE:

Do SFCs still have space in the current liberal economy and are they still relevant? The answer to this is an emphatic Yes. The reason being, India is still a developing economy calling for focused industrial development. Unless the industrial sector is given due emphasis, it is hard to find answers to the economic challenges of the country. In the 50s and 60s, agriculture accounted for nearly 90 per cent of the jobs. However, with growing population and pressure on agricultural landholding, to-day agriculture caters to 60 per cent of the employment opportunities. The balance 40 per cent of the jobs is created by the secondary and tertiary sectors.

In the years to come, the agricultural sector may have to off-load many more jobs. Its employment potential may further come down to 30 per cent. In which case, the gap needs to be filled by the secondary and the tertiary sectors. Which means the country needs more industries and service establishments so that they can create more jobs and more wealth.

This is achievable if only a concerted focus is given to cause further industrialisation, modernization of existing industries and setting up of service establishments backed by good infrastructure.

This is a huge task to be handled by the Commercial Banks alone for the reason that the Commercial Banks need to tend to many activities apart from causing industrial development. It is here the SFCs' play a pivotal role.

However, the SFCs' have to undergo a paradigm shift in their policies, programmes, initiatives and most importantly in their governance. They should see themselves as a hybrid organisation where the objectives of development banking and project financing effectively merge to bring collective good.

With the world becoming flat, there is level playing field for all the Nations. The developed Nations are more and more orienting themselves ti innovations, research and development. They have begun off-loading manufacturing and mass production to the developing but industrialized nations. China has been successful in cornering a huge share of the off-loaded manufacturing work through its successful use of technology and infrastructure. India is yet to catch-up. However, it is this opportunity which the country has to realise and exploit by augmenting its industrial infrastructure. It is here that the SMEs play a vital role.

As it is, SMEs contribute about 7 per cent of the GDP and over 40 per cent of the exports. In the years to come SMEs should play a bigger role and contribute to over 80 per cent of the exports. Keeping this vision in mind, the SFCs need to realign themselves, re-engineer their processes and come out with an array of products and services fine-tuned to the needs of SMEs.

SFCs' should focus on nurturing, developing and assisting Small and Medium Enterprises, so that the upcoming national challenge of the Country becoming the world's manufacturing hub gets realised. However, SFCs' have to do some soul searching in this direction and re-align themselves.

In this context, an important role for institutions such as KSFC is to play a pivotal role in building on the industrial history of Karnataka in the years to come. The Vision of KSFC is to become a leading Financial Institution, committed to Nurture, Develop and Service the Micro, Small and Medium Enterprises (MSMEs). The Mission of KSFC is committed to continually Nurture, Develop and Service the SME sector through need based products and services.

The Corporation having celebrated its "Golden Jubilee Year", there are still challenges that need to be met to make the Corporation financially sound and robust. In the 80's the Corporation was the Market leader in term lending. It lost this advantage in the 90's to the Commercial Banks. It is time now to get back this advantage. In this direction the Corporation wants to put in place innovative strategies to make it a one shop-stop for MSMEs in the State. This calls for fine tuning the interest rate structure which in turn necessitates pruning the expenditure on all fronts so that the net interest spread widens. These initiatives call for structural and systemic changes and it is proposed to work in this direction in the decade ahead. Secondly, the accumulated losses over the years has become daunting. Ways and means to erode the accumulated losses need to be thought about and implemented swiftly. A strong balance sheet with sound networth are, therefore, the need of the hour.

Sale of secured assets by K.S.F.C. through E-Auction.

Public Auctions are conducted to sell properties seized by K.S.F.C. under both Section 29 of SFCs' Act and SARFASEI Act. The system of closed tender and post tender negotiation which was in prevalence has been replaced by to make the e-auction, entire process of auctioning transparent, open, devoid of subjectivity without scope for cartels to operate.

KSFC e-auctioning portal was launched by the State's e-governance Principal Secretary, Sri. M. N. Vidya Shankar, IAS, on May 03, 2010 on KSFC website www.ksfc.in.

The portal allows its borrowers to access their account details on-line. The portal also allows new applicants to track their application status. Prominent feature of the portal is its ability to conduct e-auctions with the biding for assets on sale, now completely on-line. The web enabled portal has made it an open and hassle free process for all its customers. In this system bidder would be advised to log on to KSFC website and the entire process of e-auctioning happens through KSFC's dedicated portal. The entire process of posting auctions, bidding and selection of successful bidder will be done on internet. The bidders who wish to bid for properties put up for sale by various departments at HO/BOs have to be registered with KSFC. The HODs in Head Office and Branch Managers in Branch Offices will be designated as Local Administrator (LA) who will conduct the e-auction.

The standard terms and conditions of e-auction are :

- Any individual/registered legal entities/ companies may participate in the e-auction;
- Properties will be brought for sale on 'As is where is basis';
- The interested person/s may physically inspect the property on the scheduled date or the photos of the properties may be viewed in the website; Bidders should quote their prices for purchase of assets excluding all statutory liabilities on the assets. Statutory dues like electricity arrears, local body taxes, KIADB dues etc., should be borne by the bidders. Bidders have been advised to make their independent inquiry about such statutory liabilities.
- The persons who are interested in

participating in e-auction have to be registered with KSFC as a bidder through Internet. Along with the registration he should forward scanned passport size photo, signature, address proof (ration card/passport/voters card/driving licence/electricity bill/telephone bill/bank pass book);

- After registration the bidders shall pay the EMD amount to participate in the bidding process by way of DD/electronic payment/ credit cards. After receipt of DD he will be allowed to participate in the bidding process by using the password allotted by KSFC. The EMD amount will not carry any interest;
- After the closure of e-auction, the successful bidder will be intimated through e-mail to pay 25 per cent of the bid amount (including EMD) before closing hours of the next working day and the sale is subject to the approval by the competent authority. In case the successful bidder fails to pay the initial amount within the stipulated time, the EMD paid by him will be forfeited without further notice. In respect of unsuccessful bidder, the EMD amount will be refunded;
- After receipt of the initial amount of 25 per cent as above, the confirmation of the sale will be sent after obtaining the approval by the competent authority. The balance 75 per cent of the bid amount shall be paid within 15 days from the date of communication confirming the sale. In case, the bidder fails to pay the balance amount within the stipulated time, the amount paid by him will be forfeited and sale will be cancelled.
- The successful bidder will have to bear stamp duty and registration charges etc., connected with transfer of property.
- KSFC reserves the right to cause any modification of any terms and conditions, cancel/postpone the e-auction and accept or reject the bid. The details of the e-auction are available in the website of KSFC i.e., www.ksfc.in or on www.ReyvishBserve.com. However, bidding process will be conducted on www.ksfc.in.
- Any disputes shall be subject to the jurisdiction of Court at Bangalore.
- To participate in the e-auction it is mandatory that the bidder should invariably furnish copy of the Pan card at the time of registering his particulars on KSFC website. KSFC reserves the right to cause any modification of any terms and conditions, cancel/postpone the e-auction and accept or reject any bid received without assigning any reasons thereof.

* * *

Every system should allow loopholes and exceptions, for if it does not, it will in the end crush all that is best in man.

Direct tax collections cross Rs.2L cr

The government's direct tax collections rose to Rs.2.04 lakh crore during the first seven months of this financial year, a jump of 18% when compared to the same period last year, mainly due to the economic recovery translating in improved profits for taxpayers. The net direct tax collections in the April-October period in the current fiscal stood at Rs.2,04,351 crore, as against Rs.1,73,447 crore during the same period last year. Corporate income tax collections grew by 22.05% at Rs.1,34,251 crore as on October 31, 2010 as against Rs.1,09,996 crore in the same period during the last fiscal. Growth in collections from personal income tax, including securities transaction tax, residual fringe benefit tax and banking cash transactions tax, was 10.33%. The collections from personal income tax stood at Rs.69,722 crore as on October 31, 2010 as against Rs.63,195 crore collected during the same period in last fiscal.

October trade deficit widens to $9.7 billion

The country's trade deficit widened, to $9.7 billion (Rs.43,500 crore) in October 2010, compared to $9.12 bn in September. Also, after a span of three to four years, merchandise exports have surpassed the growth rate of imports in the same month. While exports rose to $18 billion, up 21.3 per cent compared to last year, imports grew by 6.8 per cent to $27.7 billion in October. During April-October, exports reached $121.4 bn, a 26.8 per cent growth, while imports were $194.2 bn, a growth of 26 per cent, resulting in a total trade deficit of $72.8 bn.

Exports of engineering goods increased 41.4 per cent, gems and jewellery increased 21 per cent, petroleum products 57 per cent and pharmaceuticals 14 per cent in the first seven months of the financial year. Imports of petroleum products increased by 24.5 per cent in April-October, while that of gems and jewellery grew by 96 per cent. Gold imports were up 20 per cent, iron and steel by 53 per cent and vegetable oils by 49 per cent.

Maharashtra, NCR account for over 50% FDI during Apr-Aug

Maharashtra and the National Capital Region (NCR) accounted for over half the foreign direct investment inflows into the country during April-August this fiscal, according to industry ministry's latest data. Maharashtra attracted the highest FDI at $2.43 billion, accounting for 35% of the inflow in the country, during the first 5 months of the current fiscal. NCR, including parts of Uttar Pradesh and Haryana, received $1.85 billion in FDI during the period. The region accounted for 20% of the total FDI. During April-August 2010-11, India received $8.88 billion in FDI.

GDP grows by 8.9%

The economy grew at its fastest pace in ten months, clocking a growth of 8.9 per cent in the second quarter ended September. Growth was buoyed by a healthy increase in service sector and farm output. The Central Statistical Organisation (CSO), in data released, also revised the first-quarter growth figures from 8.8 per cent to 8.9 per cent on account of the new base year adopted in the calculation of inflation and industrial output.

In the second quarter, the farm sector recorded a growth rate of 4.4 per cent, an increase of 0.9 per cent in the same period last year. It was also higher than the 2.5 per cent recorded in April-June. The trade, hotels, transport and communications sector grew by 12.1 per cent, up from 8.2 per cent in the corresponding period last year and 10.9 per cent in the last quarter. Manufacturing sector growth, however, fell to 9.8 per cent from 13 per cent in the first quarter this year. However, it was higher than the 8.4 per cent in the second quarter last year.

Core sector growth at 7%

Infrastructure sector grew at a faster rate of 7% in October 2010 as against 3.9% a year ago, with a major push coming from cement and crude oil that expanded at 16.8% and 13.7%, respectively.

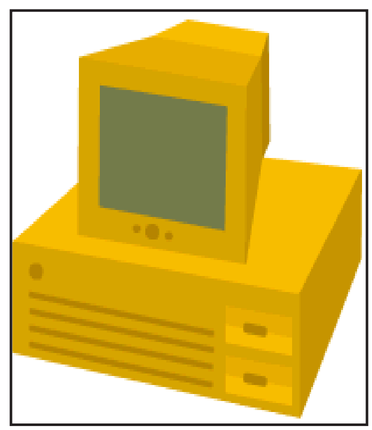
Six core infrastructure segments—electricity, coal, steel, cement, crude oil and petroleum refinery products—also showed robust growth which may lead to an increase in industrial production. Infrastructure holds a weight of 26.7% in the index of industrial production (IIP). Industrial output had grown 4.4% in September 2010 against 8.2% in the same period last fiscal.

Jewellery exports rise 38% in Oct

Gems and jewellery exports increased in October on re-stocking demand from retailers in developed countries including the US and the European Union. Jewellery shipments were worth $2,922.58 million (Rs.12,979.19 crore) in October, registering a rise of 37.82 per cent (31 per cent in rupee terms) as compared to $2,120.64 million (Rs.9,907.61 crore) in the corresponding month of the previous year, data compiled by the apex trade body the Gems & Jewellery Export Promotion Council showed. Overall gems and jewellery imports were at $2,300.64 million (Rs.10,217.13 crore) in October, up 33.60 per cent (26.99 per cent in rupee terms) as compared to $1,722.03 million (Rs. 8,045.32 crore) in the same period last year.

***

ANSWERS OF CYBERQUIZ ~ 27



Ans.1. [a] Azim Premji : Due to the untimely death of his father, Mr. Premji had to take the mantle of his company leaving his study incomplete. Then he was studying at Stanford University with two quarters left to go before receiving an undergraduate degree in electrical engineering. In 1994, he went back and finally finished his bachelor's degree.

Ans.2. [a] Herman Hollerith : Hollerith was son of a German immigrant and Census Bureau statistician. His Punch Card Tabulating Machine used an electric current to sense holes in punched cards and keep a running total of data.

Ans.3. [a] John Sculley : Steve Jobs later rejoined Apple in 1996 and as happily worked there ever since. Sculley was eventually replaced as CEO of Apple.

Ans.4. [d] Sam Pitroda : Dr. Satyanarayan Gangaram Pitroda, popularly known as Sam Pitroda, is currently chairman of National Knowledge Commission of India. He is credited for India's telecommunications revolution during the premiership of late Rajiv Gandhi.

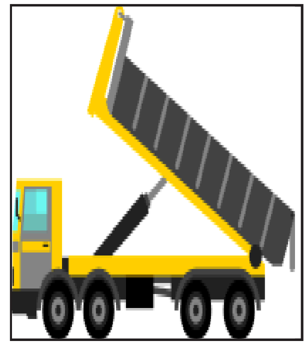
Ans.5. [c] Development of the first known electronic digital computer: Known as Atanasoff-Berry Computer, it used vacuum tubes to primarily solve linear algebraic equations. It was abandoned in 1941 as it was never fully operational.

SEZ exports up 56% in Apr-Sep 2010-11

Exports from SEZs grew by 56% to Rs.1,39,841 crore during April-September 2010-11, compared to the year-ago period. In the first half of 2009-10, the exports from tax-free enclaves stood at Rs.89,750 crore. Exports from SEZs in 2009-10 were Rs.2.2 lakh crore, against Rs.99,000 crore in the previous fiscal. The 122 operational SEZs have provided employment to 6,20,824 people, according to the data by Export Promotion Council for EOUs &SEZ (EPCES) released in November. It added that additional employment of over 1.17 lakh was created in SEZs during April-September 2010-11. As on September 30, total investment in SEZs was estimated at Rs.1,76,148 crore, including Rs.1,61,743 crore in the newly notified zones. An investment of Rs.27,660 crore has been made in the first two quarters of the current financial year.

Neyveli to set up 1,980-mw power project near Kanpur

The Uttar Pradesh government is closer to achieving the target of producing 25,000-mw power by the end of the 12th Five Year Plan period as the state government has joined hands with Neyveli Lignite Corporation Limited for setting up a 1,980 mw coal-based power project in the state. A memorandum of understanding (MoU) was signed between the NLCL and the Uttar Pradesh Rajya Vidyut Utpadan Nigam in the presence of chief secretary Shri Atul Kumar Gupta to set up a power project at Ghatampur, near Kanpur.



NLCL chairman and managing director Shri AR Ansari said to begin with three units of 660 mw would be set up using super critical technology and efforts will be made to bring the status of a mega status to this project. “In that way, we will be able to get a concession of 10-15% on machinery,” he said adding that the special purpose vehicle, which will be formed by both the joint venture company, will strive to get the “mega” status for the project. This project is expected to start generation by 2014 and will entail an investment of Rs.20,000 crore.

In this joint venture, NLCL will have an equity share of 51% while the state government will hold 49% and the project will be financed at a debt/equity ration of 70:30. Around 2500 acres of land and 8000 mt cusecs of water would be made available by the state government and in return, 75% power from the project shall be allocated to Uttar Pradesh.

* * *

Ask others what they expect from you and let know what you desire from them.

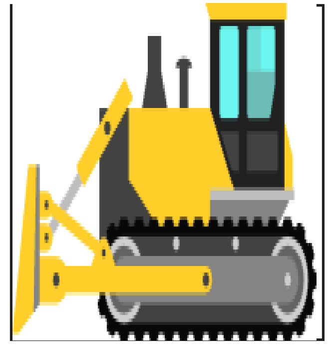
'Manufactured capital goods can be exported without paying duty'

Two years ago, we had assembled capital goods in our factory from bought-out components on which duty was paid and we had taken Cenvat Credit on this. Now we want to sell them in the domestic market. Do we have to reverse Credit by 2.5 per cent per quarter? What if we want to export them?

The capital goods are manufactured by you and you can remove the goods in the local market on payment of excise duty at the prevailing rate on the value determined under Section 4 of the Central Excise Act, 1994. If you want to export the goods, you may remove the goods without duty payment under UT1 or on duty payment under rebate claim.

In your Q & A column dated 2nd November 2010, you have mentioned that the Foreign Trade Policy (FTP) grants status recognition on the basis of performance but the procedures bar us from counting exports for which payment is not realised. Can we not take a view that procedures cannot override the Policy?

As per Section 5 of the Foreign Trade (Development and Regulation) Act, 1992, it is the Central Government that has the powers to notify the FTP. The Director General of Foreign Trade (DGFT) cannot make the Policy. As per Section 6(2) of the said Act, the DGFT shall advise the Central Government in the formulation of the export and import policy and shall be responsible for carrying out that policy. Thus, the DGFT can advise the Government on formulation of the Policy. He can notify procedures to implement the Policy. He can even issue binding clarifications. But, the restriction imposed by DGFT that only exports for which payment is realised will count for export house recognition is beyond his jurisdiction, as the restriction amounts to amending the FTP. You can challenge his actions in the Courts.



Are we required to pay education cess on anti-dumping duty and similar duties also?

No. As per Section 94 of the Finance (No.2) Act, 2004, you are not required to pay education cess on anti-dumping duty or the safeguard duty or the anti-subsidy countervailing duty or the education cess. The cess must be paid on basic customs duty and additional duty of customs (CVD).

Can you tell me since when the Reserve Bank of India has allowed a time limit for realisation of export proceeds of up to 12 months instead of six months? If you can give the references and tell me up to what date this liberalisation is permitted, that will help.

RBI extended the period for realisation of export proceeds to 12 months through its AP (DIR) Circular no. 50 dated June 3, 2008. The liberalisation was for a period of one year. The liberalisation was extended till June 30, 2010 through AP (DIR) Circular no. 70 dated June 30, 2009. The liberalisation has been further extended till March 31, 2011 through AP (DIR) Circular no. 57 dated June 29, 2010

* * *

Those who complain most are most to be complained of.

MSME min for 18% FDI in multi-brand retail

The MSME ministry has proposed allowing only up to 18% FDI in multi-brand retail, while cautioning that entry of global retailers could harm interests of kirana stores, small farmers and consumers. In its reply to the comments sought by the Department of Industrial Policy and Promotion (DIPP), the Micro, Small and Medium Enterprises (MSME) ministry has said even if FDI in multi-brand retail has to be allowed, it should be less than 18%. *"India should tread cautiously by opening the sector, if at all, gradual by and analysing the impact before opening it more. In the beginning FDI less than 18% may be thought of. It may harm the interest of small farmers as well as consumers, who would be at the mercy these global retailers, who will be able to influence prices".*

The ministry felt *"Once multi-brand retail FDI is allowed, close competition of kirana stores among each other will go. The multi-brand retailer will take over the market as per its will because there cannot be as many retail outlets in each locality as the present kirana stores."...*

Punjab knitwear, textile units oppose cotton export policy

Over 1,000 Ludhiana-based knitwear and textile units have come out against the cotton export policy of the Union government. The knitwear and textile manufacturers under the umbrella of a registered organisation "Knitwear Club" have sent a memorandum to Union commerce and industry minister Anand Sharma saying, "It looks that our cotton export policy is more concerned about the welfare of our neighbouring countries and a few cotton exporters of our country. Our economy suffers badly at the cost of low garment export".

"It will not be out of place to mention here that knitwear and textile industry is the second-largest segment after agriculture, as it absorbs highest number of employees in the industry despite stiff competition at the international level. Almost every dyeing and knitting unit is going through the recessional phase due to the shortage of cotton yarn,". Knitwear Club is an association of more than 1,000 members of manufacturers and traders of hosiery goods.The organisation has been incorporated for the growth of the knitwear and textile units in the state. The rise in prices of cotton yarn and acrylic yarn has a clear effect on business of hosiery and knitwear products as acrylic is now costlier by Rs.100 per kg. Blended yarns cost Rs.400 to Rs.450 a kg.

Haryana approves new SME rejuvenation Scheme

In order to enhance the competitiveness of small and medium enterprises (SMEs) in Haryana, the Faridabad Small Industries Association (FSIA) has drawn up a proposal. It was chalked out under the Industrial Infrastructure Upgradation Scheme (IIUS) launched by the Department of Industrial Policy and Promotion (DIPP) of the Union commerce and industry ministry. The proposal, submitted to the Haryana government, has been approved by the state government and forwarded to the Centre. Shri Rajive Chawla, president of the FSIA and director of India SME Technology Services Limited, said that a 'Centre of Excellence' would be set up under the scheme. The CoE will be a one-stop solution for all SMEs in the region, offering solutions in all spheres.

The combined investment in the project is Rs.40 crore, and it will be shared by the industries association, the state government and the Central government. The CoE will provide information related to MSME schemes, access to credit facilities and so on. Around 18,000 units in Faridabad, Palwal and Gurgaon, which are part of the automobile and light engineering goods sector, are expected to benefit through the setting up of the CoE. Other clusters in Haryana could also take advantage of the various MSME schemes being offered by the ministry of commerce and industry.

* * *

Private Banks have low level of NPAs than PSBs

Private sector banks have low level of non performing assets than public sector banks (PSBs). According to a study by FE, growth of sticky loans of PSBs was higher as compared to private banks during July-September quarter of 2010. The net non performing assets (NNPA) of 15 private banks decreased by 27.6% in July-September 2010 against an increase of 39.1% for 24 PSBs in the same period.

The gross non performing assets (GNPA) of private banks increased by 9.8% against 33.9% increase in PSBs. Among PSBs, the highest increase in GNPA was registered in case of State Bank of Mysore followed by Andhra Bank. The average NNPAs to net advances ratio of PSBs increased from 0.84% in July-September 2009 to 1.08% in July-September 2010. In case of private banks, the ratio decreased from 1.27% to 0.82% during the above period.

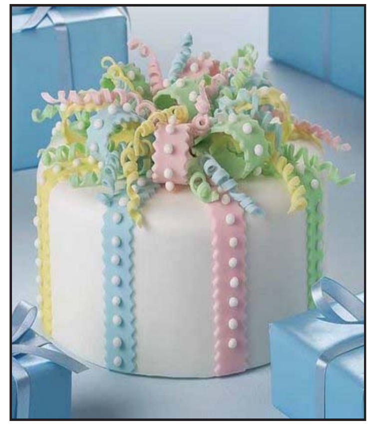
In absolute terms, the NNPA of 15 private banks decreased from Rs.7,276 crore in July-September 2009 to Rs.5,265 crore in July-September 2010. Among the private banks, J&K Bank showed the highest decline in NNPA followed by Indusland Bank.

In the case of PSBs, NNPA increased from Rs.22,714 crore to Rs.31,594 crore. The highest increase in NNPA was seen in the case of Union Bank, PNB and Indian Bank. SBI's NNPA increased by 16.9% to Rs.11,601 crore during July-September 2010.

4 PSUs get Maharatna status

Four of the government's major listed companies — Oil and Natural Gas Corporation, Indian Oil Corporation, Steel Authority of India and NTPC — were formally conferred the Maharatna status today.

This empowers them to form financial joint ventures and wholly-owned subsidiaries, and undertake mergers and acquisitions, without government approval for up to Rs.5,000 crore in one project or 15 per cent of their net worth. Their board of directors may take such a decision.



Till now, they had the Navratna status. This allowed them to take such decisions up to Rs.1,000 crore only. The overall ceiling on such investment in all projects put together is 30 per cent of the net worth of the company.

According to the criteria, Maharatna status may be granted to listed Navaratna central public sector companies with an average annual turnover of more than Rs.25,000 crore, net profit after tax of Rs.5,000 crore and a net worth of Rs.15,000 crore during the past three years

Nabard launches subsidy scheme

The Nabard in association with the Union ministry of new and renewable energy, has firmed up plans to promote solar energy penetration through a multi-agency approach.

Nabard, run by the central government, has launched a capital subsidy-cum-refinance scheme for installation of solar off-grid (photovoltaic and thermal) applications. Its executive director, Shri Prakash Bakshi, said *"Under the scheme, the borrowers will get 30 per cent capital subsidy and bank loan at five per cent interest per annum for installing solar devices in their premises."*

He said Nabard was also encouraging banks to set up demonstration solar home light (SHL) units in about 20 of their branches, with 50 per cent subsidy from Nabard. Over 10 RRBs and three cooperative banks have opted to do so. The average cost of an SHL is about Rs.13,500, with a loan of about Rs.10,000 per unit. The advantage is that villagers see a live demonstration of the effectiveness of the SHL when they visit the branch

Second Quarter Review of Monetary Policy for the Year 2010-11

Dr. D. Subbarao, Governor, Reserve Bank of India, in a meeting with chief executives of major commercial banks presented the Second Quarter Review of Monetary Policy for the Year for 2010-11 on November 2, 2010. The highlights are:

Projections

- Real GDP growth for 2010-11 retained at 8.5 per cent.
- Baseline projection of wholesale price index (WPI) inflation for March 2011 retained at 6 per cent.
- Money supply (M3) growth for 2010-11 retained at 17 per cent.
- Growth in non-food bank credit of scheduled commercial banks retained at 20 percent.

Stance

The current stance of monetary policy is intended to :

- Contain inflation and anchor inflationary expectations, while being prepared to respond to any further build-up of inflationary pressures.
- Maintain an interest rate regime consistent with price, output and financial stability.
- Actively manage liquidity to ensure that it remains broadly in balance, with neither a surplus diluting monetary transmission nor a deficit choking of fund flows.

Monetary Measures

- Bank rate retained at 6.0 per cent.
- Repo rate under the LAF increased by 25 basis points from 6.0 per cent to 6.25 per cent.
- Reverse repo rate under the LAF increased by 25 basis points from 5.0 per cent to 5.25 per cent.

Expected Outcomes

The monetary policy actions are expected to :

- Sustain the anti-inflationary thrust of recent monetary actions and outcomes in the face of persistent inflation risks.
- Rein in rising inflationary expectations which may be aggravated by the structural nature of food price increases.
- Be moderate enough not to disrupt growth.

Non-food credit grows 21%

Non-food credit, or the amount of money that banks lend to corporates and individuals, grew at a higher pace at 21.07% year-on-year to Rs 34,28,918 crore during the the fortnight ended October 22. This is about 100 basis points higher than the growth seen in previous fortnight.

Data put out by the RBI on November 03, 2010 shows banks incrementally lent Rs 7,134 crore during the fortnight. Total outstanding credit, which has grown by 21.19% y-o-y stands at Rs 34,76,133 crore.

The RBI, in its monetary policy review in November projected a credit growth of 20% for 2010-11. Bankers are now more confident of achieving a 20% loan growth this year as there has been a pick-up in the infrastructure, manufacturing and retail sectors.

* * *

It is often easier to hide something than to hide the fact that you are hiding something.

PROFESSIONALISATION OF SFCs

ECONOMIC GEOGRAPHY MATTERS

KARNATAKA GOVT. TO RESERVE 10% OF TOTAL LAND FOR INDUSTRIAL USE FOR SMEs.

SUCCESS STORIES OF ASSISTED UNITS

GDP GROWS BY 8.9%

MSME MIN FOR 18% FDI IN MULTI BRAND RETAIL.

NABARD LAUNCHES SUBSIDY SCHEME