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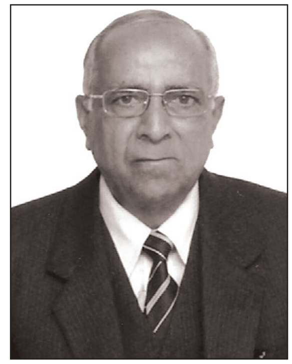
From The Editor's Desk

STRATEGIC IMPORTANCE OF PROVIDING ADEQUATE RESOURCES TO SFCs ~ ROLE OF SIDBI

The State Level Financial Institutions (SFCs & SIDCs) are an integral part of the country's financial system and have been functioning in the states for the last more than four decades. Operating at the grass-root level, these development finance institutions have played a crucial role in the promotion of first generation entrepreneurs and bringing about decentralised economic development in the country. These institutions were created by the State Governments for fulfilling certain critical socio-economic obligations like entrepreneurial development, employment generation, removal of poverty, development of backward areas, etc. Despite various constraints and handicaps, they have carried industrial culture to the far-flung areas of the country, some of which have not earlier known any productive activity other than primitive farming, cattle breeding or simple crafts. These Corporations have contributed substantially to the removal of regional imbalances and have succeeded to a large extent in decentralising industrial development of the country. Entrepreneurial development is the key to the industrial development and most of the entrepreneurs of the post-independent India in the large and medium sector are those who started with one of the SLFIs before graduating to all India Financial Institutions.

In the wake of economic liberalisation and financial sector reforms coupled with application of prudential norms such as capital adequacy ratio, asset classification, income recognition and provisioning, this sector has been facing formidable problems. As a result of the deregulation of the financial sector, commercial banks and financial institutions have been progressively moving towards universal banking in asmuchas commercial banks were advancing terms-loan, besides working capital to the industrial units, while financial institutions were sanctioning working capital alongwith term-loans. There has thus been blurring of distinction between commercial banking and investment banking. The SLFIs have been facing financial crisis since they have not been able to mobilize necessary resources from the market on account of their weak financial health and the refinance facilities available from SIDBI/IDBI was not sufficient to sustain their loaning-operations. The SLFIs were facing competition from the commercial banks which have started, in a big way, extending term-loan facilities to the small scale sector. Interestingly, SIDBI which is a refinance and regulatory body at the apex level and is expected to play a guardian's role, was also competing with the SFCs in the matter of financing of individual SSIs. The commercial banks, with their wide network of branches, superior expertise and adequate/cheap resources at their command, were able to corner the SLFIs in financing larger of the small industries operating in the States. This has resulted in a large-scale loss of clientele to the SLFIs and they were compelled to finance only those units which were unable to get finance from the commercial banks and were thus vulnerable to increase their NPAs and consequent losses. This trend, if allowed to continue indefinitely, will certainly drive SLFIs out of business.



Shri K.K. Mudgil

Commercial banks should provide a line of credit to SLFIs at 2% below their prime lending rates. The SLFIs have a legitimate claim on the portion of public deposits mobilized by commercial banks from the rural and backward regions of the states since they were engaged in the development of industries in those areas. It has been noticed that the deposits mobilized by commercial banks from such areas predominantly served by SLFIs were being deployed elsewhere and those regions were deprived of the finance for developmental purposes. This was quite apparent from the low credit-deposit ratio of commercial banks in the rural and backward regions of the States. Opening up of a line of credit to SLFIs by commercial banks for providing loans at lower rates of interest would push up the credit-deposit ratio in those areas and would go a long way in providing cheap resources to SLFIs to augment their business operations.

Since SIDBI has been assigned the role of nodal agency for promoting and developing SSIs in the country, as also promoting the interests of primary lending agencies, it should provide refinance facilities to the SFCs to the extent of 90% of advance to SSIs at a rate of interest not exceeding 8%. This would go a long way in meeting the fund requirements of SFCs.

It is a matter of great concern that far from providing adequate refinance to SFCs, SIDBI has been gradually withdrawing its support and arbitrarily reducing the quantum of refinance year after year. During the year 2011-2012, SIDBI has drastically cut the refinance to less than 50% of what was sanctioned in the previous year in the case of all the SFCs. For example, APSFC and TIIC were granted refinance of Rs.170 crore and Rs.47 crore during 2011-2012 as against the limit of Rs.350 crore and Rs.175 crore sanctioned during the previous year. It is also pertinent to mention that out of 18 SFCs in existence in the country, only eight are being provided with refinance facility which is less than 20-25% of their lending requirements. Since they are unable to raise resources from the market, they have been constrained to deny much needed credit to their existing borrowers and also first generation entrepreneurs. Since SFCs have been the main source of lending to SME sector, the flow of credit to the sector has been adversely affected.

With a view to supplement the resources of bringing down the interest on refinance, the Government of India may consider allocating substantial share of tax-free bonds to SIDBI, the proceeds of which should be exclusively used to provide refinance support to SFCs at a lower rate of interest. National Bank for Agriculture and Rural Development (NABARD) may also come forward to provide refinance facility to SFCs and SIDCs in respect of their lendings to eligible industries in the decentralised sector as also special rural infrastructural development schemes like constructions of cold storages, rural godowns/ warehouses etc. NABARD is getting a special line of credit from RBI at lower interest for providing refinance to designated institutions like commercial banks, RRBs, cooperative banks. Strangely enough, the SFCs/SIDCs have been excluded from the eligible institutions, though they have performed remarkably well in financing these activities eversince their inception.

Keeping in view the changes taking place in the financial scenario and the drying up of sources of cheap finance to the SLFIs, these institutions would survive only if they were able to mobilize resources from the market on their own strength such as floatation of equity, bonds, debentures and fixed deposits. As a long-term strategy to ensure perennial source of cheap funds, these development finance institutions could be converted into banks. This would enable them to mobilize public deposits at cheaper cost for being lent to the small and medium sector as term-loan and working capital finance. The resources thus mobilized would be entirely deployed in the States and will resultantly enhance the credit-deposit ratio, which has been showing declining trends in most of the States. This will also help the SLFIs to utilize their surplus manpower, which could be conveniently shifted to the banking subsidiary.

The Government of India and the Reserve Bank must consider the above proposals in proper perspective if they feel that the continuation of the SLFIs were in the best interest of the country's industrial development. It is my considered view that, keeping in view their outreach and penetration in the rural and backward regions of the States, no other financial institution, i.e. commercial banks, etc. can replace them in the field. Regardless of the ongoing economic reforms one should not forget that 80% of the population live in 5.82 lakh villages and nearly 35% of our rural population is below the poverty line. The reforms have not so far embraced this segment of the population.

{ K.K. MUDGIL }

APPOINTMENTS

- Dr. Rajneesh Goel, IAS has been appointed as Managing Director, Karnataka State Industrial & Infrastructure Development Corporation Ltd. {KSIIDC}, Bangalore vice Dr. Raj Kumar Khatri, IAS.
- Shri B. Anand, IAS has been appointed as Chairman & Managing Director, TamilNadu Industrial Development Corporation Ltd. {TIDCO}, Chennai vice Smt. Susan Mathew, IAS.
- Shri Jalaj Srivastava, IAS has been appointed as Managing Director, Andaman & Nicobar Islands Integrated Development Corporation Ltd. {ANIIDCO}, Port Blair vice Smt. archana Arora, IAS.
- Shri S.B. Patil, IAS has been appointed as Managing Director, Western Maharashtra Development Corporation Ltd. {WMDC}, Pune vice Shri S.N. Karle, IAS.

- Shri Neeraj Semwal, IAS has been appointed as Goa Industrial Development Corporation {Goa IDC}, Panaji vice Shri A.D.Naik.

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INCLUSIVE GROWTH : WHY, WHAT AND HOW ?

BHANOJI RAO *

WHY

Even if the rates of economic growth are high, that is, even if the cake is growing rapidly in size, nothing will trickle down to those who are not involved in the growth process either as entrepreneurs or employees, because of lack of appropriate capabilities. This is why the state has to intervene and orchestrate an inclusive growth path.

WHAT

Building human capabilities as part of an inclusive growth strategy calls for measures aimed at ensuring that each person has a healthy and long life and 12 years or more of world-class education. With good health and education, most will gain the capacity to derive reasonable purchasing power and stay out of poverty. In addition to health and education, inclusive growth requires a reasonable degree of equality in housing. A dwelling unit – minimum one room, toilet and kitchen – is critical for providing water and sanitation on a sustained basis and ensuring a healthy living environment.

HOW

Health: The first priority should be to ensure a fair degree of equity in maternal and child care across the population. Much can be accomplished if a significant number of deliveries take place in well-equipped hospitals. There is a need to build world-class polyclinics in place of the existing primary health centres, with sufficient provision of wards/ rooms for deliveries, while ensuring they are well staffed with incentives for employees to stay put at the workplace. As for curative medical care, the best option is to move slowly but steadily in a time-bound manner towards universal national medical insurance.

Education: First, minimal inequality in schooling promotes cohesion, order, security and peace in society. That is not possible if from age six to 18, majority of children are condemned to study in less-endowed schools.

Second, owing to inter-linkages to the rest of personal achievements, school education (12 years) provides the basis for individual progress over the full life span and for development to be spread widely.

Third, quality education for all up to class 12 (and more) would imply an exceptionally well-informed and participative electorate, a major pillar of a vibrant democracy, which, in turn, is the grand finale of our political liberties.

Finally, all the caste-based and other reservations in tertiary education would mean very little unless each child is educated in an identically well-endowed school-setting to begin with.

India should aim for the highest possible level of equality in school education, with a high degree of uniformity of standards and just one national examination at the end of class 12, results of which are globally accepted, and which allows for a dignified exit to all and sundry entrance tests.

In education, an urgent need, therefore, is to launch a programme to build brand new and identically well-endowed government schools. For instance, we could go for vast numbers of Mahatma Gandhi Primary School (MGPS) and Jawaharlal Nehru Secondary School (JNSS), with distinguishing standard architectural design across the country. One recognises a temple/church/mosque from a distance. Such must be the case with MGPS and JNSS. They must have top-class libraries and computer labs, and students should get mid-day meals. They should have book banks and first-class laboratories. Finally, with regard to teacher salaries, a simple formula is to peg secondary school teachers to some 75 per cent of a college/university teacher pay, and 50 per cent for primary school teachers. Salary payments must be made by bank transfers.

Till we get the MGPS and JNSS to endow our children with real equality of opportunity, we have no moral authority to proclaim any greatness for our nation.

Housing: Here is what the Father of the Nation wrote: "I shall work for an India … in which there shall be no high class and low class of people; an India in which all communities shall live in perfect harmony." Public housing, and private housing with appropriate homes for the poor in and around the same cluster, will go a long way towards fulfilling Mahatma Gandhi's dream.

With regard to housing, it is vital not to exaggerate the need for the slum dwellers to stay put and the importance of property rights for them by "recognising" the slums, and so on. Such actions will surely create the moral hazard of continued expansion of slums. It will go down as the perpetuation of the culture of one of the grossest forms of visible inequality.

Time-bound implementation is the key. On MGPS and JNSS, for example, action must begin with holding a national design competition, and building activity that will deliver all the standard school buildings by a certain reasonable date.

Schools that unify children and housing estates that unify citizens have important byproducts: peace, security and harmony.

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The author was Formerly with the National University of Singapore and the World Bank. At present he is an Honorary Professor at the Administrative Staff College of India and Governing Board Member of GITAM University (Visakhapatnam and Hyderabad).

Source : Business Standard

God often looks at things differently than most of us. To Him, pride is a weakness and humility a strength.

BOOSTING THE ECONOMY THROUGH MSMEs

Sunil Kr. Saikia *

In India, the Micro, Small and Medium Enterprises (known as MSME) occupies an important role in directing the development process for growth and prosperity of the country. During the past 65 years, this sector has contributed significantly towards building a stable and sound national economy. Today, MSME comprises of 95 percent of the total industrial enterprises in the country, accounting for 45 percent of total industrial production, generating over 80 percent of industrial employment and about 40 percent of country's export. At present the MSMEs sector contributes 8 percent of the country's GDP. The Government of India as well as the State Governments therefore, have been adopting a number of initiatives for the development of MSME for increasing income generating activities, solving acute unemployment problem, utilizing all natural and human resources optimally, earning more foreign exchange and eradicating the regional imbalance of growth in the country. MSME in India is considered now to be a panacea for creating wealth, generating employment and providing new and better goods and services. The present MSME sector is shown in Table-I.

Table–I

Indian MSME Sector–at a Glance #	
• MSMEs: 285.16 lakhs	• Ownership pattern :
• Employment generated 659.35 lakh	✓ Proprietorships : 94.49%
• Production : At current Prices Rs. 8,80,805 crores	✓ Partnerships : 0.68%
• Exports : Rs. 202017 crores	✓ Corporate & Others : 4.82%
• MSMEs account for	• Manufacturing Units : 28.56%
• Industrial Production : 45%	• Service Enterprises : 71.44%
• Exports : 40%	• Registered MSME : 5.94%
• GDP Share : 8%	• Produces Diverse range of products

 # Up-tp 31st March, 2010

From Table-I, it can be observed that MSME sector occupies a pivotal role in our country. However, it is also observed that the MSME Sector in our country have been facing a tough fight, not only against its counterparts (MSME), but also from the large and organized sector of the country and also from the multinational corporations (MNCs). To make the MSME sector healthier and to develop a global competitiveness among Indian MSMEs, the ministry of MSME has passed the MSME Act in 2006 and also introduced 10 different innovative schemes viz. Marketing Support/Assistance to MSMEs (Bar Code); Support for Entrepreneurial & Managerial Development of MSMEs through Incubators; Enabling Manufacturing sector to be competitive through Quality Management Standards & Quality Technology Tools (QMS/QTT); Building Awareness on IPR for MSME; Lean Manufacturing Competitiveness for MSME; Mini Tool Room (MTR); Design Clinic Scheme for design expertise to MSMEs Manufacturing (DESIGN); Marketing Assistance & Technology Upgradation Scheme in MSMEs; Technology & Quality Upgradation Support to MSMEs and Promotion of ICT in MSME Manufacturing Sector (ICT).

2. MSME in North East:

The economy of North East on the other hand is characterized by low per capita income, low capital formation, inadequate infrastructural facilities, communication bottleneck and geographical isolation from the mainstream. The region is also characterized by inadequate exploitation of the natural and human resources, for which industrial activities are very low in the entire region and high unemployment rate among the relatively highly literate people. The industrial backwardness is reflected in its total number of enterprises. Only about 1.5 percent of country's MSMEs have been set up in the region. Though, it has a very small number of enterprises at present, but the North Eastern Region offers vast market opportunities.

It is observed that the economy of the North Eastern Region is predominantly an agrarian economy, based on agriculture and horticultural crops etc. The region on the other hand has vast potential for setting up of number of enterprises, based on its own resources like-agriculture, horticulture, forest, jute, rubber, tea, medicinal plants, cane and bamboo, oil, gas, coal, hydro electric etc. These resources can be utilized by setting up number of industries in the region, particularly in MSME sector, including the service sector enterprises. Similarly, the region is also very rich in flora and fauna and traditional arts and crafts, mainly in handloom and handicrafts sectors. Since time immemorial, local artisans have been producing a variety of handloom and handicrafts items, out of which some of the items are really superb, exquisite and unique. These products have attracted many people from both within as well outside the region and to some extent outside the country also.

But due to lack of entrepreneurial zeal of the local people, particularly the youth and also lack of availability of skilled and semi-skilled labours in the region, poor infrastructural facilities, lack of adequate power supply, lack of encouragement from the commercial banks and financial institutions, limited R&D facilities and lack of proper marketing knowledge, lack of hand holding support etc, the development of the MSME has remained tardy. The social and cultural taboos are also responsible to a large extent for not developing industries in the region. However, at present a number of Organizations/Institutions have been involved in developing the entrepreneurship and enterprises in the region. At present, apart from the Directorate of Industries and Commerce in all the states of the north east including its District Industries and Commerce Centre (DICC), Directorate of Rural Development (DRDA), State Industrial Development Corporations (SIDCs) like ASIDC and AIDC (Assam), TIDC (Tripura), MIDC (Meghalaya), MANIDCO (Manipur), APSFDC (Arunachal Pradesh), Sikkim Industrial Development Investment Corporation (SIDICO) etc, State Institute of Rural Developments (SIRDs) like SIRD (Assam), SIPAR (Tripura) etc, State level Handloom and Handicrafts Development Corporations like AGMC (Assam), MHHDC (Meghalaya), MHHDC (Manipur), SHHDC (Sikkim), THHDC (Tripura) etc. have been involved in developing entrepreneurship and enterprises in their respective states. Under the central sector also, there are a few Organization/ Institutions like Indian Institute of Entrepreneurs (IIE), North Eastern Technical and Consultancy Organisation (NEITCO), North Eastern Consultancy Organisation (NECON) with its headquarter at Imphal (Manipur) etc. In addition, organization like Micro, Small and Medium Enterprises Development Institute (MSME-DI), National Small Industries Corporation (NSIC), Khadi and Village Industries Commission (KVIC), North Eastern Handloom & Handicraft Development Corporation (NEHHDC), North Eastern Regional Agricultural Marketing Corporation (NERAMAC) etc. have been operating in the region for developing entrepreneurship as well as micro and small enterprises.

The region occupies a very strategically and geo-politically sensitive frontier zone of the country, sharing 98 percent of its border (4600 km) with international border of four different countries i.e. Bangladesh, Myanmar, Bhutan and China, while having only 2 percent (33 km) of its border with mainland India. As the region has the unique locational advantage of being situated close to South East Asian countries it has the potential to emerge as a strategic base for domestic and foreign investors to tap the vast potential markets of countries like China, Bangladesh, Bhutan, Myanmar, Thailand, Malaysia, Philippins, Cambodia, Indonesia, etc. To help the local entrepreneurs in the export-import sector, a number of organizations like-Director General of Foreign Trade (DGFT), Agriculture and Process Food Export Development Authority (APEDA), Marine Product Export Development Authority (MPEDA), Export Credit Guarantee Corporation (ECGC), Inland Container Depot (Dry Port) etc. have been established or upgraded and a few Export Promotion Industrial Parks have been set up to help the local entrepreneurs.

3. MSMEs in Assam

In the state of Assam, the position of setting up of micro, small and medium enterprise (MSME) is slightly better in comparison to the other states in the region. The present status of micro, small and medium enterprises (MSME) in the state is shown in Table-II.

Table–II

MSME Sector in Assam– At a Glance (4th Census)		
Sl. No.	**Description**	**Numbers**
1	Total MSMEs in the state	6,03,541
2.	Manufacturing units	1,00,556 (16.66%)
3.	Service units	5,02,985 (83.34%)
4.	Total Employment generated:	12,34,356
5.	Total MSME in NE Region	8,94,485*
6.	Total MSMEs in India**	285.16 (lakhs)

Including MSME in Assam

upto 31st March, 2010

Source: Summary of results of Fourth Census of India, 2006 & IIE, Guwahati

In Assam, apart from the Directorate of Industries and Commerce (now known as Commissioner of Industries and Commerce), a number of other organization/institutions have been created for the development of entrepreneurship as well as enterprises in Assam. In Assam, the concept of developing entrepreneurship was first introduced in the year 1973 when Government Of Assam under the Chief Ministership of Late Sarat Chandra Sinha introduced a scheme called 'Half a Million Jobs' and this was entrusted by creating a separate organization called Entrepreneurial Motivation Training Centre (popularly known as EMTC) under the State Planning Board. The Government of Assam also requested SIET Institute (now known as MSME-NI), Hyderabad to be associated with EMTC mainly on training and research in the field of entrepreneurship development. Nine EMTCs branches were set up in different places of Assam. Similarly in the year 1973 North Eastern Industrial Consultancy Organisation (NEITCO) was created by development financial institution and banks to cover all the states in N.E. Region including Assam. In 1979, SIET Institute, Hyderabad separately set-up its NER Centre at Guwahati. This SIET Institute became NISIET (NER Centre) in 1984 and Indian Institute of Entrepreneurship (IIE) in 1994. In addition, organizations under central sector like Micro, Small and Medium Enterprises Development Institute (MSME-DI), National Small Industries Corporation (NSIC), Khadi and Village Industries Commission (KVIC) have been operating in the state as well for the region. Other organizations like office of the DC (Handicraft), National

Commission for Scheduled Caste & Scheduled Tribes Development, NIRD, RGVN, CAPART, NEHHDC, NERAMAC etc. and a number of NGOs, Industry Associations/ Forums etc. have been engaged in developing entrepreneurship and small enterprises in the region. Under the State Government also, a few organizations like Assam Small Industries Development Corporation (AIDC), Assam Government Marketing Corporation (AGMC), Assam State Hills Industrial Development Corporation (SHIDC), Assam Trade Promotion Organization (ATPO), Assam Financial Corporation, Assam Electronics Development Corporation, Assam Khadi & Village Industries, Assam live Stock and Poultry Development Corporation, Assam Industrial and Infrastructure Development Corporation, Assam Government Marketing Corporation etc. have been set up in the state.

In addition to the above, the Government of Assam with or without help of the Government of India has created some industrial infrastructural facilities and Industrial Parks for the benefit of local entrepreneurs.

These facilities would definitely motivate and boost the local youth to set up more and more enterprises in the near future. In addition, the work on a huge gas cracker project is going on in upper Assam, which is expected to be completed by the end of 2012. As per Assam Government estimates, the Gas Cracker Project Would help to set up at least 50 downstream enterprises and create employment of more than one lakh people, Assam is already famous for its tea and petroleum industries. Apart from these industries, Assam is also famous for its traditional cottage industries like handloom and handicrafts, bell/brass metal industry, pottery/ terracotta etc. There are about 7,00,000 looms in Assam, all of which are mostly traditional. Assam produces about 10 percent of the total natural silk of India, in addition to muga, the famous golden silk of the entire world. The bell-metal and brass-metal industries on the other hand, produce products like plates, tumblers, pots, sarais etc with a total annual production of marketable finished goods of around 300 tonne. By the turn of the new century, Assam had 63.7 percent of the permanently registered micro, small and medium units in the region. Of these, the agro-based sector and timber and wood-based sectors have had the maximum share in the number of total micro, small and medium enterprises registered in the state. Recently, Clustering efforts are surfacing well in the plains of Assam, particularly in sectors like handloom, jute craft, eri spinning, bell and brass metal in MSMEs.

4. Problem of MSME in Assam

There are a number of reasons for slow growth rate of MSME sector in the state, among them the following may be considered as the major factors.

- The infrastructural constraints, therefore, MSME sector in the state suffers from problems like frequent power failures, bad rail and road communications, high production cost due to high labour cost, high transportation costs, high inventory costs etc;
- The dearth of entrepreneurial talents is an inhabiting factor to accelerate the process of industrialization in the state;
- Lack of financial support and help from banks and financial institutions.
- Stiff competition from outside products mainly on cost factor and packaging, finishing and credit facilities;
- Inadequate R&D and testing facilities for most of the MSMEs in the state;
- Non availability of packaging facilities (like bottles, containers, cork, packaging, materials etc) locally, for which the enterprises have to maintain more inventories;
- Lack of adequate testing facilities available in the region.
- Inadequate storage facilities, particularly after harvesting of a seasonal crop/horticultural item;
- Barring a few urban areas, the marketing network is totally unorganized, for which the units have to incur additional expenditures to distribute their products.

- Another major obstacle in the state is the lack of proper techno-economic information with the concerned government departments and financial organizations;
- Inadequate marketing support from government level organization;
- Lack of awareness among entrepreneurs about various new schemes launched recently in the state.

5. Strategy

In order to build a proper and effective strategy for the development of our economy through the MSME sector, some of the important strategies could be-motivating and changing of the mindset and attitude of the local youth for taking up various entrepreneurial ventures, improving the infrastructural facilities by providing adequate power supply, timely finance from the commercial banks and financial institutions, providing of required information quickly (including facilities and incentives on appropriate policies and schemes of the central and state government) by local DICC and other promotional and developmental organizations. The local youth should also change their attitudes and mind-set and give proper weightage to certain important issues like identifying and finalizing an enterprise based on scientific market survey and analysis, continuous R&D efforts, product innovations, improving the quality of products and its design, shape, size, colour etc, developing effective linkages both inside and outside the region, penetrating more in semi urban and rural areas in the region, utilizing more of government and private level emporia, more efforts on sales promoting and advertisements, more concentration on appropriate value added products, speed up new product development process cycle etc. Some of the products from this state as well as from the north eastern region have high potential in the export market for which systematic efforts could be made on product identification, techniques of entering into the export market, finding buyers or importers, knowledge of preparing proforma invoice, calculation of export pricing, delivery of the products, packaging, export documentation formalities, export logistic etc.

In conclusion, we can say that Assam and the entire north-eastern region has enough resources to develop the micro-enterprises sector. For this the region needs a positive attitude of the people in general and changing of the mind set of the local youth in particular along with sincere efforts from the concerned government and non-government departments, organizations, institutions etc. The local youth must come forward with full determination and dedication to work hard. The region at this present hour needs a thriving, vibrant and strong enterprises, particularly in the micro and small enterprises segments for all round economic development of the region.

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The author is Head, Centre for Entrepreneurship Development & Management, Indian Institute of Entrepreneurship, Guwahati

Source : Yojana (A Development Monthly)

Cheerfulness starts in the heart and works its ways out.

PROFILE OF MEMBER CORPORATIONS

ANDAMAN AND NICOBAR ISLANDS INTEGRATED DEVELOPMENT CORPORATION LIMITED {ANIIDCO}

Shri Jalaj Shrivastava, IAS joined **Andaman & Nicobar Islands Integrated Development Corporation Limited (ANIIDCO)**, Port Blair as Managing Director in April, 2011. Some of his assignments have been Dy. Commissioner, Arunachal Pradesh; Dy. Secretary, M/o Home Affairs; Spl. Secretary, Transport Deptt., Managing Director, DSIIDC; Executive Director, M/o Consumer Affairs, Food & Public Distribution and Commissioner (Taxes), Trade & Taxes Deptt., NCT of Delhi. ANIIDCO is scaling new heights of achievements under able stewardship of Shri Shrivastava.

Aim

Andaman and Nicobar Islands Integrated Development Corporation Limited (ANIIDCO) was incorporated on 28th June 1988 under the Companies Act 1956 for rapid economic growth of the Islands. The main objective of the Corporation is to develop and commercially exploit the natural resources for the balanced and environment friendly development of the territory.

Mission

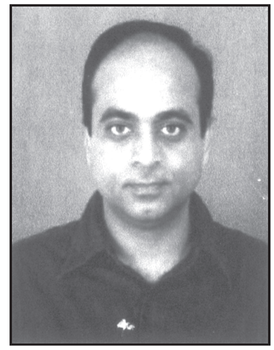
To facilitate integrated development of islands and to serve the people by providing products and services of superior quality at a fair price.

Objectives

To develop and commercially exploit the natural resources of the territory for the balanced and environmentally sound development of the territory, operating on sound business principles; Achieve balanced development in the area of Fisheries, Tourism, industries and trade; Facilitate entrepreneurship in the Islands; Maximise employment to improve standard of living of the people.

Services

Extend financial assistance in the form of loan and equity to entrepreneurs for setting up of industrial concerns; Operate Megapode Nest a 28 room hotel accommodation with all modern facilities.



Shri Jalaj Shrivastava, IAS, M.D. ANIIDCO

Fisheries Development

The Union Territory is endowed with marine resources, exploitation of which is one of the priority areas of the administration both for economic development of the place as well as for providing employment to local youth. Andaman Fisheries Ltd., a joint venture company was floated by the Corporation with a private firm and MPEDA in 1991 to process fish for export. The cold storage and processing unit at Port Blair were completed in 1995 and commercial production started in April 1996. A cold storage was constructed at Wandoor and leased to Andaman Fisheries Ltd., in 1998 to ensure supply of raw material for the processing plant. The civil construction of the cold storage and an ice plant at Havelock has been completed. ANIIDCO has participated in a Fish Cage Culture Project M/s Lakshadweep Shilpi Aquaculture and invested Rs.40 lakh as equity.

Iron and Steel Unit

ANIIDCO functions as nodal agent to procure and supply steel materials to Govt. Departments since 1991 and around 4000 MT of steel is procured and supplied in a year. It also procures and supplies steel materials to small scale steel industries at landed cost without profit margin. There is a plan to set up a steel stockyard at Mohanpura to commence sale of steel material to public.

Milk Unit

The Corporation is producing and marketing reconstituted toned milk, sweetened milk and cottage cheese to consumers in Port Blair. After the winding up of the Milk Cooperative union, the Animal Husbandry Department took up the milk distribution selling re-constituted milk. This was transferred to ANIIDCO on 13.5.91 along with the plant & machinery. The production was gradually improved from 3.71 lakh ltrs. in 1991-92 to 12.70 lakh ltrs. in 2003-04. Pouching of the milk was introduced on 10.7.1997. About 105 agents have been appointed to distribute the milk throughout Port Blair.

POL Unit

The Corporation is supplying petroleum products like Petrol, Diesel and Lubricants in various parts of A & N Islands. On 26th January' 1990, the company commenced its operation by opening a Petrol pump at Junglighat as a dealer of Indian Oil Corporation. In the year 1994-95, it was extended to outstation areas like Rangat, Mayabunder, Diglipur and Hutbay. The Corporation took over POL storage installation created at above said four places to cater to the needs of Govt. Departments. In Hutbay, it took up sale of Petrol and Diesel to both Govt. Departments and public where as in other places it sells only HSD.

IMFL Unit

The Corporation is the sole licencee, distributor and retailer of IMFL & Beer in various parts of A & N Islands.

Ticketing Unit

The Corporation is Passenger Sale Agent for Jet Airways and Indian Airlines.

Green Shop Unit

To stabilize the prices of vegetable and make available fresh vegetables for residents of Port Blair ANIIDCO started "Green Shop" during 1996 for the sale of fruits and vegetable. Presently vegetables are being sold through 6 shops including mobile shop. Vegetables are being procured from mainland by cold room of ships and reefer container.

* * *

Men of force are men of faults, and their greatest fault is trying to force results in their own strength and wisdom instead of asking God and others for help.

LETTER TO THE EDITOR

27/12/2011

Dear Editor,

I am glad to mention that COSIDICI COURIER gives very interesting reading with profiles of Member Corporation, their activity, Economic Scene, Policy Updates, Success Stories of Assisted Units, MSME, Quotes etc.

Of Course your editorial observations on the various topics are highly informative and educative. I am sure that this Journal has proved to be useful to the Bankers, Financial Institutions, Libraries, Entrepreneurs, Consultants and other readers.

There is always something new in every Issue of COSIDICI and I look forward to receiving the next issue.

I Congratulate you on bringing out such a useful magazine and I wish you a Very Happy and Prosperous New Year.

With Warm Regards,

Yours Sincerely,

Sd/-

{R.K. CHOPRA}

Proprietor cum Chief Consultant
Chopra Consultants (I&F)
Member-M.P. Chamber of Commerce & Industries, Gwalior
Member-Association of Industries M.P., Indore.

Don't think of setbacks as losses, but as opportunities–vacant lots on which to build new dreams.

MAHARASHTRA

SICOM auctions loans to the UB Group Cos.

SICOM has funded Rs.400 cr to Kingfisher and the UB Group collectively. The Maharashtra state government holds 49% equity in SICOM.

The loans to Kingfisher in July alongwith an earlier loan to UB Holdings, comprise 60% of SICOM's 2010-2011 net worth and 9% of the finance company's sanctioned loans. In terms of its networth, SICOM has higher exposure to the group than some of the large public sector banks.

SICOM's earlier loan of Rs.54 crore (as of 2010-2011) to UB Holdings is secured by 18 milluion shares of Kingfisher, and 250,000 shares of United Spirits, which houses the whisky business of the UB Group. The loans given subsequently in July last year are secured by the current assets of the four companies.

HARYANA

HSIIDC signs MoU with Japanese cos Toshiba, Tokyo Gas and NEC for DMIC projects

Haryana State Industrial and Infrastructure Development Corporation has signed a pact with a consortium of Japanese companies, comprising Toshiba, Tokyo Gas and NEC, for building 'smart communities' or 'eco cities' in the Delhi-Mumbai Industrial Corridor region.

The consortium has selected IMT Manesar for a pilot initiative in this regard. A technical pre-feasibility report had been submitted by the DMIC consultants and a financial pre-feasibility report was being finalised. HSIIDC had been made the nodal agency for various initiatives under the DMIC project in Haryana.

Apart from four nodes (investment regions at Manesar-Bawal and Kundli-Sonipat and industrial regions at Faridabad-Palwal and Rewari-Hissar), early bird projects like an exhibition-cum-convention Centre (ECC) in Gurgaon district, a mass rapid transit system (MRTS) between Gurgaon, Manesar and Bawal; and an integrated multi-modal logistics hub (IMLH) in Rewari district have also been identified. The DMIC's consultants have submitted pre-feasibility reports for two of the early bird projects — the exhibition- cum-convention centre and integrated multi-modal logistics hub. The Concept Master Plan of the Manesar Bawal Investment Region (MBIR) has also been finalised. Pre-feasibility studies for three projects in the MBIR — a health-cum-education hub, multi-modal passenger hub and affordable low cost housing project were also underway.

A cargo airport is also proposed to be set up in Haryana, within the national capital region. The Airport Authority of India (AAI) had carried out a preliminary site visit and pre-feasibility study and has conveyed its consent for the proposed project site.

Centre clears Rapid Metro project

Haryana Chief Minister, Shri Bhupinder Singh Hooda and Union Urban Development Minister, Shri Kamal Nath signed a Memorandum of Understanding (MoU) in Delhi on 15.12.2011. The project is aimed at starting simultaneously with the Delhi Metro's Gurgaon line to act as a feeder line for the lakhs of commuters in the city. The state and Centre took time in finalizing a policy for the first-of-its-kind privately built and run Metro service so that the model can be implemented in similar such projects in the future.

The project had also been sent for financial reviews and to the Law ministry for framing of rules and regulations. Meanwhile, the detailed project report for the second phase on Golf Course Road was also approved.

Dwarka line soon

The Centre and the Haryana government will also sign an MoU to start another Metro line from Gurgaon to Dwarka," said Union Urban Development Minister, Shri Kamal Nath. "Phase III of the Metro has started and this would be very important in providing important infrastructure to people," Nath said. "Similarly, we are looking at expediting Phase IV as much as we can," he added.

Approval for Metro work in Faridabad

The state cabinet has given its approval to the extension of Delhi Metro from Badarpur to YMCA Chowk in Faridabad at revised cost of Rs 2,494 crore. The state will contribute Rs 1,557.40 crore within a period of 3 years. Of the total amount, infrastructure development fund will contribute Rs 778.70 crore, state government Rs 280.32 crore, HUDA Rs 311.48 crore and HSIIDC Rs 186.90 crore.

KERALA

Non-SLR bonds for Rs.200 crore by Kerala Financial Corporation fully subscribed

Kerala Financial Corporation had come out with a non-SLR Bond issue of Rs.100 crore with green shoe option of another Rs.100 crore in the first week of December, 2011. The bonds were issued in the nature of debentures with unconditional and irrevocable guarantee by the Government of Kerala and the coupon rate was 9.99% p.a. The arrangers to the issue were M/s.Tipsons Consultancy Services Pvt Ltd and M/s.Axis Bank. The Corpoartion was assigned credit rating of A-(SO) Stable from M/s. Brickwork Rating India Pvt Ltd. The bond issue of Rs.100 crore was subscribed within five days. Considering the unprecedented response, the corporation decided to exercise the green shoe option and that was also fully subscribed in short time. The corporation pre-closed the issue much before the closing date of December 20, 2011.

DELHI

DSIIDC for service sector in industrial estates

If the central government gives its green signal, service industry can come up in the industrial estates of Delhi, according to DSIIDC Chairman, Shri Chetan Sanghi. As of now, service industry is barred by law from coming up in Delhi's industrial estates. *"We believe it should be a permissible activity. "The Transferable Development Rights, height restrictions of industrial buildings and housing needs of industrial estates should also be integrated with the development of industrial estates"*. The Narela and Bawana industrial estates, the biggest in the capital, had been given to private concessionaires to upgrade their infrastructure and maintain their services for the next 15 years.

This has been done under Public Private Partnership (PPP) method. Delhi's Lt. Governor had directed the Municipal Corporation of Delhi (MCD) to transfer the industrial estates to the DSIIDC. The DDA has also agreed to transfer the lease administration, and the taking over process by DSIIDC is in progress. The design of the Knowledge Park in Delhi had been approved, and the DDA had approved the land use change. The MCD was considering the building plans. Work should start by June 2012. Delhi's young manpower needed extensive skill building efforts. "This is why we have encouraged new skill development courses and promoted efforts to test proficiency in skills through ICSIL." said Shri Sanghi DSIIDC has also suggested to the central government the construction of over 20,000 dormitory spaces for industrial workers. This, would partly solve the problem of homelessness in Delhi. DSIIDC's plans for 2012 included stabilizing the activities of its new four subsidiaries, promoting the Multi Level Manufacturing Hub at Rani Khera and consolidating DSIIDC's IT arm (ICSIL).

RAJASTHAN

RIICO signs pact for Rs.1,500 crore project

State-owned Rajasthan State Industrial Development and Investment Corporation Ltd. (RIICO) 04.01.2012 signed a memorandum of understanding with Jindal Saw Ltd. for a Rs.1,500 crore project for mining iron ore, copper and ancillary minerals. The agreement was signed between RIICO, Managing Director, Shri Rajendra Bhanawat, IAS and Jindal Saw Director (Projects), Shri Dharmendra Gupta. The project will be located near Bhilwara, about 250 km from state capital Jaipur.

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NEWS FROM STATES

UTTAR PRADESH

152-million World Bank loan for UP

The World Bank has approved a $152-million loan to help the Uttar Pradesh state to build infrastructure for health care facilities. The approval comes after a due diligence on the state's delivery system, thus taking into account the gradual rise in the state's GDP and the fact that the state's commitment to public health spend stands at 1.6% of the state's gross domestic product, which is higher than the national average of about 1%. It is felt that this is a significant step and will go a long way in establishing the credibility of the state. If India has to fulfill its Millennium Development Goals (MDGs), it is important to understand that UP has to be worked upon. For it is UP, with its population of 200 million, that ends up determining the achievement of India's health goals.

U.P. continues to face overwhelming health challenges as more women die in childbirth here than in most parts of the country and fewer children survive infancy. Also only one-third of children are fully immunized by 12 months of age here and infectious diseases remain a major problem in the state. Shri Venu Rajamony, joint secretary, department of economic affairs, ministry of finance, feels that the main challenge in UP is the need to ensure that the full impact of these inputs is not undermined by inadequate institutional capacity and management systems of the state's health department.

UTTARAKHAND

Uttarakhand to focus on industry in hills

After heavy industrialisation in the plains, the Uttarakhand government has shifted its entire focus to the hills, amending the existing policy to attract small manufacturing units there. A total of 11 new industrial hubs will be developed, with the government promising modern infrastructure complete with incentives under the 2008 hill industrial policy. Besides, the government has also decided to bring four new areas – Sahaspur and Raipur in Dehradun district and Ramnagar and Haldwani in Nainital district – under the policy, despite their being in the plains. Chief Minister Shri B. C. Khanduri wants the hill policy to focus more on the development of the backward hill region, stating that the government would prefer the growth of small industries to large ones.

Uttarakhand is currently witnessing sluggishness in the industrial sector after the expiry of the hill-based excise exemption under the concessional industrial package (CIP) expired on March 31, 2010. Besides big industries, the CIP was responsible for healthy growth of the SME sector during the past six to seven years. Since 2009, industries have not been showing any enthusiasm towards the hill state, with the government repeatedly urging the Centre to renew the tax incentives for a few more years. Though Uttarakhand has been able to attract an investment of Rs.218 crore in the hills, manufacturing industry has maintained a distance from the backward areas, mainly due to poor connectivity and lack of infrastructure in the hills.

The government is offering a series incentives under the Special Integrated Industrial Promotion Policy-2008 for the hilly and remote areas of Uttarakhand which include stamp duty exemption on land purchase, industrial estates on two acres for private developers, and reimbursement of 50 per cent of the cost of infrastructure development (up to a maximum of Rs.50 lakh). The capital investment subsidy has been doubled to Rs.60 lakh. The government will also offer six per cent interest subsidy up to a maximum of Rs.5 lakh, a subsidy in electricity bills up to 75 per cent and reimbursement of VAT. It is also offering viability gap funding. The government has amended the hill industrial development policy after obtaining suggestions from industrial associations to promote new investments. Cluster development needs to be encouraged in the state, particularly in new industrial areas by creating dedicated industrial parks.

TAMILNADU

Tirupur units get Rs.127-cr relief in interest-free loan

The Tamil Nadu government announced a Rs.127.40-crore interest-free loan to 15 common effluent treatment plants (CETPs) situated at Tirupur in December, 2011 to enable 700-odd dyeing units to attain zero liquid discharge (ZLD). The dyeing units were forced to shut down by the Madras High Court last year owing to non-compliance of its earlier order in attaining ZLD. The announcement was made by chief minister Ms. J Jayalalitha and as part of her earlier offer of Rs.200-crore interest-free loan to CETPs for achieving ZLD either by using Brain technology of Tamil Nadu Water Investment Corporation or the nano technology used by dyeing units in Surat, Gujarat. Most of the 700-odd dyeing units depend on CETPs that were set up a few years ago but have been found to be ineffective in attaining ZLD. The Madras High Court intervened on a petition filed by the farmers of Noyyal River Anicut and NGOs against the continuous pollution of Noyyal river by these dyeing units.

KERALA

Kerala targets Rs.1,000-cr coir exports

Kerala has targeted its coir export target to Rs.1,000 crore from the present Rs.850 crore due to MoU with a Saudi Arabian firm Al Afaq Al Amjad for coir geotextiles. Coir geotextiles, which firm up construction of roads and embankments, have started picking up international demand. The recent exhibition of Kerala coir in Dubai had yielded over Rs.10-crore worth orders for State PSU Kerala Coir Corporation.

The Indian market for coir geotextiles is also on ferment, after central government recently passed a directive, making the use of coir geo-textile mandatary, in the building of roads under Pradhan Mantri Sadak Yojana. Coir already enjoys a domestic market of about Rs.1600 crore turnover annually. Kerala Government had been organising buyer-seller meets in all major cities in the country to ramp up domestic sales. The first of these was held in Kolkata, yielding orders totalling Rs.10 crore. The biggest issue faced by the coir industry, giving livelihood to 3.75 lakh workers, is raw material crunch. Although the state produces about 6,000 million coconuts, green husk from less than 35% of this reaches the coir processing yards.

A major policy shift has been the recognition of the weakness in the husk procurement chain. “We are trying to bring in coconut husk procurement under Mahatma Gandhi Rural Employment Guarantee programme. This way, incentives for collecting husk will be higher, drawing more people into procurement business”. The State had been checking out the price advantage of husk imported from Sri Lanka, compared to that of Tamil Nadu coconut husk. But then, in terms of white fibre from green husk, the superior quality was in Kerala coconut. This comparison has also added impetus to the drive to hasten a full-fledged raw material sourcing network locally.

* * *

QUESTIONS OF CYBERQUIZ ~ 33

1. The ratio between the number of times an advertisement is clicked upon and the number of times the advertisement is served to the site visitor is called :

[a] Click-through rate (CTR); [b] Click stream; [c] Hit;
[d] Qualified hit.

2. What is click stream ?

[a] The sequence of mouse clicks made by a user and she or he navigates a web page or the Net; [b] The sequence of mouse clicks one has to make in order to reach a particular page in a website; [c] The site map of a website; [d] The sequence of mouse clicks made by a user as she or he navigates a text document.

3. In Internet jargon, what are interstitials ?

[a] An advertisement diverted to one's email box with the consent of the recipient; [b] An advertisement that appears between web pages; [c] An advertisement format where the contents are not static but changes every few seconds; [d] An interactive advertisements.

4. Which marketing guru pioneered the concept of "permission marketing" which has become more common in the Web-based businesses ?

[a] Seth Godin; [b] Jagdish Sheth; [c] Deepak Jain; [d] Theodore Levitt.

5. When an attacker over the Net harassed a victim with threatening messages delivered through e-mail or instant messaging or posted to a Website or a discussion group, it is called :

[a] Cyber squatting; [b] Cyber terrorism; [c] Cyberwoozling; [d] Cyber stalking.

For Answers See **Page No. 29**

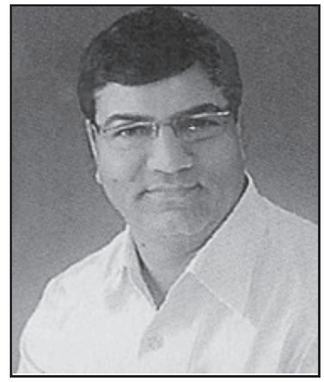
Every unseen act of love and kindness will be rewarded openly in Heaven.

SUCCESS STORY OF RFC ASSISTED UNITS

M/s. Vikas Marmo & Mines Pvt.. Ltd

RFC has extended financial assistance to Shri Babu Lal, Kothari, Director, Vikas Marmo & Mines Pvt. Ltd. from time to time and with this help, he is running an established group of industries. The turnover as on date is Rs142.29 Lakhs, which initially was Rs.33.53 Lakhs.

Seven different loans amounting to Rs185.60 Lakhs have been taken from RFC and they have been timely repaid and thus he has a clear account with RFC. RFC finds him to be a good borrower who is doing exceptionally well in his business. Initially Shri Kothari was engaged in cloth business, but gradually he expanded and entered the mining sector also and is presently the director a successful business group. He enjoys the status of being a Platinum Card holder



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M/s. Pyrotech Electronics Pvt Ltd

As a first generation entrepreneur, Shri C.P. Talesara, Director, M/s Pyrotech Electronics Pvt. Limited took financial assistance from RFC to expand his business. His turnover increased from Rs 5 Lakhs to Rs 100 Crores in the year 2009-10. The turnover of the group is Rs 500 Crores as on date.

RFC provides sound support to small scale entrepreneurs. Their support has made many people to grow and expand their business units. RFC has financed large variety of industries and other entrepreneurs. Shri Talesara is a good borrower who has made timely repayments. He has been in association with RFC since 1980 and owes the credit of his success to RFC.

* * *

Call people by name. It is music to their ears and shows that you care about them as individuals.

DO YOU KNOW ?

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
2012	International Year of Cooperatives
2012	International Year of Sustainable Energy for All

* * *

Exports grow 36% to $25bn in Sept

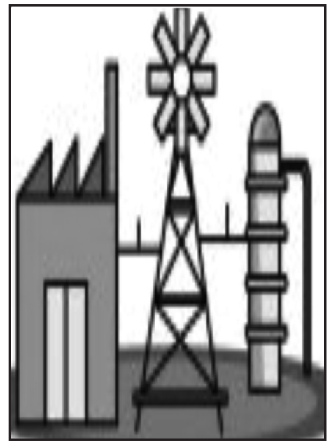
India's exports grew 36.3% to $24.8 billion in September, compared with $18.2 billion in the same period in 2010. Meanwhile, imports grew 17.2% to $34.5 billion, leaving a trade deficit of $9.7 billion. Though down from the 44.2% growth rate recorded in August, the rise in exports in September can be considered robust given the economic woes in the US and the debt crisis in Europe. The US and Europe are the two biggest markets for Indian goods, accounting for about 30% of total shipments. During April-September, the country's exports grew 52% to $160 billion from $105.2 billion in the same period last year. The sectors which led to a good growth in the first six months include engineering (103%), petroleum and lubricants (53%), gems and jewellery (23%), readymade garments (32%), marine products (48%) and drugs (33%).

Pak grants MFN status to India

Almost 15 years after India granted the 'Most Favoured Nation' status to Pakistan, the latter has reciprocated. Pakistan accorded the status to India on 2nd November, 2011. The move will liberalise bilateral trade relations and ease visa restrictions. That will boost the movement of professionals and exporters across the two countries. Pakistan made it clear the move would not in any way affect its stand on the Kashmir issue.

In 2010-11, India-Pakistan trade stood at $2.6 billion. Both sides have set a target of $6 billion worth of bilateral trade in the next three years. At present, a little more than 12,000 items are on Pakistan's negative list while 1,948 items come under the positive list. Pakistan is expected to prune the negative list of items soon. India will now be able to export textiles, engineering goods, chemicals, raw materials, spices and other such materials to Pakistan. "The MFN status will substantially reduce illegal and third country trade with the potential of raising official bilateral trade to $8 billion in less than five years." "However, roadblocks like stringent visa rules, non-tariff barriers, difficulty in communication and opening of more trade routes like Wagah still need to be addressed".

Trade with Pakistan reached $1.85 billion in 2010-11, compared to $3 billion with Sri Lanka. It is expected to increase to $10 billion in the next three years with the grant of MFN status and removal of non-tariff barriers, according to the Federation of Indian Export Organisations. Under the World Trade Organization rules, trading partners offer MFN status to each other so as to not discriminate between their trading partners. Granting of MFN status means lowering of tariffs and customs duties.



India 134th in global human development report

The latest annual Human Development Report of the United Nations Development Programme shows that India's ranking has little changed from last year: it is the same steady progress - a 1.5 per cent annual rise in the human development index (HDI). India's ranking went from 127 to 134 in the world, but there were 18 additional countries in the survey this year. Norway, Australia and the Netherlands top the HDI rankings, with 0.943 being the highest value achieved. Burundi, Niger and Congo are at the bottom, with 0.286 being the lowest HDI value achieved. India's is 0.547 - up from last year's 0.542. It shows itself favourably with respect to income growth and improved educational enrolment over the past three to four years. However, India stands bottom in South Asia and the Asia-Pacific, with the exception of Afghanistan, on the gender inequality index - encompassing factors such as early pregnancies, total fertility rate and representation of women in the national legislature, among others.

The 2011 report forecasts a grim slide in development four decades from now if it were divorced from environmental sustainability and equity. Rural development minister Shri Jairam

Ramesh, who released the report in November, called for massive public funding in areas such as sanitation, health and education. India was "too squeamish about addressing birth control. UNDP expert Ms. Seetha Prabhu said that the poor quality of education in government schools and poor quality of public health care were responsible for the unequal access to health and education in India.

Fiscal deficit at Rs.3.07 lakh cr for April-Oct

India's fiscal deficit crossed Rs.3 lakh crore during April-October period, which is around three-fourth of the Budget estimate for the entire fiscal. The higher deficit is mainly on account of slowdown in net revenue collection, following higher refunds and moderation in economic growth rate. The government has already decided to increase this year's borrowing target by an additional Rs.53,000 crore, anticipating slower tax collections and lower disinvestment proceeds. According to Comptroller General of Accounts data, the deficit in April-October was at Rs.3.07 lakh crore, which is 74.4% of the target originally estimated at the beginning of the fiscal for the whole year. The figure shows that the target to cut fiscal deficit to 4.6% of the GDP for the current financial year is likely to be missed. Besides, the government's decision to borrow Rs.52,800 crore more from the market, over and above Rs.4.17 lakh crore estimated earlier for the current year, also put pressure on the deficit number. Recently, Planning Commission deputy chairperson Shri Montek Singh Ahluwalia had also said that it is "not impossible" that the fiscal deficit could reach 5.5% of the GDP in the current financial year. In the first seven months of the current financial year, the net tax revenue receipts stood at Rs.2.91 lakh crore, which is 43.9% of the budget estimates. On the other hand, total expenditure was at 54.1 % of the target at Rs.6.80 lakh crore. The net direct tax collections for April-October has registered a growth of only 7.1% at Rs.2.18 lakh crore, year-on-year. The net figures is arrived after accounting for refunds, which stood at Rs.62,000 crore in the first half of the current fiscal.

The government was able to mop up only Rs.1,100 crore through disinvestment against the target of Rs.40,000 crore for the current financial year. There has also been moderation of GDP growth due to high interest rate scenario as RBI increased key rates 13 times since March last year. India's economy grew by 6.9% in the second quarter ending September for the current fiscal, slowest in more than two years. Growth fell sharply in comparison to 7.7% expansion logged in the April-June quarter of the current fiscal and 8.4% registered in the second quarter a year ago. Presenting the Budget proposals for 2011-12, Shri Mukherjee had lowered the fiscal deficit target to Rs.4 lakh crore or 4.6% of the gross domestic product from 4.7% achieved during 2010-11. The government intends to bring fiscal deficit down to 3.5% in 2013-14.

CCEA okays interest relief of Rs.2,050 cr for exporters

The CCEA on December 01, 2011 approved Rs.2,050 crore under the Interest Subvention scheme for handicrafts, handlooms, carpets and small & medium Enterprises sectors. The money will go towards meeting claims of exporters till the end of the scheme in March. The interest subvention scheme was introduced in 2007 to help exporters offset the losses on account of global recession. In this scheme, which is operated by the RBI, government provides interest subvention of 2% a year.

New companies bill tightens regulations regarding subsidiaries

The new companies bill has tightened the provision relating to the way subsidiary companies are defined, ensuring that a larger number of firms are brought under the reporting ambit. Under the new rule, the relationship between subsidiaries and their holding company will be on the basis of ownership in total capital and not just equity capital, which means preference shares will also be counted.

"There is no error in the bill and it (the change) is intentional. A company with members holding a majority of preference shares cannot escape being called a holding company under the changed rule," said an official of the ministry of corporate affairs. The Companies Bill 2011, which was introduced in Parliament last week, defines a "subsidiary company" as one in which the holding company controls more than 50% of the total share capital either on its own or together with one or more of its subsidiaries. The earlier rule specified "equity capital" instead of "share capital", which includes equity and preference capital.

Preference shares are nonvoting shares except in case of provisions where their rights are affected or where dividend is unpaid for cumulative or non-cumulative preference shares. The Bill also states that members holding preference shares have a right to vote only on certain resolutions affecting the rights attached to preference shares. Many companies with lossmaking subsidiaries played around with shareholdings to avoid disclosing their subsidiaries. To add to this, the companies bill has further limited the number of subsidiaries allowed per company to two.

Foreign investors can get equity in lieu of dividend

In a significant liberalisation of the foreign direct investment policy, the government has permitted the issuance of additional equity shares to a foreign investor that already has shareholding in a company in lieu of its dividend income. The approval will, however, be subject to the regular conditions on valuation and pricing norms laid down by the Reserve Bank of India. Such transactions are not permitted under the prevailing policy. The issue of shares other than against cash requires FIPB (Foreign Investment Promotion Board) clearance. But, the policy does not provide for the issuance of equity shares in lieu of dividend to foreign investors. However, according to the international practice, reinvested earnings are considered foreign direct investment in many countries. That is why, the Department of Industrial Policy & Promotion (DIPP) had referred the issue to the FIPB for suggestions on a policy change or to take a call.

Marine exports rise 23%

Higher export of shrimps due to shortage in other origins helped India perform better during the first half of the current FY. Weakening of the rupee has helped the Indian seafood exporters to get better realisation for their products. Compared to the same period in previous year, the exports recorded a growth of 0.12% in quantity, 19.91% in rupee earning and 23.01% growth in US dollar earning. As per the provisional figures provided by the Marine Exports Product Development Authority (MPEDA), the export of marine products from India during April to September 2011 was 3,12,904 tonne in quantity, worth Rs.6,679.57 crore equivalent to US $1,496.34 million. During the last financial year India exported 8,13,091 tonne of marine products, of an aggregate value of R12,901.47 crore ($2,856.92 million). Frozen shrimp accounted for over 44% of the total quantity exported during FY11. India exports shrimps mainly to Japan, Europe and the US. During the first six months of the current FY, frozen shrimp continued to be the major export item accounting for 58.41% of the total US $ earnings.

* * *

God likes to bless and use those who aren't confident in themselves, and who know they need Him. He can't help those who don't even desire His help.

ACTIVITIES OF COSIDICI

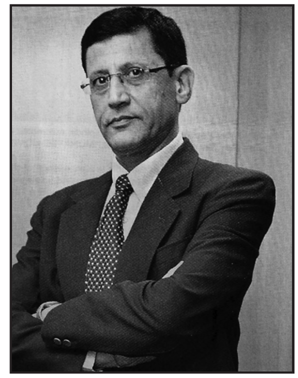
As already informed in the earlier issue of COSIDICI COURIER, COSIDICI has collaborated with 'SEARCH' a trade magazine from Infomedia 18 (a part of Network 18 Group) to bring out special editions on the industrial growth and investment opportunities in different states of the country with the hope that it would attract investment and help the companies to set up their industry in that region. The November, 2011 supplement issue is dedicated to investment opportunities in Karnataka. As the Associate Partner, COSIDICI had arranged for interviews of senior officials of our Member Corporations. This supplement carries an interview of Shri G.L. Jere, Executive Director, Karnataka State Industrial and Infrastructure Development Corporation (KSIIDC) excerpts from which are reported below:

THE INVESTMENT LANDSCAPE

The state of Karnataka has several advantages to offer investors. Apart from its extremely good climatic conditions, it offers highly congenial industrial relations, skilled labour and industry-friendly policies. These factors have helped Karnataka attract industrial investments into the state. Undoubtedly, Karnataka especially Bengaluru, has been the focal point for the IT sector, but this has not hampered the prospects of the manufacturing sector. In fact, in the last edition of the Global Investors Meet 2010, of the four lakh crore of investment for which memorandums of understanding (MOUs) were signed; most of it was in the manufacturing sector.

ATTRACTING PRIVATE PARTICIPATION

KSIIDC gained enormous experience from the setting up of Bengaluru International Airport (BIAL)—one of the major investment activities undertaken by KSIIDC in infrastructure through private investment. This has made KSIIDC understand what it takes to attract private investments into the state and also gave an insight into the risks associated with this model. One must understand that because these are long-term contracts, aspects such as accessibility of such infrastructure to the public, adherence to certain standards and ascertaining per user charge need to be taken into account.



G. L. JERE, E.D., KSIIDC

ISSUES WITH LOGISTICS

In reference to the development of infrastructure in the state, logistics services need to be better with a focus on the outskirts of Bengaluru. Bengaluru still continues to be one of the major consumer centres and hence, the absorption rate is very high. The communication and connectivity here is excellent. However, the goods need to be distributed evenly in and around the city with a focus on other consumer centres like Hubli, Mangalore, Mysore, Belgaum and the like. It needs to be stored and distributed in a right manner. Currently, there are plans to build a logistics park at the outskirts. For now, the Karnataka Road Development Corporation is dealing with a major plan for the improvement of state highways through private sector participation wherever feasible. There is a concrete plan in place for the improvement of state highways and other major trunk roads.

POWER PROBLEMS

Entrepreneurs consider power a major hurdle. One of the major sources of power in the state is hydel power. Hence, irregular monsoon can result in uncertainties in power supply. In the last 3-4 years, the state has been facing load shedding. But it is expected that within the next 12 months, there will be an addition of 1,000 megawatts to the grid. With gas-based power projects being set up along the Dabhol-Bidadi pipeline, power will not be an issue.

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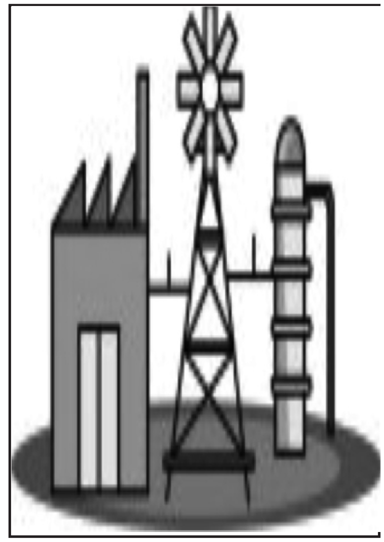
Google to offer free websites to small enterprises

To bring small and medium businesses (SMBs) in India to the online space, internet search company Google launched an initiative on 02.11.2011 to offer free website, domain and hosting services to SMBs. The initiative, dubbed 'India, Get Your Business Online', would provide Indian businesses tools and resources to establish a website, find new customers, and grow their businesses. India is the nineteenth country where Google has launched the service. With this initiative, Google plans to introduce 500,000 SMBs to the online world in the next three years. "The initiative aims to break the barriers that stop small businesses from going online by offering quick, easy and free tools to set up and host a website," said Shri Rajan Anandan, Managing Director and Vice-President (sales & operations), Google India. According to Google, India is home to an estimated eight million SMBs, but only about 400,000 have websites.

Indian SMBs can log on to www.indiagetonline.in to register for the initiative and get their free domain name. They would, however, need to furnish an identification document, either a permanent account number, or a tax deduction account number or a corporate identification number. SMBs would be allowed to use the tool to get a free, easy-to-build website and web hosting for one year, and this would be powered by web host firm HostGator. HostGator is partnering Google for the initiative. The web firm would also offer free support in creating, hosting and managing the website for a year without any cost, through its toll-free call centres. Businesses often believe that getting online is too complex, costly and time-consuming. This perception prevents many SMBs from taking the first step towards building an online presence. Google India and HostGator plan to change that through this initiative. After the first year, SMBs would have to pay a nominal charge if they wish to renew their domain name.

Factoring companies target MSMEs



Micro, small and medium enterprises in the northern region have emerged as a key target for factoring companies, which are eyeing them as potential future growth drivers. Lok Sabha has also passed a bill to regulate the factoring business which is expected to offer MSMEs another financing option. The Lok Sabha passed the Regulation of Factors (Assignment of Receivables) Bill 2011 on December 21, 2011.

Factoring is a financial transaction whereby a business job sells its accounts receivable or invoices to a third party (or 'factor') at a discount. The factor provides financing to the seller of the accounts in the form of a cash advance, often amounting to 70-85 per cent of the purchase price of the accounts. The balance of the purchase price is paid, net of the factor's discount fee (commission) and other charges, upon collection. It is expected that as the markets evolve in India, factoring services will benefit small entrepreneurs by providing them with liquidity which is not linked to their balance sheets, as well as professional debt administration and collection services. This will enable SMEs to control and use their receivables more efficiently.

After SBI Global Factors Limited, which has had a presence in the region from some years now, India Factoring & Finance Solutions Private Limited has plans to set up base in the region. India Factoring is a joint venture of state-owned Punjab National Bank (PNB), Malta-based FIMBank Group, Italy-based Banca IFIS and Blend Financial Services, Mumbai. Shri Vinod Singla, Vice President, SBI Global Factors Limited (Chandigarh), believes that with SMEs accounting for a major chunk of industrial activity in Punjab, it is natural for factoring companies to focus on SMEs. SBI Global offers factoring services to around 50 SMEs.

RBI definition of sickness is right, says survey

A recent survey undertaken by the PHD Chamber among small and medium enterprises located in Uttar Pradesh, Haryana, Punjab, Rajasthan, Madhya Pradesh, Himachal Pradesh, Jammu & Kashmir, Uttarakhand, Punjab, Chandigarh and Delhi had revealed that around 62 per cent of the SME members of the PHD Chamber are satisfied with the Reserve Bank of India's prevailing definition of sickness, while the remainder feels that there is a need for fine-tuning. Of the latter, the majority (around 50 per cent), felt that sickness should be linked to loss of liquidity.

Another 20 per cent felt that the definition of sickness should be linked to the inability to pay debt to secured creditors representing 50 per cent or more of outstanding debt, while 8 per cent felt that it should be linked to erosion of net worth due to accumulated losses. Around 22 per cent felt that a combination of the above factors should be used in defining sickness.

Respondents felt that provisions under various laws-relating to taxation, labour, environment, etc. - should be different for SMEs and large enterprises. There should be flexibility in the rules framed for SMEs to enhance their competitiveness.

Besides, there is need to simplify tax administration and rationalise the tax structure in order to promote cost-effectiveness in industry and help companies undertake corporate planning. There is also need for better coordination between central and state governments so that the policies formulated by the Centre are effectively implemented at the state level. SMEs continue to face a manpower deficit in areas such as accounts, marketing, servicing, IT and technology. This is a barrier to innovation. Hence, more training and vocational education centres should be provided for up-skilling the workforce for the challenges of a competitive global environment.

Wage rates have been continuously increasing by around 9.5 per cent per year in rural India for the last two decades in response to growth. However, this has not been accompanied by a commensurate rise in productivity, due to non-availability of appropriate skills among the workforce. Such a situation, when taken together with the recent appreciation of the rupee, is adversely affecting the competitiveness of SMEs, thereby driving industry towards sickness. The textile industry is a classic example, the survey says.

They have identified limited marketing budgets, lack of market intelligence and technological obsolescence as major contributors to sickness among SMEs. Poor delivery schedules and lack of proper distribution systems are other problems faced by SMEs. The problem of poor marketing of products and technological obsolescence can be solved by coordinated efforts of entrepreneurs and promotional agencies along with government support.

* * *

With God, the difficult can be done immediately; the impossible takes a little longer.

Three mega infra worth Rs.25,000 cr cleared

The government has given regulatory clearances to three mega infrastructure projects involving an investment of Rs.25,000 crore. The projects cleared in November, 2011 were of Hinduja National Power Corporation Ltd. in Vishakhapatnam, L&T Metro Rail (Hyderabad) Ltd., and Simhapuri Expressways Ltd. in Andhra Pradesh. These had been held up because of regulatory bottlenecks. "Bank sanction is already available in these projects, but there were some other issues (in getting various regulatory clearances). We want to clear them because the Money of our financial institutions is invested in these projects. If they don't take off, that will give rise to non-performing assets" Shri D.K. Mittal, Secretary (Financial Services), MoF said.

Eight core sectors grow 0.1% in October, slowest in 6 years

The growth of eight infrastructure sectors came to a halt in October, a situation seen only six years ago. These industries grew by 0.1% in the month as compared to 7.2% in the same month last year. In September 2011, the core sector industries grew 2.3%. Coal and natural gas proved major blots on infrastructure with a negative growth of 9% and 7.4% during October as compared to a year ago. "There have been problems in coal supply and pricing,".

Crude oil, petroleum products and fertilisers also witnessed reduction in output at 0.9%, 2.8% and 2.1% respectively. Surprisingly, electricity generation grew 4.9% despite coal supply issues. Steel also expanded 3.8%. During April-October 2011, infrastructure industries grew 4.3% against 5.9% during the corresponding period in 2010. Eight infrastructure sectors - coal, crude oil, steel, petroleum products, natural gas, fertilisers, electricity and cement—have a combined weight of nearly 38% in industrial production measured by index of industrial production (IIP). Infrastructure is second to manufacturing in terms of weightage in IIP and such a drastic reduction in its growth could lead to a fall in IIP number.

Centre urges states for faster implementation of manufacturing policy

The Centre has urged them to ramp up their internal working process at the earliest, to ensure faster implementation of the national manufacturing policy at the ground level. The idea is to expedite acquisition of land for the proposed National Industrial and Manufacturing Zones (NIMZs) and rationalise regulations for manufacturing. In his letter to states, DIPP secretary Shri P.K. Chaudhary says: "The policy seeks to address these (increasing the share of manufacturing and creating 100 million jobs) through specific instruments. But, these instruments can be effective only with the active collaboration of the states... The partnership between states is central to the policy. As such I trust, that you will get the policy document examined quickly and initiate steps to implement the proposals as appropriate in the context of your state." The Centre wants the states to soon come up with sizeable land banks, consisting of "government-owned land, existing defunct industrial areas/ sick units, including PSUs" for NIMZs.

It has clarified that NIMZs will be different from special economic zones (SEZs) in terms of size, level of infrastructure planning and governance structures related to regulatory procedures and exit-policies. The Centre has also highlighted that only some policies are specific to the zones whereas "majority of them would be applicable to manufacturing industry generally across the country." The NIMZs have been conceived as townships with state-of-the-art infrastructure and self-regulation through a special-purpose vehicle

(SPV). “As such, states would need to put in place a necessary mechanism for rationalising the regulations that impact the manufacturing industry, while at the same time ensuring that the purpose of these regulations is well-served through alternative mechanism. Some states have already rationalised the state-level business regulations, while others would have to do the needful,”. It added that the policy has a package of technology development and fiscal incentives for SME financing, which also states need to avail and transfer to SMEs. Fiscal incentives have been provided for skill development activities in the private sector as well, which will have to be converted to the private sector through states, said the letter.

Manufacturing rebounds in October from 30-month low

Indian manufacturing rebounded for the first time in six months during October, having almost stalled in September, boosted by rising domestic orders for new business, a survey showed in November. The new orders index, an indicator of future output, rose after six consecutive declines. The factory output index also jumped to 52.7 after falling for five straight months to 51.1 in September.

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ANSWERS OF CYBERQUIZ ~ 33

1.[a] Click-through rate (CTR) : Can be taken as the online equivalent of standard advertising measure CPM (cost per thousand) which is the cost per thousand views of an advertisement.

2.[a] The sequence of mouse clicks made by a user as she or he navigates a web page or the Net: Based on the assumption that a user’s click stream corresponds to hishe or her interests, online advertisers and marketers analyze the click stream to customise their messages and their delivery.

3.[b] An advertisement that appears between web pages : An interstitial downloads completely before appearing on the screen.

4.[a] Seth Godin : Seth Godin is a popular marketing guru. He advocates no spam, no deciet and a bias for keeping promises. He also advocates the use of viral marketing to spread the word about an idea.

5.[d] Cyber Stalking : Needless to say, it is a crime. The attacker is called a cyber stalker.

It’s better to look for a solution than a scapegoat.

ALL INDIA INSTITUTIONS

Important Banking and Financial Developments in 2011

January

- General permission granted to domestic scheduled commercial banks (other than RRBs) to open administrative offices and central processing centres (CPCs)/service branches in Tier- 3 to Tier- 6 centres (with population up to 49,999 as per census 2001) and in rural, semi urban and urban centres in the North Eastern States and Sikkim.
- NBFCs advised to make a general provision at 0.25 per cent of their outstanding standard assets.

February

- All deposit taking NBFCs advised to maintain a minimum capital ratio consisting of Tier I and Tier II capital, of not less than 15 per cent of their aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items from March 31, 2012.
- Banks advised that, the amount of loans wrongly classified under priority sector, identified and reported by principal inspecting officers during their annual financial inspection, should be taken into account for arriving at the shortfall under priority sector lending targets.
- The Reserve Bank clarified that loans sanctioned to NBFCs for on-lending to individuals or other entities against gold jewellery, are not eligible for classification under agriculture sector.

March

- NBFCs prohibited from contributing capital to any partnership firms or to be partners in partnership firms. In cases of existing partnerships, NBFCs advised to seek early retirement from the partnerships firms.
- Eligible RRBs to open branches in Tier 3 to Tier 6 centres without the Reserve Bank's prior approval; to approach the Reserve Bank's Regional Office for post-facto automatic issue of the licence/s.

April

- In order to reduce the cost (interest cost on overdue export bills), exporters with overdue export bills permitted to extinguish their overdue post shipment rupee export credit from their rupee resources. The exporter's liability for realisation would continue till the export bill is realised.
- The scheme of interest subvention of 1 percent on housing loans liberalised by extending it to housing loans up to ‘15 lakh where the cost of the house does not exceed ‘25 lakh for housing loans. The earlier limits were ‘10 lakh and ‘20 lakh respectively.

May

- Interest rate on domestic and ordinary non-resident savings deposits as well as savings deposits under non-resident (external) accounts scheme increased by 0.5 percentage point from 3.5 percent to 4.0 percent per annum from May 3, 2011.
- The limit of housing loans for being eligible for classification under priority sector enhanced from ‘20 lakh to ‘25 lakh.
- Bank credit to micro finance institutions (MFIs) extended on, or after April 1, 2011 for on-lending to individuals and also to members of self-help groups (SHGs)/joint liability

groups (JLGs) would be eligible for categorisation as priority sector advance.

- Provisioning requirements on certain categories of nonperforming advances (NPAs) and restructured advances enhanced. The enhanced rates are – (i) secured portion of advances which have remained in "doubtful" category up to one year to attract a provision of 25 per cent; (ii) secured portion of advances which have remained in "doubtful" category for more than one year but up to 3 years to attract a provision of 40 per cent; (iii) restructured accounts classified as standard advances to attract a provision of 2 per cent in the first 2 years from the date of restructuring, or in cases of moratorium on payment of interest/principal after restructuring, for the period covering moratorium and 2 years thereafter; and (iv) restructured accounts classified as nonperforming advances, when upgraded to standard category to attract a provision of 2 per cent in the first year from the date of upgradation.

June

- UCBs allowed to lend to self help groups (SHGs) and joint liability groups (JLGs).
- The Reserve Bank issued guidelines for NBFCs desirous of opening branch/ subsidiary/joint venture/representative office or undertaking investment abroad.

July

- Banks advised to allocate at least 25 per cent of the total number of branches proposed to be opened during a year, in unbanked rural centres.
- Non-resident importers and exporters allowed to hedge their currency risk in respect of exports from and imports to India, invoiced in Indian Rupees, with AD category I banks in India.

August

- Banks permitted to issue prepaid payment instruments to corporates for onward issuance to their employees, subject to certain conditions.

September

- Individual residents in India permitted to include nonresident close relative(s) as joint holder(s) in their resident bank accounts, as also, in exporter earners' foreign currency (EEFC) and residents' foreign currency (RFC) accounts on 'former or survivor' basis.
- Sale proceeds of FDI permitted to be credited to nonresident (external) rupee (NRE) account/FCNR (B) accounts. The NRIs/PIOs should, however, have purchased the consideration out of inward remittance or funds held in their NRE/FCNR (B) accounts.
- Pursuant to the Government of India extending interest subvention of 2 per cent on rupee export credit from April 1, 2011 to March 31, 2012 to the following sectors (i) handicrafts; (ii) handlooms; (iii) carpets; and (iv) small and medium enterprises (SMEs), banks advised to reduce the interest rate chargeable to the exporters as per Base Rate system in these sectors, by the amount of subvention available, subject to a floor rate of 7 per cent.
- Corporates in specified service sectors, viz., hotel, hospital and software, permitted to avail of ECB up to USD 200 million or equivalent during a financial year as against the earlier limit of USD 100 million or equivalent per financial year provided the proceeds of the ECBs are not used for acquisition of land.
- Indian companies in the infrastructure sector, where "infrastructure" is as defined under the extant guidelines on ECB, permitted to import capital goods by availing of short term credit (including buyers'/suppliers' credit) in the nature of 'bridge finance', under the approval route, subject to conditions.
- Indian companies in the infrastructure sector, permitted to avail of ECBs in Renminbi, under the approval route, subject to an annual cap of USD one billion pending further review.

October

- Savings bank deposit interest rate for resident Indians deregulated from October 25, 2011. Banks given the freedom to determine their savings bank deposit interest rate, subject to the conditions that - (i) each bank should offer a uniform interest rate on savings bank deposits up to Rs.1 lakh, irrespective of the amount in the account within this limit; (ii) for savings bank deposits over Rs.1 lakh, a bank may provide differential rates of interest.
- Tier-I UCBs permitted to extend individual housing loans up to a maximum of Rs. 30 lakh per beneficiary of a dwelling unit and Tier II UCBs permitted to extend individual housing loans up to a maximum of Rs.70 lakh per beneficiary of a dwelling unit subject to extant prudential exposure limits.

November

- The proceeds of the ECB raised abroad meant for Rupee expenditure in India, such as, local sourcing of capital goods, on-lending to SHGs or for micro credit, payment for spectrum allocation, etc., should be brought immediately for credit to the Rupee accounts with AD Category I banks in India.

December

- A separate category of NBFCs, viz; Non Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) created.
- Micro finance institutions (MFIs) permitted to raise ECB up to USD 10 million or equivalent during a financial year for permitted end-uses, under the automatic route.

Payment of Cheques/Drafts/Pay Orders/ Banker's Cheques

The Reserve Bank has, in public interest and in the interest of banking policy, reduced the period within which cheques/drafts/ pay orders/banker's cheques are presented for payment, from six months to three months from the date of such instrument.

Second Quarter Review of Monetary Policy 2011-12

Dr. D. Subbarao, Governor, Reserve Bank of India, in a meeting with chief executives of major commercial banks presented the Second Quarter Review of the Monetary Policy for the Year 2011-12 on October 25, 2011. Following are the highlights :-

Projections

- Baseline projection of GDP growth for 2011-12 revised downwards to 7.6 per cent.
- Baseline projection for wholesale price index (WPI) inflation for March 2012 kept unchanged at 7.0 per cent.
- M3 growth projection for 2011-12 retained at 15.5 per cent.
- Non-food credit retained at 18 per cent.

Stance

- Maintain an interest rate environment to contain inflation and anchor inflation expectations.
- Stimulate investment activity to support raising the trend growth.
- Manage liquidity to ensure that it remains in moderate deficit, consistent with effective monetary transmission.

Monetary Measures

- Bank Rate retained at 6.0 per cent.
- Repo rate under the LAF increased by 25 basis points from 8.25 per cent to 8.50 per cent.
- Reverse repo rate under the LAF, automatically adjusted to 7.50 per cent.
- Marginal Standing Facility (MSF) rate, determined with a spread of 100 basis points above the repo rate, recalibrated at 9.5 per cent.
- Cash reserve ratio (CRR) of scheduled banks retained at 6.0 per cent of their net demand and time liabilities (NDTL).

Expected Outcomes

- The monetary policy actions and the guidance are expected to:
- Continue to anchor medium-term inflation expectations on the basis of a credible commitment to low and stable inflation.
- Reinforce the emerging trajectory of inflation, which is expected to begin to decline in December 2011.
- Contribute to stimulating investment activity.

Public sector banks to get Rs.14,000 cr

The finance ministry has approved a capital infusion of Rs.14,000 crore into state-owned banks in 2011-12 against the projected requirement of Rs.18,000 crore, Union minister of state for finance Shri Namo Narain Meena said on 4th November, 2011.

The results of banks had showed a fairly good performance in the September quarter with almost all of them recording a 15% growth in profits. However, the Indian economy needs to brace for a difficult year from a macroeconomic perspective with inflation remaining a challenge. Union finance minister Shri Pranab Mukherjee said the threats facing the global economic recovery can be converted into opportunities for India's growth. Shri Mukherjee believes banks in India can play a critical role in this context, because in contrast to the general global financial system, "the Indian financial system remains well capitalised with moderate levels of leverage, a stable deposit base and relatively safe investments". "Banking is bound to see a huge scaleup in the current decade with new operating systems, delivery channels and methods and techniques to manage the risk associated with such a scale-up." A scaled-up banking system can be the engine for converting physical savings to financial savings, which has the potential to unlock tremendous value for consumers and financial institutions. Financial deepening is imperative to meet the vast wholesale banking needs of infrastructure building.

Banks to assist debt recovery tribunals

Public sector banks are deputing manpower to under-staffed debt recovery tribunals (DRTs), after the finance ministry asked them to temporarily fill positions vacant since a few months. According to bankers, Rs 2 lakh crore of loans are stuck in DRTs, which were once established to provide banks with speedy resolution and recovery of disputed loans. There are 33 DRTs and five debt recovery appellate tribunals in India. Currently, seven DRTs, including one of the three in Mumbai, are functioning without a presiding officer. There are vacancies for recovery officers and assistant staff as well. Banks approach DRTs for disputed loans above Rs 10 lakh and for loans for which agricultural land was the underlying security. DRTs are expected to resolve the cases within six months. However, it takes much longer for them, given the insufficient staff and the rising number of cases. Lenders are banking heavily on recoveries, since the need for higher provisioning against rising non-performing assets is eating into their profits. Most public sector banks have reported lower net profits in the second quarter of the current financial year.

'Merger of small MFIs will help ailing sector'

RBI on December 20, 2011 had allowed MFIs to raise up to $10 million through external commercial borrowings. The consolidation - mergers and acquisition - of small microfinance institutions (MFIs) struggling to raise money would help address the problems of the ailing sector, said RBI Deputy Governor, Shri K C Chakrabarty.

The sector has high non-performing assets (NPAs) and should consider mergers for increasing its creditworthiness. Small lenders should come together if they want to secure funds with ease. The apex bank brought MFIs under its direct supervision by creating a separate category of MFIs —non-banking financial company MFIs. The new guidelines prescribe stringent provisioning and lending norms. While large entities are in some way able to raise funds, smaller ones are on the verge of closing, as their sources of funding have dried.

Credit rating agencies also feel bringing together small and scattered micro lenders would help in changing the perception of lenders towards the sector. "Consolidation would help in diversifying risks and increasing the loss absorption capacity of

MFIs. The advantages of large-scale operations can also be leveraged for raising funds," said Shri Naresh Takkar, Managing Director, ICRA.

Nabard allocates Rs 2,000 cr for foodgrain godowns

Nabard on December 20, 2011 said it has earmarked Rs.2,000 crore for building warehouses that will help in facilitating distribution of foodgrain to poor under the proposed Food Security Act. Besides, Nabard has also decided to even finance private entrepreneurs for the first time through banks for the setting up of 'climatic-controlled' godowns and has even offered concession of 1.5% in the rate of interest if prompt payment is done by them. Nabard will provide funds to banks including commercial banks at the rate of 8% instead of 10.5% at present so as to make money available to private entrepreneurs for construction of godowns.

PM's Rs. 1,000-cr fund to push low-cost housing

Prime Minister Shri Manmohan Singh announced that he well set up a Rs.1,000-crore seed fund to push low cost housing. The sum will be used by the National Housing Bank (NHB) to finance house building loans in urban areas for the poorest. Since the very poor cannot provide any collateral for housing loans, the NHB will stand in as the guarantee for housing loans of upto Rs. 2 lakh. For loans of upto Rs.5 lakh the guarantee will be 85%. The NHB support will be available for loans taken from both housing finance companies and banks. This means real estate companies can be assured that even if the buyer fails to meet the cost of the flat, NHB will step in. Also since the guarantees will not be available for higher priced houses, it will encourage real estate companies to keep building costs with in the Rs. 5-lakh ceiling.

RBI limits investments by banks in non-financial services companies to 10%

To regulate the banks' investments in non-financial services companies which do not require prior approval from it, the RBI has said equity investment by a bank in such companies would be subject to a limit of 10% of the investee company's paid up share capital or 10% of the bank's paid up share capital and reserves, whichever is less. Equity investments held under 'Held for Trading' category would also be reckoned.

Further, equity investments in any non-financial services company held by a bank; entities which are bank's subsidiaries, associates or joint ventures or entities directly or indirectly controlled by the bank; and mutual funds managed by AMCs controlled by the bank should in the aggregate not exceed 20% of the investee company's paid up share capital. A bank's request for making investments in excess of 10% of such investee company's paid up share capital, but not exceeding 30%, would be considered by RBI if the investee company is engaged in non-financial activities.

Banks are permitted to set up subsidiaries for undertaking activities which are conducive to the spread of banking in India or useful or necessary in public interest. A bank's equity investments in subsidiaries and other entities that are engaged in financial services activities together with equity investments in entities engaged in non financial services activities should not exceed 20% of the banks paid-up share capital and reserves. The cap of 20% would not apply for investments classified under 'Held for Trading' category and which are not held beyond 90 days.

Equity holding by a bank in excess of 10% of non-financial services investee company's paid up capital would be permissible without RBI's prior approval (subject to the statutory limit of 30%) if the additional acquisition is through restructuring/CDR, or acquired by the bank to protect its interest on loans/ investments made in a company. The equity investment in excess of 10% of investee company's paid up share capital in such cases would be exempted from the 20% limit referred to above. However, banks will have to submit to RBI a time-bound action plan for disposal of such shares within a specified period.

Banks hit by asset-liability mismatch : RBI

The mismatches in the maturity profile of assets and liabilities of the banking sector are a cause for concern as it leads to the financing of long-term assets by short-term liabilities, the RBI has said. The maturity profile-wise composition of assets and liabilities indicated that almost half of the total deposits and borrowings of the banking sector were short-term as at end-March 2011.

However, almost one-fourth of the total loans and advances, and more than half of the total investments were long-term during the same period. The analysis of the maturity profile of long-term assets and liabilities indicates that at the aggregate level, the long-term assets are financed by short-term liabilities. The ALM, calculated as long-term assets minus long-term liabilities, never turned out to be negative during the recent years, implying that the higher growth observed in the long-term loan segment is leading to asset liability mismatches in the banking sector.

Bucket-wise break-up of the ALM positive gap shows that the banking sector has the highest ALM positive gap in the bucket — more than five years—followed by 3-5 years and 1-3 years. As at end-September 2010, ALM positive gap in the more than five years' bucket constituted 42% of the total ALM positive gap, followed by 3-5 years bucket (31%) and 1-3 years bucket (27%). There was no significant shift in the maturity profile-wise composition of assets and liabilities of the banking sector in 2010-11 over the previous year, indicating the persistence of asset-liability mismatches. Almost 20% of the long-term assets of the Indian banking sector were financed by short-term liabilities in 2010-11.

Membership if RRBs meet criteria : RBI

RBI has said regional rural banks (RRBs) that meet the criteria of having minimum financial and technical resources, including capital adequancy ratio of 9% and net worth of aleast Rs.25 crore, are eligible for membership of the NEFT system. "Those RRBs that meet the access criteria requirements for centralised payment systems and have the necessary financial, technical and operational resources to obtain and maintain direct National Electronic Fund Transfer membership may, if they so choose, become direct member of NEFT".

NABARD tells rural, co-op banks to implement KYC norms

Regional Rural Banks (RRBs), state co-operative banks (SCBs) and district central co-operative banks (DCCBs) would be penalised if they fail to implement know your customer (KYC), anti-money laundering (AML) and combat financing of terrorism (CFT) guidelines. Nabard said during its inspection it found many banks lack implementation of these guidelines, while some are yet to formulate a policy on this regard. If this continued, Nabard would critically evaluate the status and in case of any shortcoming, would take a decision to recommend to the Reserve Bank of India for imposition of penalty for violation of the Banking Regulation Act. The Co-operative Banks and RRBs which have not prepared a KYC/AML policy, had been asked to get these done within a month.

Indian banks need Rs.8 lakh crore by 2019 : Crisil

Indian banks would require additional Rs 8 lakh crore to meet the minimum capital adequacy under Basel III norms, ratings agency Crisil has said. The amount is over and above their earnings in the transition period between 2013 and 2019. According to the Basel III guidelines released in 2010, banks across the globe would need a minimum capital adequacy ratio of 10.5 per cent, which includes seven per cent of core equity, 1.5 per cent of non-equity Tier-I capital and two per cent of Tier-II capital. The countercyclical buffer of up to 2.5 per cent would increase the total capital requirement to 13 per cent.

Crisil said while new measures would strengthen Indian banks, their profitability is likely to be hit, given the higher core equity capital and liquidity requirements. The ratings agency estimates the return on equity would decline by around two-three per cent for banks with low core capital. While rating banks, there would be an increased focus on their capability to raise the required capital.

* * *

HEALTH CARE

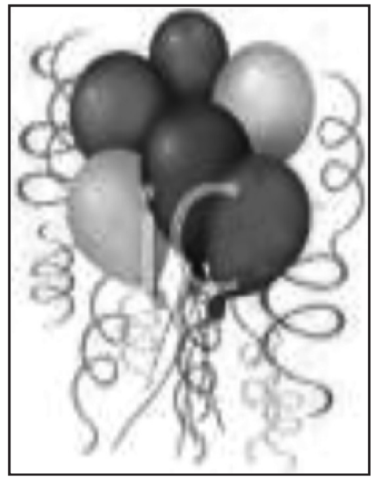
THE SECRETS TO LASTING HAPPINESS THAT MOST PEOPLE JUST DO NOT KNOW !

We spend so much of our lives and put so much energy into chasing money, fame, power and possessions. Whilst the material world has it allure, it will not make us happy. Most people just do not know that happiness can only ever come from within. If you want to be happy, you need to know the secrets to happiness. Read on to learn how you can find permanent happiness and freedom from suffering.

Do you believe that happiness and sorrow are produced by external conditions - objects and events - things that happen to you, or things that you have or do not have that make you feel happy or sad? Most people do and that is why they spend so much time trying to get the things that they think will make them happy and avoid the things that they think will make them miserable. In reality, the emotions of happiness and suffering are just the product of your reactions to these objects and events. And these are all produced in your mind.

As human beings we constantly live by the judgements that we make. When something happens, we register how we feel at the time and we tend to start to associate that thing or event with the emotion that we felt. Of course our feelings at the time are the result, not only of what is happening, but of a complex chain of emotions relating to everything that has ever happened to us in our lives.

When we are happy, we are convinced that it is due to that external event or thing and then disappointment sets in when we no longer have what we thought made us happy. When we get something material our happiness is only temporary. We hanker after a new car or a new house or a new phone, but when we have them, we are generally only happy for a short time. Then, as soon as the novelty wears off, we lose interest and we soon move onto the next thing that we want that we think will make us happy.



If something is a true cause of happiness then it follows that the more we have of it, the happier it will make us. However, there is nothing in the material world that fits this criterion. If you take chocolate for example, you might feel that eating a chocolate bar makes you happy, but if you eat too many more you will start to feel sick. Maybe you think that having more money will make you happy, but when you get it you start to worry about taxes, theft and losing your income. The more money you have the more you need to sustain your expanding material lifestyle and the more worries that come with it. I said earlier that it is our reactions to these external conditions that produce our happiness or otherwise. For example, when you get a financial windfall, you will probably feel happy but then the worries mentioned above start to set in.

So what are the secrets to happiness and how can you be happy all the time? Well, there is only one way. When you can control the reaction of your mind to external events then you can achieve permanent inner peace and be happy all the time, no matter what is going on in your life. I'm not saying that this is easy. It takes determination and commitment and the belief that it is achievable. Most people will continue to look for happiness in the material world and never find it. What about you? Are you prepared to consider the alternative of taking control of your mind so that you can achieve permanent inner peace and find the secrets to lasting happiness?

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NBFC regulation will avert systemic risk

The new provisioning and reserve requirements for non-banking finance companies (NBFCs), recommended by a working group constituted by the Reserve Bank of India, may change the landscape for such companies. The tighter norms could also lead to a consolidation in the industry, according to industry veterans. Ms. Usha Thorat , former RBI deputy governor, who headed the group, spoke to Ms. Divya Rajagopal from Istanbul where she is on an official tour on how the proposed new rules could impact the industry.

What was the underlying philosophy behind the new regulations for NBFCs?

The whole idea has been to put buffers and to avert any systemic risk. This is one sector where there is a lot of capital flowing, there are also operations such as promoter financing and loans against shares which require closer scrutiny. So this entire exercise has been in a way to bring a little uniformity to this sector. Also, the issue of liquidity of NBFCs has not been addressed. Because we have seen in 2008, there were some NBFCs, which faced liquidity issues. So this is more of a rationalisation of the industry.

Won't the proposed new rules make a huge difference to lending to the stock market and real estate? Won't it lead to NBFCs being ousted from this segment?

You will see that there are sectoral caps for banks vis-A-vis real estate and capital market exposures. So there are enough checks and balances. But in case of NBFCs, there is no regulation that governs their exposure to either capital market or real estate. Hence, we thought there was a need to bring in additional risk caveats in place.

Will the new norm of an asset size requirement of 50 crore weed out small NBFCs from the business?

They will not go out of business. Again, smaller NBFCs do not pose any systemic risk, so there is no need to bring them under the regulatory ambit.

Do you think that this will increase the cost of capital for NBFCs?

We have done our own calculation and have found out that the cost of funding will not go up significantly. But yes, there would be some margin pressure initially.

Is RBI, through these new rules, slowly nudging NBFCs to convert into banks?

We haven't given a thought to that issue, but these guidelines are merely a way of reducing the arbitrage risk, and bringing a steady regulatory framework.

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A time of prayer can lift you up on the wings of God's Spirit and help you see the big picture. It puts things in perspective.