COSIDICI COURIER

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

VOL. XXXXVIII NO. 5 SEPTEMBER-OCTOBER, 2010

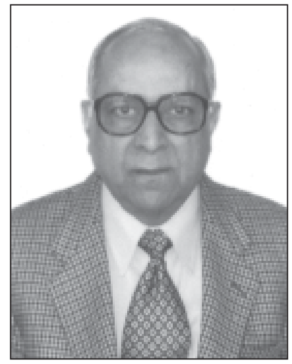
CONTENTS

From The Editor's Desk

FARM CRISIS ~ VIABILITY OF INDIAN AGRICULTURE AND ROLE OF FINANCIAL PACKAGE

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

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



Shri K.K. Mudgil

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

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

Concluding Observation :

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

{ K.K. MUDGIL }

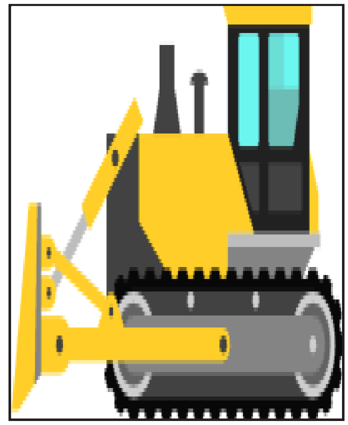
NEED FOR RURAL INFRASTRUCTURE DEVELOPMENT

G. SRINIVASAN *

Rural infrastructure in India assumes added importance in the current context when the country's economic growth rate is moving to a higher growth trajectory, triggering off high expectations among its populace for a better and different standard of living from the normally dreary and staid ones they have been inured to.

With the United Progressive Alliance (UPA) government both in its earlier five-year tenure and the current one beginning in 2009 putting the accent on inclusive economic development and aam adhmi its core concern, the issue of beefing up the infrastructure both in the urban and rural areas has popped up, engaging the attention of policy-makers, experts and administrators alike. No doubt, infrastructure consists of both physical and social components with the latter such as basic education, primary health and a pollution-free ambience always taking precedence over the physical infrastructure. But the social infrastructure can never be securely built or promoted if the physical infrastructure such as sound roads, sanitation, employment for people eking out existence on the margins and habitations remain abysmally at a low level.

Against this backdrop, the significance of rural infrastructure could scarcely be undermined, given the reality that more than 70 per cent of over billon population of India reside in its multitude of villages dotting across the country. Recognising the crucial and key importance of rural development in the overall scheme of the country's economic development, the central Government has of late attached substantial weight and volume on the Ministry of Rural Development by equipping it with the requisite funds and functionaries. The mission and objectives of the Ministry is to correct the developmental aberrations and to accord high priority to development in rural and remote areas by bringing in sustainable and holistic development through a well-crafted strategy. Even as the thrust remains all-round economic and social transformation in rural areas, the focus continues to be one of bridging the rural-urban divide, guaranteeing wage employment and ensuring food security, rendering rural people the arbiter of their own destiny, creating rural infrastructure for better economic opportunities and growth and restoring lost or depleted productivity of the land.



Bharat Nirman

In order to build rural infrastructure on an enduring footing, the UPA government fashioned the Bharat Nirman scheme in its previous tenure with a view to ensuring inclusive growth by improving rural infrastructure in a comprehensive manner. In its second phase of implementation of Bharat Nirman (2009-14), efforts are afoot to provide electricity, safe drinking water, all weather roads, telephones and broadband connectivity to all eligible villages/habitations and substantially step up rural housing stock and irrigation potential. It may be recalled that as many as 71.8 lakh houses were constructed during the Bharat Nirman first phase against a target of 60 lakhs. An ambitious target of constructing 120 lakh houses has been set for the second phase. Against this, more than 31 lakh dwelling units have already been constructed/ upgraded at a cost of around Rs. 11,000 crore.

* Courtesy: Kurukshetra, The author is a Senior Journalist based in New Delhi.

Secondly, over 35,000 habitations have been connected with all-weather roads and over 1.90 lakhs kms existing rural roads have been upgraded/ renewed. On the supply of safe and potable drinking water to village, the emphasis during the first phase was on providing safe drinking water to over 3.5 lakh habitations. With this work more or less over, the priority has now shifted to cover water quality affected habitations. Hence as many as 28,672 habitations affected with chemical contaminations have been provided with safe drinking water under the ongoing programmes. Whereas during the first phase, 73.1 lakh hectares of additional irrigation potential was created, additional irrigation potential of 7.11 lakh hectares has been created subsequently.

Thirdly, in a bid to improve access to electricity by rural people, using the Rajiv Gandh Grameen Vidhyutikaran Yojana (RGGVY) scheme, 18,734 rural villages have been electrified, against the target of 17,500 unelectrified villages. Besides, against a target of 47 lakh below the poverty line (BPL) household connections, 47.18 lakh BPL households have been given free electricity connections. Also, under Bharat Nirman, villages not having access to public telephones were to be provided with Village Public Telephones (VPTs). Thus 5,69,389 villages out of a total of 5,93,601 villages have been provided with VPTs as on end-March 2010. Besides, out of 2.50 lakh targeted village panchayats, about a third have been connected through broadband. This is the long and short of the progress scored under the ambitious Bharat Nirman programme that is all set to transform the country's rural landscape by bringing in the much-needed improvement in the quality of life to legions of villagers.

Panchayat's Role

Alongside, the Backward Regions Grant Fund (BRGF) programme is being implemented through panchayats in 250 identified districts which aims at removing regional imbalances by bridging critical gaps in development and encouraging decentralised planning. A major milestone has been preparation of decentralised plans by the local bodies in 246 districts which has met the felt local needs. BRGF comprises two funding windows-one Capacity Buildings Fund of Rs. 250 crore and second a substantially untied grants of Rs. 3500 crore totaling Rs. 3750 crore in a year in 250 BRGF districts in 27 States (except for Goa) for supplementing financial resources and covering existing developmental inflow in identified districts for addressing regional imbalances in development.

BRGF insists on integrated, decentralised and participatory plans consolidated by District Planning Committees (DPCs) with the funding pattern being 25% for Anganwadis, 16% for schools, class rooms, compounds, 14% for drinking water and 10 per cent Gram Panchayat buildings. The development grant of BRGF is largely untied in nature and the panchayati raj institutions would largely decide the actual projects to be taken up. The BRGF scheme is being implemented since 2005-06. While the budget estimate for 2009-10 was Rs.4670 crore, this has subsequently been reduced to Rs. 3670 crore in the revised estimate. However, the budget estimate for the current fiscal is enhanced to Rs.5050 crore with the Ministry now proposing to allocate the enhanced outlays to the most extremist affected districts in the aftermath of left-wing extremism that was manifest in backward regions across the eastern and central India.

There is also in existence a scheme christened the Rural Business Hub (RBH), applicable to 250 BRGF districts and all districts of North-East region. Piloted and operated by the Ministry of Panchayati Raj, the scheme basically aims at promoting rural non-farming enterprises by availing of local skills and resources and thereby redounding to rural development in a meaningful and purposeful fashion. The scheme works on 4P (Public-Private-Panchayat-Partnership) model and setting up of RBHs is primarily accomplished through convergence of resources from various ongoing schemes. Assistance under the RBH scheme is available for professional support services, training/ skill development and for purchase of minor equipment. Ideally suited for agriculture/horticulture/ handloom/handicrafts related activities with production being decentralised, the RBH scheme has been in vogue since September 2007.

Be that as it may, a House panel report, tabled in Parliament in the budget session, on the demands for grants of the Ministry of Panchayati Raj observed with dismay that the financial achievement of RBH scheme during 2009-10 was only 32.78 per cent, whereas in the previous fiscal it was 96 per cent. It further noted that though 219 memoranda of understanding have been signed across 20 states during 2009-10, no details on the functioning of any of the Rural Business Hubs could be ascertained. It feared that the slow progress made in the implementation of RBH might result in delaying the technical support and marketing linkages that are much needed for providing and promoting rural areas and rural enterprises. Experts and development economists alike share the concerns of the House panel and genuinely hope that the authorities charged with implementing the RBH scheme do their proper homework so that the best intentions behind the laudable scheme are not laid waste and the really needy rural people get the much-deserved outlet for unleashing their entrepreneurial élan in the larger interest of integrating their backward regions into the mainstream markets.

Employment

Finally, any study of rural infrastructure would not be complete if a due reference to the rural employment aspect is not made. Foremost among the plethora of employment schemes currently in force in rural India is the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). Since its inception in 2006, the scheme has provided nearly 600 crore person-days of work at a total expenditure of around Rs. 70,000 crore. During 2009-10, about 4,90 crore households have been provided job through 40.98 lakh works with 251 crore person-days of employment being generated at a total expenditure of Rs. 33,087 crore. The average wage rate per day has increased from Rs.65 in 2006-07 to Rs.90 in 2009-10. Wages are being paid to the beneficiaries under MGNREGS through post office and savings bank accounts. As of February 2010, more than nine crore savings bank and post office accounts have been opened across the country for provision of wages under the scheme. Though the scheme has elicited mixed reaction, criticisms centred on lack of audits and measures are being put in place to get the gram panchayats to arrange for such dispassionate audit so that any loopholes in the scheme could be plugged in the interests of the beneficiaries. There is also the Prime Minister's Gram Sadak Yojana, born out of the merger of the earlier Rural Employment Generation Programme (REGP) and the Pradhan Mantri Rozgar Yojana (PMRY) in providing the much-needed off farm occupations to rural people.

With warts and all, the existing schemes for rural India, if implemented in earnest and by proper monitoring body to eliminate lapses, would definitely bolster the rural infrastructure tremendously and provide the succour to the teeming rural people by making a little difference to their otherwise hard and unpleasant living.

* * *

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.

EMERGING AGRARIAN POLICIES AND PROGRAMME IMPLEMENTATION

Dr. H.D. Dwarakanath *

Dr. Swaminathan, an eminent agriculture scientist and Chairman National Commission on farmers observed that agriculture is a gainful industry but it is something related to their self respect. Due to changing circumstances the plight of Indian agriculture is in a deplorable condition. It is a fact that the main objectives of agriculture sector have not been achieved since inception of five year plan till today. The effectiveness of Indian culture is the effectiveness of Indian economy. India has the highest firm area under cultivation, but the yield is neither encouraging nor remunerative to the cultivators. In chine net cropped area is only ten percent while the world average is 10.7 percent. In India around 45 percent of the total area is under cultivation. Unfortunately, the investment on agriculture has been gradually decreasing compared with the first five year plan to IX plan. The plan outlay has also reduced from 15.14 percent, 4.9 percent and 11.42 percent to 6.45 percent respectively. Likewise average growth rate of food production was also not encouraging.

Decline In Farm Production

The growth of Indian agriculture production over the years since 1950 has remained more or less static. The production of food grains has not improved at the required rate and the yield per hectare is also not satisfactory. Agriculture production during the year 1991-92 was 167.1 millions tonnes and in the year 2004-05 it was 198.4 millions tonnes representing an increase of only 19 percent during the 15 years.

The First Green Revolution

The first Green Revolution which started in the sixties built-up its tempo with the aggressive role played by various input agencies like seed, fertilizer, pesticide production drastically improved techniques and their transfer from lab to land. The first green revolution was a spectacular success in India and became a role model for many developing nations to improve agricultural production and technology in the dry land cultivation. It also brought about an element of resistance agriculture to ward off threat of famine. In a country like India Green, Blue revolution and white revolution should go hand in hand for the improvement of agriculture production. The concept made by hybridization of seed and chemicalization made agriculture the norm. The green revolution favoured the rich landlords owning agri-infrastructure. The scheme has failed to improve the production of rice and wheat but showed improvement in pulses, maize and other commercial crop. While the nation had immensely benefitted from the green revolution, the technology involved was not free from risk. The scheme has created the disparity between the rich and small farmers. The rich farmer could afford the required input and reaping most of the benefits of green revolution. However, inadequate investment in infrastructure development and poor infra institutional coordination gave negative results of green revolution to the small farmers.

Need for Second Green Revolution

The first green revolution has become outdated and scientist are of the opinion that there is a need of a second green revolution as food security is the major challenge before the country. The second green revolution will depend solely on the extensive and intensive use of integrated nutrient pest and water management, revival of indigenous specific

* The author is Associate Professor (Retd.) SAP Degree & PG College, Vikarabad, Ranga Reddy District, Andhra Pradesh
Courtesy : Kurukshetra

seed and planning material, age old tried farming technology and the use of biotechnology tools to meet effectively the future challenges to improve agri production.

Agriculture reforms in India are critical to rural development. These reforms have started with a broad process of distribution of land ownership to the landless poor. Indian economy would continue to derive its economic strength from agriculture and its allied activities.

Rural Credit & Problems

A survey of rural credit in 1950-51 showed that cooperative could meet barely 3.3 percent of the total requirement of farmers, while moneylenders accounted 93 per cent of credit needs of farmers. The AIRCSC (All Indian Rural Credit Survey Committee 1954) stated that cooperation has failed, but Cooperative Banks must succeed while lending rural credit to the farmers to improve food production. On the recommendation of the committee, the RBI took a series of measures to strengthen cooperative institution. AIRCSC (1969) recommended the adoption of multi agency approach to finance the rural sector. The government of India accepted that rural credit could not be met by cooperative societies alone and that the commercial banks should play an important role in improving agriculture sector.

In farm sector Rural indebtedness is an obstacle for development which requires in depth analysis so as to address the problems in all its dimensions. There are many causes which lead to farmers' distress. The Government of India constituted an expert group to look into the problems of agricultural indebtedness in its totality.

Relative Share of Borrowing of ultivation Households from Different Sources :

Relative Share of Borrowing of Cultivation Households from different sources

Sources Credit	1951	1961	1971	1981	1991	2002	2004	2008
Non-Institutional	92.7	81.3	68.3	36.8	30.6	38.9	33.3	30.5
Money Lenders	69.7	49.2	36.1	16.1	17.5	26.8	19.5	22.5
Institutional	7.3	18.7	31.7	63.2	66.3	61.1	66.7	69.5
Cooperative Societies/Banks	3.3	2.6	22	29.8	23.6	30.2	32.4	30.5
Commercial Banks	0.9	0.6	2.4	28.4	35.2	26.3	27.6	29.5
Unspecified	-	-	-	-	3.1	-	-	-
Total	100	100	100	100	100	100	100	100

Source : RBI, All India Debt Survey and NSSO New Delhi

The above Table reveals that there is a considerable improvement in the institutional borrowings of the farmers between 1991 and 2008. During the Ist plan period the institutional borrowing was only 7.3 in 1991 and increased to 69.5 percent in 2008. While the Non- Institutional borrowing has come down from 92.7 percent in 1951 to 30.5 percent in the year 2008.

Failure of Crop Insurance

India is the third country after USA and UK to roll out a crop insurance policy with a view to protect the interests of the farmers through risk minimization in agriculture. National Agriculture Insurance Scheme (NAIS) (Rastriya Krishi Beema Yojana) launched to provide crop insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests and diseases. Crop insurance policy has been brought in force to encourage the farmers to adopt progressive farming, practices, high value inputs and higher technology in agriculture and also to help, stabilize farm income.

In fact crop insurance is an instrument that makes marginal and small farmers use the agri-insurance to protect something they have against drought. Indian farmers should be at fore front of insurance companies for help paradoxically. most of the farmers are unaware of agriculture insurance. About 27 percent farmers in Uttar Pradesh, 22 percent in Madhya Pradesh, 28 percent in Andhra Pradesh, 30 percent in Tamil Nadu, 35 percent in Punjab, 26 percent in Kerala, 19% in Maharashtra and just 4 % in Bihar subscribed to agri- insurance.

Need For Drastic Reforms

- Indian agrarian policy requires drastic reforms to achieve food production and shift priorities and strategies to propel Indian agriculture to higher growth trajectory.
- Public sector agricultural research has to be strengthened and reoriented particularly towards dry land crops.
- The public extension net work has to be reviewed and strengthened. It will involve large scale recruitment and training of adequate qualified staff.
- The state government have to play a crucial role in ensuring the provision of high quality inputs at affordable prices at the right time to all cultivators.
- An aggressive strategy for a paradigm shift in fertilizer policy required. The state governments should consciously promote and facilitate the production and usage of bio fertilizers, vermin composting, green manauring and other eco friendly fertility enhancing activities.
- Marketing infrastructure is inadequate and there are numerous procedural problems in the marketing yards. The agriculture marketing department must take measures to provide adequate non- exploitative arrangement in the market yards.
- The public distribution system must be strengthened so as to make available basic, minimum quantities of cereals at affordable prices to all vulnerable households.
- The Agriculture Technology Mission (ATM) must act as the umbrella for planning, direction and implementation of all of the policies relevant to agriculture and allied sectors and the welfare of farmers and farm workers.
- The ATM must have a holistic approach to the problems of agriculture in the state. It should formulate policies and take action on meeting challenges of the WTO regime, organizing policy research, on critical issues in agriculture.

***

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.

PROFILE OF MEMBER CORPORATIONS

MANIPUR INDUSTRIAL DEVELOPMENT CORPORATION (MANIDCO)

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

Financial Institutions

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

Promotional Activities

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

Infrastructure

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

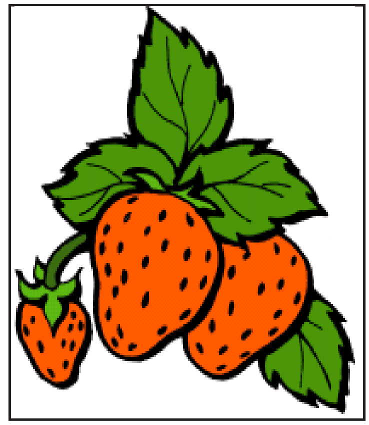
Objectives

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

Promotional Activities

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

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



Marketing Assistance Scheme of SSI Products

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

Infrastructure

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

Technologies for the Rural Sector

- AROMATIC & MEDICINAL PLANTS
- BUILDING/CONSTRUCTION TECHNOLOGIES
- CHEMICAL TECHNOLOGIES
- COTTAGE AND SMALL INDUSTRIES
- ENERGY
- FOOD AND AGRO -BASED TECHNOLOGIES
- FORESTRY

- MACHINERY AND EQUIPMENT
- CSIR, NATIONAL LABORATORIES
- CSIR, POLYTECHNOLOGY TRANSFER CENTRES
- TECHNOLOGY INSTITUTIONS IN INDIA
- SOFTWARE TECHNOLOGY PARKS IN INDIA

Industrial Scenario of Manipur

Though Manipur is perceived as industrially backward there are various opportunities in the state. In fact, many different routes and patterns of industrialization can be thought of in the context of Manipur. Given the relatively satisfactory literacy rate, the geographical location linking India with South East Asia and the scope for contemporary weightless industrialization, Manipur beckons industrialization of the most modern kind. The State is a suitable place for knowledge-intensive industrialization with high learning components.

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

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

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

Forest Resources

Manipur has 78.92 percent of its total geographical area covered by forests according to the ground survey report of the Forest Survey of India in 1995. This accounts for an area of 17,621 sq. km. under forest cover.

Semi Evergreen Forests:

These forests are found in the western part of Manipur adjoining Cachar district of Assam. The climax forests of this type comprise a vegetation of Laurus-Melia Bauhinia association.

These forests cover 439.70 sq.km of Tree forest and 205.19 sq.km. of the open forest which together constitute 4.26% of total forest area of the state. Extensive lush growth of Muli bamboo (Melocanna basifera) can also be seen on the abandoned jhum fields.

Teak Gurjan Forests:

These forests are found along the eastern longitudinal strip of Indo-Burma border at low altitude under a tropical climate constituting 4.03% of total forest area.

Wet hill Forests:

A Saurauja-Belischmiedia-phoe be association is found to cover the upper slopes upto the top of the medium elevations. These forests are found extensively in the state cevering an area of 3918.20 sq.km. of Tree forests and 2,672.09 sq.km. of Open forests that may account for 43.49% of the total forest area of the state.

Sub-Alpine Forests:

Not many ranges reach a height beyond 2700 M in Manipur. a sub-alpine vegetation is observed on sporadic hill tops.

Bamboo Brakes:

Vast continuous growths of bamboo specially the species Melocanna basifera (Muli), Dendrocalamus hamiltonii (patcha) and Tainostachy dulloa (Duloo) occur below 1700 M in the Western, South-Western and North-Western parts of the state. Besides these, patchy growths occur throughout the state. Some species grow as understorey in tree forests. The bamboo brakes cover an area of 3268.00 sq.km. which is 14.64% of the total geographical area of the state or 21.51% of the total forest area.

Cane Brakes:

In the shady, wet ill-drained humus-rich clay soils found particularly in the western hills under tropical climates, impenetrable thorny thickets of various species of canes grow along with palm trees.

Minor Products:

Various forms of animal produce, Bamboo and Cane, Fodder and Fuelwood, Grass and reeds, Inces and Perfume and Medicinal plants form the minor forest products which account for a total value of 21 lakhs of annual revenue of the state. This is to the tune of about 40 p.c. of total annual forest revenue. Agarwood, Dalchini and Smilax form significant groups among these.

Legal Classification:

The legal position of forest administration in the state is fluid. The government has extended its control to a small portion of the forest comprising 1,467 sq.km. of Reserved Forest and 4,171 sq. km. of Protected Forest which together constitute only 25.25 p.c. of the total area or 31.99 p.c. of the total forest area. The remaining 68.01 p.c. of forests are unclosed forests under the control of the tribal populations. These unclosed forests are subject to widespread injudicious exploitation of the hill people who at some area meticulously guard patches of tree growth.

Important Tree Species:

The state has an annual potential cut of 110,468 cu.m. of plywood quality trees, 40.731 cu.m. of Timber species. Annual cuts of 407, 928 cu.m. and 35.804 cu.m. respectively of pulpwood and coffers can be made for industries like paper and match factories etc. Poles and Bamboos still substantiate this potential.

Groundwater

The area covered by valleys that can be investigated for groundwater potentials in Manipur is about 1800 sq.km. forming roughly 8% of the total geographical area. The important valleys are the Manipur Central Valley and Western Jiribam of Imphal District, Khuga valley in Churachandpur District and Khoupum valley in Tamenglong District. The Central Ground Water Board (CGWB) so far has covered an area of 6,600 sq.km. out of the total land area of 22,346 sq.km. in hydrogeological survey.The valleys have superficial alluvium which are underlined by tertiary rocks of Barail series in Imphal valley and the Tipam formations in Jiribam valley. Ground-water in top sandy and clayey formations occurs under water table conditions with the depth of water varying from 3 to 4 metres bgl. Tubewells have been installed at various places of the valley areas with the yields ranging from 0.6 to 4 cu.m./hr. On the basis of the monitoring of water level in key/dug wells network stations in the area, an annual recharge of 44 M.cu.m. has been estimated.

***

APIIC to set up eco-friendly industrial parks

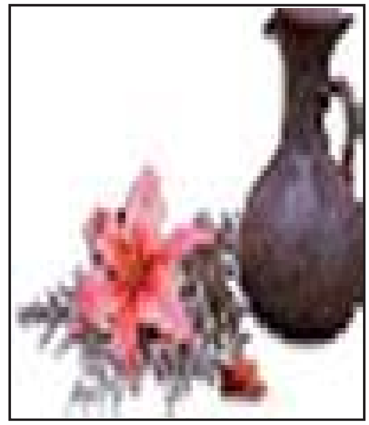
APIIC has developed over 300 industrial parks in Andhra Pradesh across 121,550 acres of land. The Corporation has also constructed 3,500 industrial sheds. The industrial areas range from 15-2,500 acres and are equipped with approved layouts, roads, water and power supply. The Corporation is setting up common effluent plants at Jeedimetla and Patancheru areas and also a total solid waste disposal facility near Jeedimetla. A large number of leading industrial houses and global Fortune 500 companies have set up their facilities on industrial parks and SEZs developed by APIIC in the state.

The Corporation has taken many initiatives to digitize and bring automation of the system with Enterprise Resource Planning (ERP) system to integrate and provide quality service to the entrepreneurs.

Some of the major projects which have been undertaken by APIIC include APSEZ which is the largest SEZ spreading across 5,596 acres of land in Atchutapuram in Rambilli Mandals in Visakhapatnam district of Andhra Pradesh. The expected inflow of investment is over Rs. 25,000 crore. APIIC provided the infrastructure at a cost of about Rs. 800 crore. Allotments have been made to 17 units covering 2,000 acres of which five units have gone into commercial production.

The other project is AP PCPIR (Petroleum, Chemicals and Petrochemicals Investment Region) in Visakhapatnam which is the largest PCPIR in India, spread over an area of 603.58 square km between Visakhapatnam and Kakinada which includes five SEZs. It is strategically located with access to the domestic as well as global markets with excellent infrastructure of three ports, two airports, well connected by the national highway and the golden quadrilateral project.

APGIC is formed as a joint venture of APIIC and APGenco with an objective of developing state regional Gas Grid and also to develop the City Gas Distribution (CGD) network to provide natural gas connectivity for domestic, industrial and automobile sector needs. APGIC is also a partner in the consortium in KG basin wells awarded under NELP—VII.



Another project developed by APIIC is Fab City which is India's first semi-conductor and solar PV cluster spread over an area of 400 hectares with world class infrastructure near the International Airport Hyderabad. The expected investment is USD 10 billion and will provide direct employment to 35,000 people in the next 10 years. Seventeen companies were given allotment in the SEZ and Solar Semi Conductor is the first company that commenced its commercial operations exporting solar panels for the past one year.

The Corporation has also developed the aerospace and precision engineering SEZ which has TATA Advance Systems as the anchor tenant, which has set up its facility with an investment of Rs.1000 crore assembling Sikorsky-92 Helicopters. The first helicopter will be ready for export by November 2010.

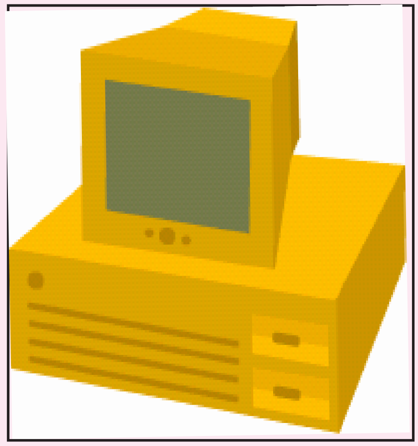
APIIC has taken an initiative to develop eco-friendly industrial parks. There are plans to have gas-based captive power plants in all the major industrial parks in the coming years. APIIC also plans to establish dedicated feeders for each industrial park to take care of the power requirements. The focus is on setting up sector-specific clusters for food processing, automobile, textile, aerospace, EMS and other sectors. Adequate support would also be extended to Small and Medium Enterprises (SMEs) in the state.

* * *

QUESTIONS OF CYBERQUIZ ~ 26

1. Who is a cyber tourist ?

   [a] A person who visits websites of tours and travel companies; [b] A person who stays in a website for few minutes only; [c] A person who goes online only on weekends and holidays; [d] A person who visits the websites of famous tourist destinations of the world.



2. When somebody has been "gatored" on the Net, she or he has become a victim of what ?

   [a] Cyber grapevine; [b] Cyber warfare; [c] Hijackware program; [d] Spyware.

3. The term "cyberspace" refers to networked digital environments, especially advanced systems that produce an illusion of reality. Who coined this term in his book Neuromancer (1985) ?

   [a] Thomas Watson; [b] Bill Gates; [c] William Gibson; [d] Steven Spielberg.

4. What does the "last mile issue" refer to ?

   [a] Penetration of Internet even to the remotest of places; [b] The connection between the user and the Internet Service Provider; [c] The last channel partner in the sales process of IT products; [d] The last hurdles a typical startup venture has to overcome in order to be successful.

5. You know what is HTML. But what is HDML ?

   [a] Hyper Data Markup Language; [b] Hyper Dialup Markup Language; [c] High-level Digital Markup Language; [d] Handheld Device Markup Language.

For Answers See **Page No. 18**

APPOINTMENTS

Shri Bijay Kumar Bose has been appointed as Managing Director, Orissa State Financial Corporation (OSFC), Cuttack vice Shri Kabindra Nath Khatai, IAS.

TAMILNADU

TN most economically free; Gujarat, Andhra gain

The Economic Freedom Rankings for the States of India, 2009 posts sharp changes in the overall levels of economic freedom in the states between 2005 and 2009. While Tamil Nadu retained the top spot, Gujarat moved up from No.5 to No.2, Andhra Pradesh gained four places to claim the No.3 slot, while Madhya Pradesh fell from No.2 to No.6 and Orissa was at No.17, six places down.

The authors of the report by the CATO Institute and Indicus Analytics in partnership with Friedrich Naumann Stiftung caution that though there is a link between economic freedom and growth, the correlation is not very high. However, there is an observable trend illustrating this correlation— AP and Gujarat improved the most and grew at an average of 10.5% between 2004-05 and 2008-09; the states that worsened moderately grew at 8.7% on average; those who came in at the bottom averaged growth rates of 6.7% (in the same period). The report defines economic freedom as “the absence of government coercion or constraint on the production, distribution or consumption of goods and services beyond the extent necessary for citizens to protect and maintain liberty itself”.

PUNJAB

Punjab signs MoU with NTPC for Rs.15k crore power project

The Punjab government on October 07, 2010 signed a memorandum of understanding with National Thermal Power Corporation to establish 2,640-mw coal-based thermal power project at Gidderbaha at a cost of about Rs 15,000 crore. This will be the biggest thermal power project in Punjab which will help develop ancillary industries and provide employment to thousands. NTPC has developed comprehensive in house expertise in various facets of power generation from concept to commissioning, efficient operation in accordance with Power Policies of the Centre.

Punjab has agreed to facilitate acquisition of land, allocation of water and conveyed in-principle clearance for about 2,316 acre and 125 cusec of water. Punjab has already issued notification under section 4 of Land Acquisition Act for 2,316 acre for the project. The plant consist of 4 units of 660 mw each which will be funded by NTPC. At least 50% of the power generated from the plant would be allocated to Punjab. Punjab State Power Corporation would provide to NTPC all the reports for the specific studies and investigations for preparation of feasibility report. The cost incurred on all such reports would be reimbursed by NTPC.

Punjab launches rural development project to better living standards

Nine villages of Fatehgarh Saheb in Punjab are looking forward to integrated self-help community development projects with the help of the University of Utah and the School for Public Health of PGI.

The University of Utah, USA, chief of public health Steve Alder said after an exploratory visit last year, the team had selected a local NGO, Mehar Baba Charitable Trust (MBCT), and the PGIMER School of Public Health, to be collaborative partners to improve the living standards of people in villages.

MBCT advisor Hassan Singh Mejie said MBCT had been undertaking extensive community development work for last five years in 185 villages of Fatehgarh Saheb district including women empowerment, vocational training for boys and girls, regular health checkup programmes especially in the areas of cancer development, etc from their vocational training centre set up in

Bassi Pathana. The joint project will be known as The Bassi Pathana Collaborative Community Development Project (BP-CCDP), (Dehati Jeewan Sudhar Abhiyaan) which is being launched in nine villages, and will focus on medical education and research exchange; sustainable village health development, entrepreneurial cooperatives.

Punjab and Haryana to set up disaster management cell

Punjab and Haryana will start the ground work for drawing up plans of setting up the State Disaster Management Authority (SDMA).

The Haryana Revenue and Disaster Management Financial Commissioner and Principal Secretary, Shri Naresh Gulati presided over a joint meeting of Punjab and Haryana on disaster management along with his Punjab counterpart Romila Dubey on October 12, 2010.

Both at the state and the Centre, there had been a considerable concern over restricting socio-economic damage by natural calamities. India, like any other country in the world was prone to multiple natural disasters, such as floods, earthquake, drought, landslides and cyclone, hence there was the need to adopt multi-disciplinary and multi-sectoral approach and also incorporation of risk reduction in the developmental strategies to reduce the impact of disasters.

The Disaster Management Act 2005 seeks to institutionalise mechanisms at the national, state and district levels to ensure a swift response to both natural calamities and man-made disasters. He said NDMA had been supporting various initiatives of the Centre and state governments to strengthen the disaster management capacities.

The setting up of NDMA had given the right impetus for the country's vision for a paradigm shift from response to prevention, mitigation and preparedness in addition to response, relief and rehabilitation. Each State was required to constitute SDMA headed by Chief Minister, assisted by State Executive Committee headed by Chief Secretary.

HARYANA

Centre sanctions Rs.23 crore to Haryana for afforestation programme

The Haryana Forest Minister, Shri Ajay Singh Yadav said the Centre has sanctioned Rs. 23 crore under National Afforestation Programme and its first installment Rs.11.15 crore has already been received. 4.10 crore saplings have been planted in the state thus achieving the target of 81% of planting five crore saplings in the state by September 30.

He directed the officers of forests department that they should chalk out an ambitious action plan, especially for the Mahendragarh and Rewari districts, for setting up of small check dams to store the rain water so that it could be used for water recharge. He also stressed on making the herbal parks self sustainable. He was of the view that such type of system should be developed that these herbal parks could become self sustainable by planting nurseries and other fruit trees in parks.

Centre approves solar project in Sirsa

A 12.65 crore Solar Photovoltaic Street Lighting System project has been sanctioned by the Centre for Sirsa district. 50% cost of the project would be borne by the Centre and the rest 50% by the district administration under various schemes.

A spokesman of Haryana State Renewable Development Agency said that under the system, 75 AH batteries of 12 voltage and CFLs of 11 watt would be installed. Automatic switch system would be installed to facilitate switching on the light in the evening and switching off in the morning automatically. Wires would not be used in this system and as such the maintenance cost would be nominal.

Haryana to launch energy audit scheme for industries

As a part of the Energy Conservation Action Plan, the Haryana department of renewable energy has launched a scheme to incentivize energy audit in various industrial sectors, especially for small and medium sector enterprises during 2010-2011.

The renewable energy department and HAREDA Director, Smt. Sumita Misra said under this scheme, the industrial enterprises would be provided with financial assistance to assess the potential of energy conservation by carrying out walk-through energy audit at their facilities through Bureau of Energy Efficiency certified energy auditors or consultants. Under this scheme, small, medium and large scale industries will be eligible to avail financial incentive at the rate of Rs.7,500, Rs.10,000 and Rs.15,000 respectively.

Haryana to set up biotech parks in Faridabad

Haryana will have Biotech Science Clusters at Faridabad at an estimated investment ranging between Rs 750 crore and Rs 1,000 crore during 11th and 12th Plan period. This was revealed during a presentation of the project made in a high-level meeting held under the chairpersonship of the Haryana Chief Secretary, Ms.Urvashi Gulati.

The department of biotechnology has been allotted 40 acre of land and additional 160 acre contiguous plot in Faridabad, village Bhankari, on Gurgaon-Faridabad Highway for setting up this state-of-the-art project. The likely completion period of phase-I of the project is 24 months.

The cluster will have Translational Health Science and Technology Institute, which would focus on technology needs of Public Health System. It will address the prognostic and therapeutic technology for the prevention and management of infectious and chronic diseases at affordable cost for the vulnerable sections of the society, especially neonates, children and women. The project will also have Unesco Regional Centre for Biotechnology. The centre will have major programme for training and providing assistance in technology validation, trials and scale up. It will also provide training and consultancy to other institutes and industry.

Haryana industrial policy to focus on promoting SMEs

The Haryana Industrial Policy to be announced in November, 2010 will focus on the following : -

- Facilitating investment in infraprojects through PPP (Public Private Partnership) mode.
- Will encourage the existing 80,000 SMEs units, which contribute over 80% in state's industrial production.
- To focus on giving thrust on new industrial investments, especially in SEZs on areas like food processing and bio-tech.

Haryana to set up data centre

The Haryana government is setting up a State Data Centre (SDC) at a cost of Rs 12.38 crore. The main benefits of the project include the central data repository, secure data storage, online delivery of services, citizen information or services portal, state Internet portal, disaster recovery, remote management and service integration.

An official spokesman said the project of state portal and State Service Delivery Gateway (SSDG) was also proposed to be implemented at an estimated cost of Rs 1,092 lakh aiming at utilising the National e-Governance Plan (NeGP) Core Infrastructure. It would help in using infrastructure of SDC, State Wide Area Network (SWAN) and Common Services Centres (CSCs).

Haryana to set up three solar energy plants

The Haryana Power Generation Corporation (HPGCL) is venturing into solar power generation by setting up solar energy-based power plants at Panipat, Yamunanagar and Khedar in Hisar. HPGCL plans to tap the vast solar energy potential and earn carbon credits by generating power through this clean source. The projects will be implemented under the Jawaharlal Nehru National Solar Mission.

HPGCL Managing Director, Shri Sanjeev Kaushal said that the solar power plants will be grid interactive. Following a new model, the solar power plants will be set up at the existing land of thermal power plants at Panipat, Yamunanagar, Hisar and hydel power plant in Yamunanagar.

As per the Central Electricity Commission (CERC) guidelines, a cost of Rs.16.90 crore per mw is involved in setting up solar photovoltaic power plants and Rs 15.30 crore per mw is involved for solar thermal plant. The tariff fixed by CERC is Rs.17.91 per unit for solar photovoltaic and Rs.15.29 per unit for solar thermal.

Haryana gets approval for 10 solar projects

Haryana got an approval from the Union ministry of new and renewable energy to include 10 of its solar power projects of 9.8 mw under the Jawaharlal Nehru National Solar Mission (JNNSM). These projects would come up as small scale Solar Photo Voltaic (SPV) rooftop power plants.

Pre-registration of 22 mw has already been done under the JNNSM and Indian Renewable Energy Development Agency (IREDA) has shortlisted 10 such projects in Haryana. As per the proposed guidelines for small solar power plants, connected to 11 kv grid under the national solar mission, projects commissioned on or before March 31, 2013 (upto a maximum of 100 mw) will only be eligible for incentives under Phase-I.

MADHYA PRADESH

MP signs investment deals worth Rs.1,06,417 cr

The Madhya Pradesh government finalised investment deals worth 1,06,417 crore with 12 companies in different sectors, in a major boost to the state's industrial development.

The agreements were signed on the first day of Khajuraho Global Investors' Summit-II, which was attended by the industrial groups such as Essar, Aditya Birla group, NTPC, Gail, Adani group and Videocon.

The Chief Minister, Shri Shivraj Singh Chouhan released the new industrial promotion policy of the state and assured that the government will create a conducive environment for investors.

"The government has taken the initiative to take policy decisions in favour of industries and has come out with an investor-friendly industrial policy,". Of the 20 MoUs signed on the first day, 16 were in the industrial sector and four in energy sector.

"Along with industrial development the state government wants to augment employment opportunities for the youth. For this, special attention is being paid to skill development," Shri Chouhan said.

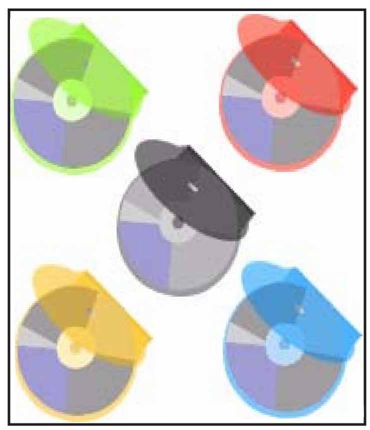
For promoting investment, the state government has created a land bank of 20,000 hectare and has offered special concessions to units providing jobs to more than 1,000 people.

HIMACHAL PRADESH

Himachal Pradesh's first Biotechnology Park may soon be allotted to a developer. The BT park is proposed to come up at village Aduwal, near Nalagarh in Solan district and is likely to catalyse an investment of around Rs 500 crore over a period of time including investment from the private companies setting up base in the industrial cluster of the park.

***

ANSWERS OF CYBERQUIZ ~ 26



1.[c] A person who goes online only on weekends and holidays : A large number of cyber tourists may clog the Net on Sundays and holidays.

2.[c] Hijackware program : The hijackware program seizes control of an Internet shopping or surfing experience and causes the victim's browser to isplay advertisements or site chosen by the hijackware. This tactic gets it name from Gator.com.

3.[c] William Gibson : Gibson used the word to refer to the total data on all the computers on all the networks in the world. He knew little about computers when he wrote the book. In fact, he typed the manuscript on a typewriter !

***4.[b]* The connection between the user and the Internet Service provider :** The connection between the ISP and the user is generally through a modem and typically is the slowest aspect of Internet access.

5.[d] Handheld Device Markup Language : HDML was created by Unwired Planet in 1997. It is a language that allows the text portions of web pages to be presented on cellular phones and personal digital assistants via wireless access.

SUCCESS STORIES OF KARNATAKA STATE FINANCIAL CORPORATION

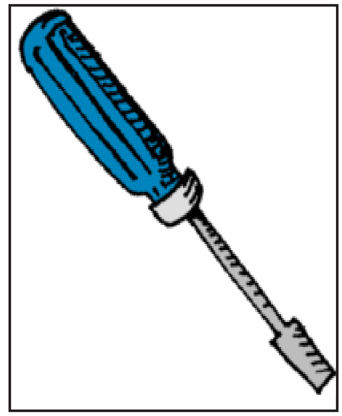
MYSORE POLYMERS AND RUBBER PRODUCTS PVT. LTD., MYSORE

Mysore Polymers and Rubber Products Pvt. Ltd. was established by Mr. S.R. Parthasarathy and Mr. C.D. Nagarajan. It is engaged in the manufacture of butyl automotive tubes.

The Company is among the leading manufacturers of high quality butyl rubber tubes in India. The product portfolio comprises automotive butyl tubes of practically every size for both domestic and overseas markets. The company has expanded its product range by diversifying into innovative and specialized rubber products.

The Company had availed several loans amounting to Rs.1,107 lakhs between 1981 and 1994 from KSFC.

It has a fully-equipped design and development facility to deliver optimum product performance and quality.



The Company has been conferred the ISO/TS 16949 : 2002 and ISO 9001 : 2000 certification, accredited by TUV.

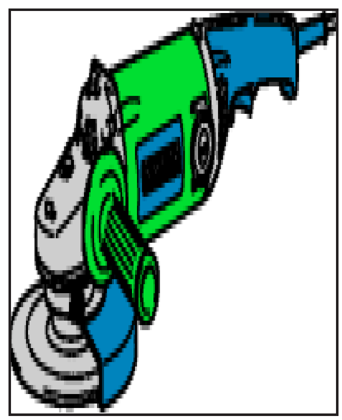
* * *

STANDARD SEALS ENGINEERING, BIDAR

Standard Seals Engineering was started in 1990 by Mr. Mohammed Sultan Patel. The unit is engaged in the manufacture of mechanical seals. The products of the unit are used in various types of pumps, mixers and reactors for chemicals, petroleum, pharmaceutical, fertilizer, textile and shipping industries.

The promoter had taken financial assistance from KSFC amounting to Rs.2.65 lakhs, under the term loan, soft seed capital and working capital schemes. An additional loan of Rs.9.77 lakhs was also availed by the firm for expansion activities.

Standard Seals Engineering won the Best Entrepreneur Award from the Government of Karnataka for the Year 1994-1995.



* * *

Life is more than things. Things may temporarily satisfy the body, but only God and His love can truly satisfy the spirit.

Direct tax collection increases 13.9% in April-August

The country's direct tax collection has exceeded Rs. one-lakh-crore mark in the first five months of the financial year, on the back of growth in revenue receipts from the corporate sector. Net direct tax collections during April-August registered a growth of 13.91 per cent, at Rs. 1,00,112 crore, compared with Rs. 87,888 crore in the corresponding period of the previous financial year. Corporation income tax collections rose 17.05 per cent to Rs.57,750 crore, against Rs.49,339 crore in the same period a year ago. Personal income tax, which includes securities, transaction tax, residual fringe benefit tax and banking cash transaction tax stood at Rs.42,217 crore n April-August period, up from Rs.38, 491 crore in the corresponding months last year—a growth of 9.68 per cent.

The government has budgeted an overall tax collection of Rs.7,46,000 crore in the current financial year. It has set a target of collecting Rs.4,30,000 crore by the way of direct taxes alone. Direct tax collections for 2009-10 stood at Rs. 3,78,000 crore. This was lower than the revised estimate of Rs.3,87,000 crore.

Indirect tax collections up 46%

The revival of the industrial sector has translated into higher revenues for the exchequer with the government's indirect tax collection up by around 46% to over Rs. 1.24 lakh crore during the first five months of this fiscal.

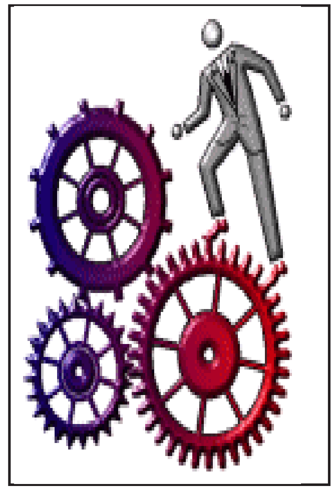
The indirect tax department has collected Rs. 51,866 crore as customs duty during the April-August period this year, almost 67% up when compared to the last year corresponding period. Riding on a booming manufacturing sector; excise duty collections have also registered a growth of 42% to around Rs. 49,700 crore.

Service Tax collections during the period is around Rs. 22,700 crore, up 20% when compared to last year. This is mainly enhanced due to industrial production during the period. Industrial production moved up to 13.8% for July.

Non-food credit offtake rises 20.13%, deposits up 15.03%

Non-food credit or the amount of money that banks lend to corporates and individuals, grew at 20.13% year-on-year to Rs. 34,19,244.54 crore during the fortnight ended October 8, 2010.

This is nearly a 140 basis points higher growth than the growth in previous fortnight ending September 24, 2010. The numbers are encouraging given that banks have increased their bench-mark prime lending rates (BPLR). However, most banks have been offering retail borrowers attractive rates on home loans and car loans for the festive season.



Data put out by the Reserve Bank of India on October 20, 2010, showed that banks incrementally lent Rs. 47,185.4 crore during the fortnight. Total outstanding credit, which has grown by 20.07% y-o-y stands at Rs. 34,68,998.94. Deposits grew at 15.03% to Rs. 47,88,309.29 crore, around 172 bps higher than the earlier growth rate recorded for the fortnight ended September 24, 2010.

New export policy could harm spice exports

India's exports of spices could be impacted from the new export-import policy because exporters will lose significant amount of revenue after the new policy is implemented, officials of All India Spices Exporters Forum (AISEF) said. In the new Foreign Trade Policy 2009-14, spices and its value-added products have been removed from the Vishesh Krishi and Gram Udyog Yojana (VKGUY) scheme and included on the list of focus products.

"The extent of incentives have been brought down to 2% from 5% because of which exporters have already suffered a financial loss of Rs. 100 crore so far and by march next year would lose another Rs.200 crore."

It was felt that spices needed to be retained under the VKGUY at least till March 31, 2011 and pepper and chillies which face stiff competition from Vietnam and China, should also be included under the yojana or in the list of focus group. India accounts for nearly 44% of global spices trade estimated 850,000 tonne in a year.

***

COSIDICI's E.C.M. & A.G.M. :

Proposal for Amendment to SFC Act, 1951 :

A meeting of the CEOs of MoU SFCs was held at APSFC' Head Office, Hyderabad on September 06, 2010 to deliberate on the amendments proposed by various SFCs keeping in view their business requirements, difficulties faced with regard to implementation of Section 29 of the Act ibid and the need to provide SFCs with operational flexibility. The committee after discussing the amendments to the Act recommended the following views for the consideration by SIDBI -

Section 2(c)(xxii)

It was felt that the powers conferred on SIDBI under this section are wide enough to include any relevant activity. SIDBI may kindly allow SFCs to give financial assistance to Educational Institutions including those imparting technical/general knowledge and to major service sectors. It is, therefore, requested that this section may be interpreted liberally to suit the present day economic scenario.

The Committee strongly felt that there is need to propose amendment to Section 26(1) with regard to limit of accommodation and inclusion of limited liability partnership concern on par with Companies and suggested that Section 26(1) should be amended as under:

(i) One thousand lakhs of rupees in the case of a corporation established by or under any other law or a company as defined in Section 3 of the Companies Act, 1956 or ***the limited liability partnership registered under Limited Liability Partnership Act, 2008*** or a cooperative society registered under the cooperatives societies Act, 1912 or any other law relating to cooperative societies for the time being in force and

(ii) Five hundred lakhs of rupees in any other case:

Provided that the financial corporation may, with the prior approval of the small industries bank, exceed the limit under clause (i) or clause (ii) up to four times.

Section 28(1)(d)

The Committee felt that in view of the incorporation of MSME Act, the limit prescribed in respect of paid up capital and free reserves has become redundant and recommended for deletion of Section 28(1)(d).

COSIDICI vide its letter dt. November 16, 2007 to Government of India has already made a representation for these amendments a copy of which had been forwarded to SIDBI also. However, we again enclose herewith a copy of the same for your ready reference and request you to kindly pursue the matter with the Government of India to enable SFCs to accommodate the MSME sector in respect of its growing credit demand.

Section 29(1)

The Committee discussed the proposed amendments keeping in view the judgement of the Hon'ble Supreme Court which held that Collateral Security property does not come under the ambit of Sec.29(1). The Committee also discussed about earlier judgements of various High Courts, wherein the Hon'ble High Courts upheld the action initiated by the Corporations u/s 29 of SFCs Act against Collateral Security property and confirmed the said sales. It was felt that in view of the judgement of the SC, the sales of Collateral security properties already conducted by the Corporations would be amenable to question by the relevant parties and the Corporation would have to face several problems in that situation. In view of the ambiguity in interpreting the provisions u/s 29 of SFCs Act, the Hon'ble Supreme Court took a different view from that of various High Courts. In order to clear the ambiguity amendment to the section is needed by explicitly incorporating Collateral Security under the ambit of sec. 29. The Committee further felt that the powers u/s 29 shall be available against Collateral Security property also for speedy recovery of the loan and to implement the provisions of the Act effectively. The provisions contained under SARFAESI Act for proceeding against Collateral

Security property, which action is available to the Corporation also does not help the Corporation in most of the cases as SARFAESI Act provisions are enacted to suit to the commercial banks' requirements and SFCs activities are on different footing. Further, it was felt that, in the present situation, the SFCs have to proceed against the borrowers properties u/s 29 of SFCs Act only and have to proceed against the Collateral Securities under SARFAESI Act. In that situation, the Corporation has to initiate different actions under two different Acts which is a time consuming process and will impede the recovery action. To have a comprehensive action initiated against borrower and Collateral Security property in the same loan account powers u/s 29 for initiating action against Collateral Security are required. Accordingly, the Committee recommended the proposed amendment by bringing the Collateral Security property also under the ambit of Section 29(1) of SFCs Act.

In the case of IDBI vs Biswanath Jhunjhunwala the Hon'ble Supreme court in its judgement dt. August 18, 2009 (copy enclosed) has stated that the liability of the borrower and the guarantor/surety is co-extensive and not separate. It therefore, ruled that the principal debtor and the guarantor/surety are both equally liable to be proceeded against for recovery of a loan by the creditor.

Section 29(4) is required to be amended in the following terms:-

The existing provision "Where any action has been taken against an industrial concern ***and/or properties mortgaged, hypothecated, pledged or assigned*** under the provisions of sub-section (1), all cost charges and expenses which in the opinion of the Financial Corporation have been properly incurred by it as incidental thereto shall be recoverable from the industrial concern and the money which is received by it shall, in the absence of any contract to the contrary, be held by it in trust to be applied firstly, in payment of such costs, charges and expenses and, secondly, in discharge of the debt due to the Financial Corporation, and the residue of the money so received shall be paid to the person entitled thereto."

Section 29(5) may be amended as under:-

"Where the Financial Corporation has taken any action against an industrial concern, ***property, mortgaged, pledged, hypothecated or assigned*** under the provisions of sub-section (1), the Financial Corporation shall be deemed to be the owner ***of a concern, property, mortgaged, hypothecated or assigned as the case may be for the limited purpose of transferring the same by way of lease or sale to realize the outstanding dues*** for the purposes of suits by or against the concern, and shall sue and be sued in the name of the concern."

The amendments to section 29(4) & 29(5) are required for similar reasons as given for section 29(1).

Section 29(6) – A new clause has been recommended for insertion as under :

Notwithstanding anything contained in any other law, for the time being in fore the Financial Corporation shall have first charge over the property pledged, mortgaged, hypothecated or assigned to the financial corporation for recovery of its dues.

The Committee discussed the proposed amendment in the light of the judgement of the Hon'ble Supreme Court, wherein the Hon'ble Supreme Court upheld the amendments to the State Acts incorporating first charge to the dues of Commercial Taxes, etc. by virtue of which the commercial tax dues has precedence over the dues of the SFCs against the properties mortgaged/ hypothecated. Accordingly, the Committee recommended for inclusion of new provision to create first charge for the dues of the Corporation in the Act by amending the Act.

If the Act is amended as proposed, the dues of the Corporation will have first charge against the commercial tax dues, etc. as the provisions under the SFCs Act over-rides the State Acts since SFCs Act is Central enactment.

In addition the Committee recommended :-

- The power to grant permission to extend financial assistance by SFCs' over and above the limit approved by SIDBI, should be delegated to a State Level Officer of SIDBI in case the limit of accommodation exceeds approved limit;
- The limit of accommodation should be increased to 5 times for Proprietary and Partnership concerns without referring to SIDBI for prior approval;
- The Committee also recommended to depute a delegation alongwith SIDBI to the RBI for restoration of SLR Bonds quota to raise funds at cheaper rate so as to enable SFCs to compete in the market.

Financial Restructuring & Revitalisation of SFCs :

The Executive Committee of COSIDICI at its meeting held on 24th September 2010 at New Delhi discussed strategies to strengthen the SFCs. Due to the relentless and sustained efforts of COSIDICI the Government of India announced a financial package in 2003 to provide some relief to SFCs through SIDBI. Consequently 11 SFCs had entered into MoU with SIDBI. Almost all these Corporations have shown signs of turnaround and some of them have also shown substantial profits. The SFCs however, continue to be dogged by the twin problems of non availability of adequate resources at cheap cost and their low capital base. COSIDICI has been emphasizing on two important aspects viz. all stake-holders must come forward to recapitalize SFCs to enable them to face competition with commercial banks and raise resources from the market on their own. Secondly, availability of adequate lendable resources to SFCs at cheap cost. A few state governments have come forward to provide additional share capital and other facilities to SFCs like KFC, HFC, APSFC, RFC, WBFC, AFC etc. enabling them to turnaround and become positive networth corporations.

However, they still continue to be dogged by the twin problems of non availability of adequate resources at a cheaper cost and their low capital base. Shri K.K. Mudgil, Secretary General COSIDICI, informed the members that detailed discussions had been held at the meeting of the committee of MoU SFCs held on September 06, 2010 at Hyderabad. It was decided therein that SFCs need to identify issues to discuss with SIDBI. Then alongwith SIDBI the SFCs may meet the Union Finance Minister and RBI to seek cheaper and adequate funds. It was also decided that SFCs may approach Nabard, National Housing Bank, Khadi and Village Industries Commission (KVIC) for refinance in respect of their sanctions towards Agro Industries, Housing loans and Village Industry respectively. Though the SFCs are financing agro industries they are not getting refinance as they are not listed with NABARD. In this connection, Shri K. Mukherjee, IAS, MD, KSFC informed the Executive Committee that KSFC had already got Rs.100 crore @ 8.5% from State Bank of Mysore. The State government of Karnataka had given a guarantee of 1% to the Bank. So other SFCs may also explore this cheaper source of revenue.

It was felt the states could give guarantee or be asked to convert loan to equity. This would help the SFCs in their respective states. Thereafter SIDBI may be asked to contribute financially and administratively towards the restructuring of SFCs in these states. It was informed that a meeting of some of the MoU SFCs had been called by SIDBI in Mumbai on September 28, 2010. Shri Kaushik Mukherjee, IAS, MD, KSFC was requested to apprise COSIDICI of the developments therein.

The Executive Committee also decided that a meeting of the Non MoU SFCs may be held in Patna in the ***1st week of December.*** Shri Shishir Sinha, IAS, MD, BSFC would be the convenor of the committee. The Executive Committee ***Resolved*** that: -

"COSIDICI may ask the Non MoU SFCs including J&KSIDCO to give specific details about their problems and their requirements. While giving the etails these corporations may also take the opinion of their respective state governments and the extent of help they would be willing to provide."

In this connection, Shri M. Muazzam, MD, J&K SIDCO, Srinagar, advised the Executive Committee that financing of J&K SIDCO was mainly in Tourism and Agro Industry. Disturbances in the valley may affect tourism but not the agro industry. Many Pharmaceutical Companies have also been set up recently due to the incentives provided by the state government. The state of Jammu & Kashmir was rich in natural resources like limestone. Transport system is also good in Srinagar. The J&K SIDCO, therefore, had abundant scope for financing of industry. It required help in managing its operations. It could tie up with Karnataka for know how in silk processing. It was decided to take up the matter in the meeting to be held on 1st December 2010 at New Delhi.

The Executive Committee also agreed that the SLFIs had an inherent strength for bringing about inclusive growth. They have generated employment, contributed to the states' progress by way of sales tax, local duties etc. In this connection, KSFC had carried out a study of Standard Assets of 200 Industrial Units. It was found that for every crore which KSFC had loaned to a unit, that unit gave Rs.30 lakh as Vat to the State government. It was, therefore, imperative that such contributions of SFCs be highlighted so as to bring about a change in the attitude and mindset of SIDBI, Government of India and RBI.

Training Programme :

The 14th training programme was held at the College Campus from ***13th to 16th September, 2010*** and was attended by ***twenty seven***

participants. The feedback received from them had been very satisfactory and they had found the programme very useful and informative. The members at the Executive Committee Meeting held on September 24, 2010 requested that instead of one, two such programmes may now be held in a year.

Shri Kaushik Mukherjee, IAS, KSFC, requested Shri Panigrahi for information on training programmes on subjects of interest to SLFIs which CAB may hold abroad. He felt that a few deserving officers may be sent for such programmes as new techniques and methods thus learnt could be applied here to improve the working of the Corporation. Shri Panigrahi was requested that details of such programmes may be sent to COSIDICI to be circulated amongst our Member Corporations. Shri Panigrahi informed the members that considering the vital role played by Micro, Small and Medium Enterprises (MSMEs) in economic development, the banks and the policy makers have actively pursued growth of the MSME sector focusing on the encouragement of entrepreneurship in the private sector. This was particularly noticeable in the economies like Thailand and Malaysia. Hence, to study the models of MSME financing and the methods applied by the banks in these countries to overcome the constraints faced while financing to MSMEs and to understand the best practices adopted and draw lessons for Indian banks, the College of Agricultural Banking, Reserve Bank of India, Pune had designed an International Exposure Visit Programme to Thailand and Malaysia for bankers, financial institutions, policy makers and other institutions engaged in supporting / building capacity of MSME sector. One such programme on SMEs was held from ***25th October to 4th November, 2010.*** The 1st two days of the training were in the college campus at Pune. These were followed by one week in Malaysia and Thailand in collaboration with Asian Institute of Technology (AIT) a reputed education and training institute in Asia Pacific region. Two officers from KSFC had attended the above programme.

Annual General Meeting :

The Annual General Meeting of COSIDICI was held on 24th September 2010 at India International Centre, Max Mueller Marg, New Delhi. The following were elected as the Members of the Executive Committee of COSIDICI for the Year 2010-2011 :

Smt. Sheela Rani Chunkath, IAS, CMD, TIIC, Chennai as the President of COSIDICI for the Year 2010-2011. Shri Kaushik Mukherjee, IAS, M.D., KSFC, Bangalore; Shri Shishir Mudgil, IAS, M.D., BSFC, Patna; Shri Vikas Raj, IAS, M.D., APSFC, Hyderabad; Shri Kamal Chakrabarty, IAS, M.D., WBFC, Kolkata; Shri Sanjay Pratap Singh, IAS, Secretary to Chief Minister & Principal Resident Commissioner, Mizoram; Shri K.M. Nair, M.D., KFC, Thiruvananthapuram were elected as Vice-Presidents. Shri Priyabrata Patnaik, IAS, M.D., OIIDC, Bhubaneswar; Shri V. Nagi Reddy, IAS, Vice CMD, APIDC, Hyderabad; Smt. Vandita Sharma, IAS, M.D., KSIIDC, Bangalore; Shri Chetan Bhushan Sanghi, IAS, M.D., DSIIDC, New Delhi; Shri Rajendra Bhanawat, IAS, M.D., RIICO, Jaipur; Shri V.K. Ohri, IAS, M.D., PFC, Chandigarh; Shri M.S. Manivannan, IAS, M.D., AFC, Guwahati; Shri M. Muazzam, M.D., J&K SIDCO, Srinagar were elected as Executive Committee Members. Besides, Shri E. Vallavan, M.D., PIPDIC, Pondicherry and Shri S.I. Sharma, M.D., MANIDCO, Imphal were co-opted as E.C. members for the Year 2010-2011. The contents of the Annual Report of the E.C.M. of COSIDICI for the Year 2009-2010 were noted and approved by the General Body which also approved the audited statements of accounts for the Year 2009-2010.

* * *

Brighten your day with the sunshine of thanks

Sidbi to give Rs.350 cr for Bandhan's women

Sidbi has extended a Rs. 350-crore line of credit to Bandhan Financial Services to on-lend to poor women. Bandhan said it will use the fund to lend to 3.5 lakh new borrowers this fiscal. Sidbi has also committed to offer another Rs. 50 crore to Bandhan in the form of subscription to the latter's proposed non-convertible debentures (NCD). Sidbi has pegged the rate of interest for the loan at 10.5% a year, which is a very competitive rate in a rising interest rate market. The loan is offered for 3-5 years. In comparison, Sidbi had offered Rs. 250 crore to Bandhan in 2009 at 12% per year for five years. Bandhan has 32-lakh borrowers at present and it plans to increase the tally to 40 lakh by March 2011. It has an outstanding exposure of Rs. 2,000 crore and it aims to grow it to Rs. 3,200 crore by the end of 2010-11.

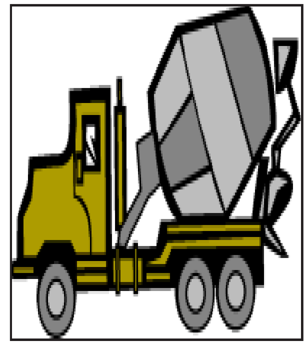
IDBI Bank targets Rs. 6,000-cr SME loans

Reflecting a turnaround in credit demand, public sector lender, IDBI Bank, plans to disburse credit worth Rs 6,000 crore to small and micro enterprises (SMEs) in the current financial year. There was an improvement in business sentiment and segments like auto components and garments reported a better outlook, Executive Director, Shri T R Bajalia said. The bank extended loans worth Rs 2,000 crore during April-September 2010.

To improve energy efficiency in the SME initiative, IDBI has signed a pact with the US-headquartered World Resources Institute (WRI). Under the pact, the bank would finance Micro, Small & Medium enterprises (MSMEs) in India for implementing Energy Saving Company (ESCO) projects. The funding would cover areas like climate change, ecosystem protection, environmental governance, green markets and sustainable transportation. WRI would provide consultancy to SMEs to implement energy-saving technologies and systems. It would also guarantee a return to SME units from the new system. The savings in cost would be used to repay loans.

Andhra approves ordinance to rein in MFIs

The Andhra Pradesh government on October 14, 2010 approved a law that will regulate microfinance firms, complicating efforts to resolve the suddenly resurgent issue of the interest rates poor borrowers need to pay for taking loans.



The state cabinet unanimously okayed a special ordinance that forces microfinance firms and borrowers to compulsorily register with the local authorities. The proposed law will also force the companies to disclose the methods they use to recover money and the interest rates they charge. The penality for non-compliance is three years imprisonment and Rs. 1 lakh penality. The ordinance has now been sent to the government for his signature. The move may muddy the waters as MFIs are likely to move court against any law that curb their ability to carry out normal business. Many MFIs are registered as non-banking financial services companies (NBFCs), with the Reserve Bank and the law does not provide for a separate local registration.

Smaller units in Tiruchy to set up captive power plant

Small and medium enterprises operating in and around Tiruchirapalli have decided to jointly set up a 3Mw power plant with the use of second-hand equipment sourced from Korea and China, according to industry representatives. These engineering units, numbering around 500, cater mainly to state-owned Bharat Heavy Electricals' Tiruchy plant, which manufactures boilers. These units are in the process of upgrading their facilities to meet the requirements of BHEL, which plans to enlarge the scale of outsourced orders by 150 per cent, from the current Rs 1,125 crore to Rs 2,800-2,900 crore in 2011-12.

However, power shortages are a major constraint. The power cuts not only affect quality, but also delivery schedules. These units are already looking at adopting a 'cluster' approach (whereby a few companies pool their resources and jointly supply components to BHEL) to address the capacity constraints. The cluster approach will enable them to set up common facility centres on the outskirts of Tiruchy, which will be used by the member units.

SMEs in Bangalore to be rated on emission levels

A study conducted by the Karnataka State Pollution Control Board (KSPCB) has found that many small and medium enterprises (SMEs) in and around Bangalore lack awareness about sustainable industrial ecology because the enormous growth of industry in the state is posing a serious challenge to the region's ecological balance. The KSPCB study found that 51 per cent of the state's highly polluting industries are concentrated in four districts — Bangalore Urban, Belgaum, Bellary and Mysore. These districts also account for a large concentration of SMEs, which are ill-equipped to meet increasingly stringent national and international regulations and as a result are losing their competitive edge.

To help SMEs reduce pollution levels and improve working conditions as well as their quality management, TUV Rheinland, a provider of technical services and certification based in Cologne, Germany, had launched a pilot programme in association with KSPCB and DEG (Deutsche Investitions und Entwicklungsgesellschaft), a KFW banking group firm in Bangalore.

Under the public private partnership (PPP) project, known as 'Comprehensive Programme for Enhanced Productivity and Sustainable Industrial Ecology', 10 highly polluting SMEs in Bangalore were selected and put through a 14-month programme to create awareness and implement environmental as well as occupational health and safety standards.

The programme focused on mass awareness of environmental concerns and the alignment of the companies' systems with international standards. The initiative was called SHINE (Systematic and Holistic Programme for a Balanced Industrial Ecology). It was funded by DEG and is assisted by ECC International.

The aim of the project is to develop best-practice examples of environment, health, safety, and social accountability, focusing on SMEs. KSPCB extended support to 'train the trainer' activities, which were part of the awareness campaigns.

As part of the project, the 10 companies will be audited and rated on three dimensions – social, environmental, health and safety – before and after the implementation phase. These companies can use the rating to obtain international acceptance and recognition. To sustain the project initiatives, an e-learning kit on international standards (EMS, OHSAS and SA) and best practices governing sustainable industrial production will be developed and distributed to over 200 enterprises.

* * *

One of the most difficult parts of this life is that our heart's desires are not always fulfilled, but one of the most wonderful things about heaven is that God will either grant us those desires or gives us something better.

Interest Subvention On Individual Housing Loans

The Union Finance Minister during his Budget Proposal for2009-10, had announced a Scheme of 1 per cent interest subvention for individual housing loans up to Rs.10 lakh, provided the cost of unit does not exceed Rs. 20 lakh, initially for a period of one year from October 1, 2009 to September 30, 2010. In the Budget speech for the year 2010-11, the Hon'ble Finance Minister announced extension of the Scheme till March 31, 2011. The objective of the Scheme is to provide interest subsidy on housing loans as a measure to generate additional demand for credit and to improve affordability of housing to eligible borrowers in the middle and lower income groups. The details of the Scheme are -

Interest Subsidy - Subsidy of 1 per cent will be defined as reduction in interest rate by 100 basis points per annum from the existing rate of interest for a particular amount and tenor. It will be applicable to the first twelve installments of all such loans sanctioned and disbursed during the currency of the Scheme and would be computed for 12 months on the disbursed amount. The subsidy amount will be adjusted upfront in the principal outstanding, irrespective of whether the loan is on fixed or floating rate basis.

Implementing Agencies (IAs) - The Scheme will be implemented through scheduled commercial banks (SCBs)and housing finance companies (HFCs) registered with the National Housing Bank (NHB).

Nodal Agencies - The Reserve Bank and the NHB will be the nodal agencies for this Scheme for SCBs and HFCs, respectively.

Terms for Loan and Subsidy

(i) The interest subsidy of 1 per cent per annum will be admissible for the first year on the amount sanctioned and disbursed against the eligible housing loans. Incase the loan amount is disbursed in parts (installments), the interest subsidy would be calculated for one year and claimed separately for every installment of the loan disbursement falling within the operating period of the Scheme.

(ii) The interest subsidy will be calculated on the interest chargeable at the time of disbursement of the loan.

(iii) The agreed rate of interest will be arrived at by the IAs keeping in view the Reserve Bank's/NHB's guidelines, if any, for loans up to Rs.10 lakh.

Claim Admissibility - After sanctioning and disbursing the eligible loans, the IAs will claim disbursement of subsidy from the nodal agency by submitting their claims in the prescribed format on a monthly basis.

Release of Funds from GOI - The Government of India will release the subsidy amount to the nodal agencies based on demand for sanction of subsidy received from the nodal agencies on a quarterly basis.

Utilisation Certificates - The IAs will be required to ensure proper end-utilisation of the funds and to submit utilisation certificates to their respective nodal agency against the amount of the interest subsidy released to them.

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

Dr. D. Subbarao, Governor, Reserve Bank of India, in a meeting with chief executives of major commercial banks presented the First Quarter Review of the Monetary Policy for the Year for 2010-11 on July 27, 2010. The highlights are:

Projections

- Real GDP growth for 2010-11 revised to 8.5 per cent with an upside bias.
- Baseline projection for wholesale price index (WPI) inflation for March 2011 placed at 6.0 per cent.
- Money supply (M3) growth for 2010-11 placed at 17.0 per cent.

- Growth in non-food credit of scheduled commercial banks placed at 20.0 per cent.

Stance

- On the basis of the overall assessment, the stance of monetary policy in 2010-11 will broadly be to:
- Contain inflation and anchor inflationary expectations, while being prepared to respond to any further build-up of inflationary pressures.
- Maintain an interest rate regime consistent with price, output and financial stability.
- Actively manage liquidity to ensure that it remains broadly in balance so that excess liquidity does not dilute the effectiveness of policy rate actions.

Monetary Measures

- Bank Rate retained at 6.0 per cent.
- Repo rate under the LAF increased by 25 basis points from 5.5 per cent to 5.75 per cent.
- Reverse repo rate under the LAF increased by 50 basis points from 4.0 per cent to 4.50 per cent.
- Cash reserve ratio (CRR) of scheduled banks retained at 6.0 per cent of their net demand and time liabilities (NDTL).

Expected Outcomes

The monetary policy actions are expected to:

(i) Moderate inflation by reining in demand pressures and inflationary expectations.

(ii) Maintain financial conditions conducive to sustaining growth.

(iii) Generate liquidity conditions consistent with more effective transmission of policy actions.

(iv) Restrict the volatility of short-term rates to a narrower corridor.

Mid-Quarter Review of Monetary Policy

The Reserve Bank will now undertake mid-quarter reviews roughly at the interval of about one and half months after each quarterly review. The mid-quarter reviews will be in June, September, December and March.

Guidelines for Engaging Business Correspondents

A discussion paper on engagement of 'for profit' companies as business correspondents (BCs) was placed on the Reserve Bank's website on August 2, 2010 to seek the views/ comments of banks, non-banking financial institutions, 'forprofit' companies, regulators, academicians, non-government organisations (NGOs) and the public at large. Taking into consideration, all factors and including the feedback received, scheduled commercial banks, including regional rural banks (RRBs) and local area banks (LABs) have now been permitted to engage companies registered under the Indian Companies Act, 1956, excluding non-banking financial companies (NBFCs), as BCs in addition to the individuals/entities permitted earlier, subject to compliance with the guidelines.

Banks may formulate a policy with their Board of Directors' approval for engaging BCs. Due diligence should be carried out on the individuals/ entities to be engaged as BCs prior to their engagement. The due diligence exercise should, inter alia, cover aspects such as (i) reputation/ market standing; (ii) financial soundness; (iii) management and corporate governance; (iv) cash handling ability; and (v) ability to implement technology solutions in rendering financial services.

The revised guidelines in this regard are -

Eligibility

Individuals/entities who may be engaged as BCs are -

i) Retired bank employees/teachers/ government employees and ex-servicemen, individual owners of kirana/medical/ fair price shops, individual public call office (PCO) operators, agents of small savings schemes of Government of India/insurance companies, individuals who own petrol pumps, authorised functionaries of well run self help groups (SHGs) which are linked to banks, any other individual including those operating common service centres (CSCs);

ii) NGOs/micro finance institutions (MFIs) set up under Societies/Trust Acts and Section 25 companies;

iii) Cooperative societies registered under Mutually Aided Cooperative Societies Acts/ Cooperative Societies Acts of States/Multi State Cooperative Societies Act;

iv) Post offices; and

v) Companies registered under the Indian

Companies Act, 1956 with large and widespread retail outlets, excluding NBFCs.

BC Model

While a BC could be a BC for more than one bank, at the point of customer interface, a retail outlet or a sub-agent of a BC shall represent and provide banking services of only one bank.

Activities

The scope of activities of BCs may include :-

(i) identification of borrowers; (ii) collection and preliminary processing of loan applications including verification of primary information/data; (iii) creating awareness about savings and other products and education and advice on managing money and debt counselling; (iv) processing and submission of applications to banks; (v) promoting, nurturing and monitoring SHGs/joint liability groups/credit groups/ others; (vi) post-sanction monitoring; (vii) follow-up for recovery, (viii) disbursal of small value credit, (ix) recovery of principal/collection of interest; (x) collection of small value deposits; (xi) sale of micro insurance/mutual fund products/ pension products/ other third party products; and (xii) receipt and delivery of small value remittances/other payment instruments.

The activities to be undertaken by the BCs would be within the normal course of the bank's banking business, but conducted through the BCs at places other than the bank premises/ATMs.

Distance Criterion

With a view to ensuring adequate supervision over the operations and activities of the retail outlet/ sub-agent of BCs by banks, every retail outlet/sub-agent of BC is required to be attached to and be under the oversight of a specific bank branch designated as the base branch.

Commission/Fee

Banks may pay reasonable commission/fee to the BC, the rate and quantum of which may be reviewed periodically. The agreement with the BCs should specifically prohibit them from charging any fee from the customers for services rendered by them on behalf of the bank.

Transactions put through BC

Banks should adopt technology-based solutions for managing the risk, besides increasing the outreach in a cost effective manner. Transactions should normally be put through ICT devices (handheld device/mobile phone) that are seamlessly integrated into the core banking solution (CBS) of the bank.

The arrangements with the BC shall specify:

(i) suitable limits on cash holding by intermediaries as also limits on individual customer payments and receipts;

(ii) cash collected from the customer should be acknowledged by issuing a receipt on behalf of the bank;

(iii) that all off-line transactions are accounted for and reflected in the books of the bank by the end of the day; and

(iv) all agreements/contracts with the customer shall clearly specify that the bank is responsible to the customer for acts of omission and commission of the BC.

Consumer Protection

Banks should take all measures to protect the interests of the customers. Some safeguards include :

- The retail outlet/sub-agent of the BC should be personally introduced to the members of public by the bank officials in the presence of village elders and government functionaries in a public meeting to avoid misrepresentation/ impersonation.
- The products and processes should be approved by the banks and the company should not introduce any product/ process without the approval of the bank concerned.

Grievance Redressal

Banks should constitute a grievance redressal machinery for redressing complaints about services rendered by the BCs and give wide publicity about its existence through electronic and print media. The name and contact number of the designated grievance redressal officer of the bank should be widely publicised. The designated officer should ensure that genuine grievances of customers are redressed promptly.

Prudential Guidelines on Restructuring of Advances

The Reserve Bank has advised banks and select all-india financial institutions (AIFIs) that -

(i) The promoter's sacrifice and additional funds required to be brought in by the promoters should be brought in upfront. If, however, banks are convinced that the promoters face genuine difficulty in bringing their share of the sacrifice immediately and need some extension of time to fulfil their commitments, the promoters could be allowed to bring in 50 per cent of their sacrifice, i.e. 50 per cent of 15 per cent, upfront and the balance within a period of one year.

(ii) In case the promoters fail to bring in their balance share of sacrifice within the extended time limit of one year, the asset classification benefits derived by banks will cease to accrue and banks will have to revert to classifying such accounts as per the asset classification norms specified in the Reserve Bank's Master Circular on 'Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances' of July 1, 2010.

The contribution by the promoter need not necessarily be brought in cash and can be brought in the form of de-rating of equity, conversion of unsecured loan brought by the promoter into equity and interest free loans.

For Profit Firms get Role in Financial Inclusion

The Reserve Bank of India (RBI) on September 29, 2010 allowed for-profit companies with large and widespread retail outlets to act as business correspondents (BCs). The move will both deepen and broaden financial inclusion. Non-banking finance companies (NBFCs), however, have been excluded from the list.

RBI has said that companies with a large and widespread retail network bring the larger resources, organisational strength and financial backing needed for a network of BCs. They also provide financial security. A corporate is likely to continue as BC for a longer period than individuals, thus ensuring continuity of services. They have also developed efficient cash-management and retail-outlet monitoring systems.

PSBs to get Rs.8,800 cr in 2nd Dose of Tier I cap

The government will provide the second installment of equity infusion of about Rs. 8,800 crore in public sector banks (PSBs) in coming months, in order to raise their Tier I capital to 8%.

"The next tranche of capital infusion in the banks will be to raise government's holding in public sector banks to a certain level, which is being worked out," department of financial services secretary Shri R. Gopalan said on October 13, 2010. This extra capital will enable banks to raise resources from the market.

In the Union Budget this February, finance minister Shri Pranab Mukherjee had announced capital infusion of Rs.16,500 crore into PSBs having Tier I capital below 8% as on March 31, 2011. Tier I capital comprises equity, perpetual debt and disclosed reserves. In the first tranche, the government approved capital infusion of Rs.6,211 crore in five public sector banks announced in June this year.

The banks—Bank of Maharashtra, Central Bank of India, IDBI Bank, Uco Bank and Union Bank of India – were provided capital in the first round, Bank of Maharashtra, Uco and Union Bank received Rs.590 crore, Rs.375 crore and Rs. 111 crore respectively. The government pumped in Rs.2,016 crore in the Central Bank of India and Rs. 3,119 crore in IDBI Bank.

As much as Rs. 8,789 crore would be part of the second tranche. The banks would be able to utilise this capital to increase their lending power to productive sectors of the economy. In 2008-09, the government had infused Rs. 1,900 crore as Tier I capital by subscribing to preference shares of four banks—Central Bank of India, Vijaya Bank, United Bank of India and Uco Bank. Another Rs. 1,200 crore was invested this fiscal.

World Bank approves $13m for Mizoram road project

The World Bank has approved $13 million to modernize the road network of North Indian state Mizoram. The project will help widen and improve 180 km of state highways, and rehabilitate and maintain another 300 km, the World Bank said. It will also finance improvements in equipment and training for the state Public Works Department. "Improvements in basic infrastructure including highways are critical to stimulate economic development," said Shri Roberto Zagha, World Bank Country Director of India. "With growth there has been an increase in demand for better infrastructure. Continued investments in improving Mizoram's road infrastructure will support the region's growth and service delivery goals."

* * *

THE COMPANIES BILL 2009

The Companies Bill 2009 seeks to deregulate the umbrella limit and the requirement to obtain approval from the central government for managerial remuneration.

CORPORATE GOVERNANCE

- Separation of offices of chairman and chief executive officer
- Panel to evaluate and recommend independent directors and non-executive and executive directors
- Specify number of companies in which an individual may become a director
- Fix attributes for independent directors & provision for a detailed Certificate of Independence
- Fix tenure for independent directors
- Remuneration committee to determine, recommend and monitor principles, criteria and the basis of a company's remuneration policy
- Board to affirm and disclose in its report to members about critical risk management policy for the company
- Evaluation of performance of board of directors, committees thereof and of individual directors
- Board to place systems to ensure compliance with laws
- New responsibilities for audit committee in respect of related party transactions, disclosure of related party transactions to be part of company board's report
- Audit committee to examine eligibility, independence of the auditor
- Certificate of independence should certify that the auditor together with its consulting and specialised services affiliates, subsidiaries and associated companies or network or group entities has not/have not undertaken any prohibited non-audit assignments for the company and are independent vis-à-vis the client company
- Rotation of audit partners and firms
- Clarity on information to be sought by auditor and/or provided by the company to him/it
- Appointment of internal auditor

REMUNERATION POLICY

- Profit-related commission with the prior approval of members by a special resolution
- Specific outer limits within which the companies shall pay remuneration to their directors/ managerial personnel
- In case of inadequacy of profits, the payment should be subject to compliance with the regulations or guidelines to be framed by government

CORPORATE SOCIAL RESPONSIBILITY LEVY

- Two per cent of a company's average net profits during the three immediately preceding financial years shall be spent on Corporate Social Responsibility activities
- Separate disclosures required to be made in annual report by way of CSR statement

ROTATION OF AUDITORS/ AUDITING FIRMS

- No company shall appoint or re-appoint an individual or a firm as auditor for more than five consecutive years
- New committee to prepare list of audit firms for companies to choose from
- The remuneration of the auditor to be fixed on the basis of the net worth and turnover

INDEPENDENT DIRECTORS

- Committee for selection of independent directors
- Every listed public company to have one-third independent directors on board
- Independent directors should not have any kind of pecuniary relationship with the company

MISCELLANY

RAIN WATER HARVESTING !

What is rainwater harvesting?

Rainwater harvesting is the storing and collection of rain water that runs off from tops of roofs, open spaces like parks and roads or especially prepared ground. This water can be used variously for purposes like drinking (after treatment), household use, livestock or even irrigation. It is also used for recharging groundwater, that is replenishing the water that has been extracted from the aquifers.

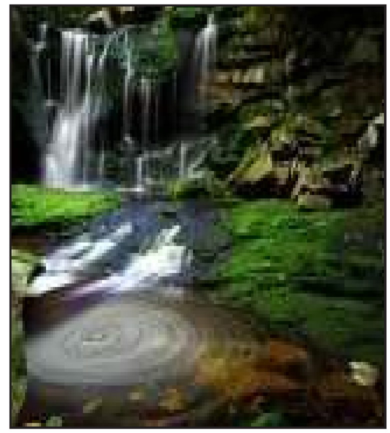
Why should rainwater be harvested?

Much of the water that we receive as rain simply runs off and gets wasted. In a country like ours where there is so much of pressure on water resources due to growing population pressures, it makes immense sense for us to store up this water and put it to good use. This water can be a useful supplement to the water available from other sources, thereby augmenting the total water availability. In fact, in some regions, rain is the only source of water available, and that too, in highly erratic spurts. In such regions harvesting of rainwater is the best option available to people, and has been known to bring about marked betterment in their living conditions, for example in many parts of Gujarat and Rajasthan.

Rainwater harvesting is also very important for recharge of groundwater as there has been massive over extraction of ground water in many parts of the country. Rainwater harvesting not only replenishes the store of underground water, it also improves its quality by effecting dilution of pollutants and other harmful substances. Besides these, rainwater harvesting also prevents local flooding in many areas, caused by the run off water.

How can rainwater be harvested?

A major point in favour of rainwater harvesting is that the structure for this can be made from inexpensive, locally available material. It works both in individual households and for small communities. Rainwater harvesting structures can be made anywhere—individual homes, apartments, offices, institutions, slums, cities, villages—and by anyone—individuals or small communities.



Rainwater harvesting structures can be simple or complex. The main components in a rainwater harvesting system consist of a catchment area from where water is collected – this could be either from the ground like parks, playgrounds, roads, pavements, agricultural field etc, or from the rooftops – the channel or conduit through which water passes from the catchment structure nto the storage area – these could be drains, pipes, rectangular or semi circular gutters or channels made of PVC material, galvanized iron sheets or even bamboo trunks cut vertically into two and the storage tank or other structure where the water gets collected. The size of tanks would depend on the amount of water available and the amount needed for use. The tanks can be made from RCC, plastic, galvanized iron etc. Even dried bore wells, tube wells etc can be used for collecting water. If rainwater is being harvested for recharge purposes, there need to be appropriate structures for this, for example subsurface dykes built into an aquifer, recharge of abandoned wells, service tube wells, recharge pits etc. Besides these the rainwater harvesting structures also require arrangements to maintain the quality of water. Thus, there have to

Courtesy : Yojana

be arrangements to ensure that the first flush of rainwater which would contain contaminants, is allowed to flow out. Filters made of cloth, charcoal, sand etc are put in place to flter out pollutants.

Is rainwater harvesting a new concept in India?

No, Indians have been harvesting since ancient times. Some of the traditional systems include Tanks which were small underground tanks built in houses in Rajasthan, especially Bikaner; Khadim or Dhora, which are embankments built along low hill slopes lying under rocky uplands for collecting water that runs down the slopes and using it for agricultural purposes later on; Baolis or stepwells of Gujarat and Rajasthan, The Ahar Pynes of South Bihar- Ahars are catchment basins embanked from three sides and Pynes are channels leading off from the third side; canals of West Bengal; tanks, phads, and bhandaras of Maharashtra, Keres or tanks of Karnataka or Zings of Ladakh which were tanks for collecting melted glacier. Most of these traditional structures are now defunct, but efforts have been initiated by many communities to revive these.

What rainwater harvesting technique is most popular in urban areas?

The technique for collecting rainwater from rooftops is most popular in urban areas. Many state governments have passed laws making rainwater harvesting mandatory for all new buildings/ apartments etc. Some are even giving incentives in the form of rebate on property taxes.

How is rainwater harvesting being done in rural areas?

The stress in rural areas is on community based water harvesting systems with the revival of traditional systems. Communities are creating or reviving structures like checkdams and johads to collect water.

* * *