COSIDICI COURIER

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EDITORIAL BOARD

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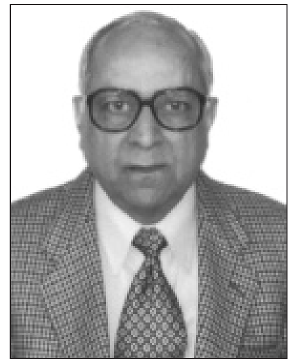
FROM THE EDITOR's DESK

CORRUPTION, NATIONAL SECURITY AND THE ROLE OF INVESTIGATING AGENCIES

Ever since the dawn of political freedom in India, one thing that has proliferated was corruption at all levels of governance. Much has been said and debated in the media on the issue. I have expressed my concern twice in these columns earlier and focused on how corruption at high places had resulted in the unholy nexus between politicians, bureaucrats and corporate sector which led to concentration of wealth and power in a few hands. Each colluding partner misused public power for private benefit. Corruption had spread like contagious disease which has largely affected the poor people of this country. I was recently provoked by the statement of the Prime Minister on *'Corruption'* at high places to write another editorial. Corruption is a low-risk and high-profit activity in this country, since those indulging in corrupt practices are often let off by the courts or awarded insignificant punishments.

The Prime Minister while addressing the officers of CBI and State Anti Corruption Bureau had conceded that there was rampant corruption at high places in the country and advised them to launch a war against corruption and observed that *'the big fish often escaped punishment, while petty crimes were investigated fast"* and that they need to have *'clear focus on corruption prone areas so that high level corruption was pursued aggressively'*. Continuing, he further observed that the benefit of poverty alleviation programmes launched by Government in the past including subsidized food grains, loans, benefits of employment programmes etc. were not reaching the poor and added that *'pervasive corruption in our country tarnishes our image in the eyes of the world'*. There was general perception among the business community that anyone could commit any crime and violate any law or regulation and get away unscathed by paying bribes. Recently, few American Companies had paid heavy bribes to get supply contracts from some PSUs. Though U.S. Government had penalized such companies for making *'inappropriate payments'*, Indian Government has been sleeping over the matter. This matter was recently reported by Indian Ambassador to U.S. with full details. The massive illegitimate wealth amassed by most of the politicians and few senior bureaucrats was too well known to need any evidence. Colossal wealth of the country deposited with Swiss Banks by and large belonged to the politicians, bureaucrats and corporates and the Government has been intentionally evading its responsibility to expose such unpatriotic people and bring back the money for investment in social sectors like education and health-care etc. According to a study conducted by Institute of Public Finance and Policy, the size of the parallel economy (*black money*) in the country could be around Rs.16 lakh crore (*40% of India's GDP*) and the bulk of such funds were attributed to the politicians who have no fear of law and indulge in corrupt practices with confidence. The Government's indiscriminate protection of corrupt people raises some pertinent questions which the Prime Minister must answer to prove the credentials of his Government.



Shri K.K. Mudgil

The PM ought to know that corruption in the country was state-sponsored and if CBI was ineffective in rooting it out from high places it was entirely due to the protectionist approach of the party in power in shielding them. At present CBI was a toothless snake which cannot bite any body. The Prime Minister being the head of the government, instead of giving an advice should have initiated corrective steps to free the CBI etc. from the bondage of the government. In this connection, I am tempted to refer to a book titled ***"Who***

Owns CBI – The Naked Truth" authored by an illustrious Police Officer B.R. Lall (IPS, 1967) who functioned as Joint Director of CBI for about three years and recently retired as the Director General Police, Haryana. This book interestingly does not speak of theoretical aspects of the corruption in public life. The author has elaborately explained the anatomy of a few high profile corruption cases he had investigated during his tenure such as *"Jain Hawala Case; Midnight Deplaning of a Giant, V. Krishnamurthy; LoC Scandal in Assam; Animal Husbandry Scam in Bihar; Lakhubhai Pathak Case, Indian Bank Scam etc."*. These live instances conclusively prove that the party in power had protected the corrupt politicians and bureaucrats and saved them from the arms of law. B.R. Lall had made some interesting observations about the government's involvement in perpetration of corruption at high level**;**

- I discovered that in the CBI, naked uncovering of facts was neither acceptable, nor would it be tolerated beyond certain limits. The unwritten rule was that certain persons were not to be touched and if the line of investigation reached them, the investigations should be diluted, diverted or dropped and scuttled.
- The laws are violated, as the essence of being big is, the capacity to violate law and hold it in utmost contempt. The officials of law enforcement Agencies are insulted, intimidated and persecuted if they insist on discharging their lawful duties against the privileged sections of society, but if they align with the latter and spare them from operations of laws, such officials are duly rewarded.
- Whenever the name of a serving Prime Minister occurred in CBI investigations in the past, the investigations came to a halt. It was only in Hawala case that the team had the courage to suggest investigations against the Prime Minister.
- *The denial of Prosecution Sanction re-enforces the mindset that investigating bigwigs is practically a wasteful effort, which one should avoid right from abinitio.*

B.R. Lall's book commands wide circulation, not only in the country but outside as well, sending a clear message across that anything could be achieved in the country by paying bribe or enjoying the patronage of party in power. The instances given in the book were true happenings and if the government had differed with the findings they could have legally proceeded against the author. Nothing of this type happened and whatever Lall observed in his book was uncontrovertible. The Prime Minister, therefore, should have diagnosed the causes of this scourge and taken meaningful steps to tame his own flock.

The former Prime Minister of India, Shri Rajiv Gandhi had observed in 1985 that for every rupee meant for Aam Admi , only 17 paise reached him. This has been reiterated by the Deputy Chairman of the Planning Commission in a recently held seminar and observed that the panel study of PDS recently found that only 16 paise out of a rupee was reaching the targeted poor. This view was also echoed by Rahul Gandhi, M.P., who recalled his father's statement, only to add that the situation had worsened since. Looking to the extent of corruption in the poverty alleviation programmes, thousands of crores of rupees provided during the last 11 Five Year Plans have been siphoned off by the politicians and bureaucrats. Instead of empowering the poor and pushing them above the poverty line, the incidence of poverty has further aggravated with the result that about ***77%*** of the people in the country can spend only less than 20 rupees per day and majority of them are in the rural areas.

I wish to highlight the pervasive corruption among the internal security agencies undermining national security. Much has been said, aired and written in the wake of the Mumbai terror attack last year. The sad fact is that internal security agencies have also fallen a prey to widespread corruption. The terrorists were, therefore, able to strike this country on various occasions and disturb internal peace by bribing the concerned people in the security set-up. The very fact that the terrorists transported huge consignment of weapons including bombs through sea from Karachi to Mumbai is a pointer towards corruption in the system. The society where corruption has seeped deep into the veins of every segment can never be patriotic and secure. It is not only our politicians who are corrupt. A large majority of our bureaucracy, government departments, police or judiciary are no less corrupt. In fact we have accepted corruption as a part of life and have stopped addressing it as a cancer that it is. Take the regional passport offices, regional transport offices, property registration offices and customs for example. All these four deptt. (among the host of others) touch our security in different ways. These deptts. were embroiled in corruption and one could get a license and/or violate any law or regulation by giving bribe. You have to pay a bribe to pay your registration taxes and if you are a big crook, you can manage to register the same property in several different names and collect your sale proceeds from all of them, leaving those poor souls to fight legal battles for the rest of their lives in another corrupt institution – namely the judiciary. Even our routine appointments and transfers in government services are not immune to corruption. If a constable or a teacher has paid a bribe for a position what commitment can we expect of them on the job. Corruption is inherently unpatriotic. And those who are unpatriotic cannot have the moral fibre to guard their society. The Prime Minister, therefore, should bestow his government's attention on rooting out corruption from the strategic places and atleast ensure proper internal security and guard the country against terrorists attack.

There is no denying that corruption was responsible for wide-spread poverty in the country and the Aam Admi has no access to public utility services except by paying heavy bribes. The government must initiate reforms in police force, judiciary, revenue deptts. and ensure efficient and honest delivery channels for implementing poverty alleviation programmes. To stamp out corruption from high places the Prevention of Corruption Act must be suitably amended to make it more stringent. Recently, Bihar Government has revamped its anti-graft law after finding that the existing anti-corruption laws needed more teeth and passed it on to the Centre for Presidential assent more than six months back. The proposed legislation provides for confiscating the property of the accused in disproportionate assets cases during trial. The Bill also provides for the trial of IAS and IPS officers of the state without seeking prior sanction of the Government of India. It further seeks to set up special courts to conduct speedy trial of corruption cases. The Chief Justice of India had also supported the Bihar Government move and favoured a statutory provision for confiscating the assets of those convicted under the Prevention of Corruption (PoC) Act. This view has also been supported by the Administrative Reforms Commission headed by Shri Veerappa Moily, now Minister of Law & Justice and Law Commission of India. The silence of the UPA Government over the Bihar Bill is quite understandable and reasons were not far to seek. The Prime Minister may consider introducing the above provisions in the PoC Act to promote probity in public life. The PM must, therefore, give serious thought to this national problem and match his advice with appropriate steps to give complete autonomy to investigating agencies in investigating such crimes. It is intriguing to observe, however, that CBI needed permission from the concerned government deptts./ UPSC etc. to prosecute a public servant after probe against him is completed. The CBI has not been getting prosecution sanctions from the Government in most of such cases for years together for obvious reasons. This must be reversed. The poor and oppressed can no longer wait and remain a silent spectator to the loot going around to the detriment of public good.

{ K.K. MUDGIL }

APPOINTMENTS

- Smt. Veera Rana, IAS has been appointed as Managing Director, Madhya Pradesh Financial Corporation (MPFC), Indore vice Shri Neeraj Mandloi, IAS.
- Shri Rajeev Swarup, IAS has been appointed as Managing Director, Rajasthan State Industrial Development & Investment Corp. Ltd. (RIICO), Jaipur vice Shri Alok, IAS.
- Shri Subrata Gupta, IAS has been appointed as Managing Director, West Bengal Industrial Development Corporation Ltd. (WBIDC), Kolkata vice Shri M.V. Rao, IAS
- Shri Sreekanta Kabi has been appointed as Managing Director, Orissa Industrial Infrastructure Development Corporation Ltd. (IDCO), Bhubaneswar vice Shri Vishal Dev, IAS.

- Shri H. Kyndiah has been appointed as Managing Director, Meghalaya Industrial Development Corporation Ltd. (MIDC), Shillong vice Shri J.R. Myrboh.

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LETTER TO THE EDITOR

No.IPC/ND/2009
30th October, 2009

Rajesh Sharma

Dear Editor,

I have been keenly reading your editorials in the bi-monthly Journal ***"COSIDICI COURIER"*** of your esteemed National Level Federation of SFCs and SIDCs. I have found your editorials so relevant, not only when these are written but also as and when one needs to tackle that particular issue in the times to come.

I would suggest that a compendium of your editorials may be published in a Book Form, where one can refer to your in-sightful and thought provoking editorials at one place.

With best wishes and warm regards,

Yours sincerely,

Sd/-

(RAJESH SHARMA)
General Manager
Investment Promotion Centre,
Government of Haryana, New Delhi

Dated : October 10, 2009

Dear Editor,

Thanks a lot for sending me a copy of the **COSIDICI COURIER**. Your editorial in July-August, 2009 Issue on ***"Farm Crisis–Viability of Indian Agriculture and Role of Financial Package"*** is thought provoking and incisive. I appreciate the efforts put in by your publishing team to bring out such an informative journal for the readers

My sincere compliments to you in bringing out such a good magazine.

I have always enjoyed your editorials as they are on the current issues and very appropriate.

With best regards,

Yours sincerely,
Sd/-
(**NIYAMATHULLAH**)
Asstt, Engineer (E)
Standing Conference of
Public Enterprises (SCOPE)
New Delhi

REHABILITATION OF SICK INDUSTRIAL ENTERPRISES - MANGALAM CEMENT LIMITED ~ A CASE STUDY

by
K.K. Mudgil *

The revival and turn around of Mangalam Cement Limited, in the year 2004, presents a unique case of perfect cohesion among all the stake-holders with the promoters in the forefront. I cannot help observing at the outset that the role of the promoters and the senior executives has been quite transparent and mutually supportive in nurturing this enterprise. My own experience during my long career in the financial sector shows that incipient sickness in the industrial unit sets in largely due to the unscrupulous and selfish policies of the promoters/ management and/or diversion of funds to other activities mostly real estate etc. It must however be said to the credit of the management of Mangalam. that the company had to face deep financial crisis for reasons other than the ones pointed out above and the end-results bear testimony to it. I am also constrained to mention in this connection that the management did unconsciously make one bonafide mistake in 1994. They added another cement plant instead of installing their own captive power to overcome the problem of erratic power supply from the grid and also without realistically assessing the market conditions including economic cost of the borrowed capital. Consequently, the company has been losing its grounds since 1996. It was, therefore, facing serious financial crisis and was struggling hard for survival. The cumulative losses in the company as on 30.09.2003 stood at Rs.203 crore with negative networth and its inability to service its loan liabilities. As a result, the company had persistently defaulted in the repayment of its instalments of principal and payment of interest to the financial institutions. As on 30.09.2003 loans sanctioned to the company by all India Financial Institutions aggregated Rs.176.96 crore and outstanding at Rs.133.02 crore. An amount of Rs.76.21 crore had fallen due for repayment and the entire amount was in default; the share of IDBI in the total loan outstanding was Rs.41.28 crore of which Rs.22.52 crore was over-due. Besides interest amounting to Rs.26.50 crore had remained unpaid. In addition to borrowing from financial institutions, the company had raised deposits from its sister institutions as well. As on 01.10.2003 the total corporate deposit stood at Rs.15.61 crore and the interest of Rs.7.02 crore.

Turn-around Strategies Deployed :

On account of continuous losses in the company and its inability to discharge its liabilities, the company was almost on the brink of collapse and its management was desperately trying to sell the company and infact a number of buyers had shown interest in acquiring its assets. At this stage the principal promoter, Shri B.K. Birla came to its rescue and arranged funds amounting to Rs.120 crore for settling the dues of the financial institutions in one go. Meanwhile, the management led by the MD had persuaded IDBI to settle the company's liabilities under One Time Settlement (OTS) by accepting only the principal amount. The other creditors also followed suit. This OTS was thus finalized in May, 2004. The principal promoters had arranged funds through their subsidiaries which raised loans from financial institutions (*HDFC and IL&FS*) against corporate guarantee given by Kesoram & Century and placed funds amounting to Rs.120 crore at the disposal of Mangalam @ 9% interest for a period of five years. The FIs including IDBI while accepting the principal amount of Rs.120 crore had waived aggregate amount of nearly Rs.118 crore outstanding as interest, compound interest and liquidated damages in May, 2004. Besides this One Time Settlement with the Financial Institutions, the state Government of Rajasthan also waived arrears of sales tax incentive for the previous years amounting to Rs.32.38 crore. The effect of this huge waiver was that the cumulative losses in the company stood reduced from Rs.203.47 crore as on 30.09.2003 to Rs.54.22 crore as on 30.09.2004. The networth of the company became positive at Rs.24.05 crore as on that date.

Since IDBI had a bigger stake in the company, they inducted me as their nominee Director on the company's Board in December, 2000. After familiarizing myself with the profile of the company, credibility and involvement of its promoters and the senior executives as also dedication and loyalty of its employees, I had realized that apart from protecting the financial interest of IDBI etc., the revival of the company as also welfare of the large work force appeared to be of paramount importance. I had, therefore, to shoulder twin responsibilities; firstly to protect the interest of IDBI and secondly, ensuring future prospects of the employees and revival of the company. It is significant to point out that despite the company's growing liabilities and its inability even to pay salaries to the employees, the employees stood by the company in this hour of crisis like a rock. This undiluted loyalty and devotion of its employees, according to my own perception, coupled with sympathetic and positive attitude of its management especially its Managing Director were the main contributory factors for the revival of this company.

During the period of prolonged crisis no employees, at any level, had tried to leave its employment and rather helped the management in maintaining operational efficiency and capacity utilization to the optimum level.

Genesis of the financial crisis :

Mangalam Cement was incorporated in the year 1976 in the State of Rajasthan. The Company belongs to Shri B.K. Birla Group and was promoted by Kesoram Industries Limited. The Company started its first cement manufacturing plant with a capacity of four lacs MT per annum in the year 1981 in Aditya Nagar, Morak, Distt. Kota. Later on, one more unit under the name and style of Neer Shree Cement with a capacity of *six lac MT* per annum was commissioned in the year 1994. After major modifications and upgradations, the capacity of the cement plant was increased to 2 million M.T. The company was going on well till the year 1996 and thereafter it started incurring losses and by the end of September, 2000 its entire net worth had been eroded. The main reasons for incurring losses from the year 1996-97 to 2004 were inter-alia mounting interest burden on its debt liabilities, absence of captive power plant and company's dependence on grid power supply which was erratic and production suffered due to frequent power cuts imposed by the Government, steady decline in the cement prices, over utilization of installed capacity resulting in losses etc.

Reference to BIFR :

I must point out that the company's management/ promoters with a view to revive the company by availing government incentives took a conscious decision in November, 2000 *(before I was nominated on its Board)* to recast its balance sheet as its net worth eroded completely and became eligible for rehabilitation under SICA 1985. As already pointed out, the company's financial position after 1996 had been steadily deteriorating and as on March 31, 2000 the cumulative losses in the company amounting to Rs.51.57 crore. The company had been unable to pay its loan intalments to its creditors and the same had been rescheduled in the past and the interest capitalized. The working results of the company for the half year ending September 30, 2000 resulted in further loss of Rs.21 crore. After making provision for sales tax payable amounting to Rs.25.22 crore, the net loss for the period ending September 30, 2000 thus amounted to Rs.97.21 crore. The board of directors of the company acted with unseemly haste in making a provision of Rs.25.22 crore (*an undetermined liability*) in respect of sales tax and decided to change the financial year from March ending to September ending. The underlying consideration in taking the above decision was to show 100% erosion of the net worth of the company. As on September 30, 2000, the net worth of the company (*share capital and free reserve*) amounted to Rs.84.29 crore and the net loss as on that date amounted to Rs.97.21 crore. After attempting this exercise, the company was referred to BIFR for rehabilitation on 12.12.2000 and it was registered as sick unit on May 22, 2002.

The revival package was submitted by the operating agency viz. IDBI which was sanctioned by BIFR on January 18, 2005. The concessions sanctioned by BIFR under the sanctioned scheme were also given by both state government of Rajasthan and central government. The company's net worth became positive and came out of BIFR on May 24, 2007.

Present Position :

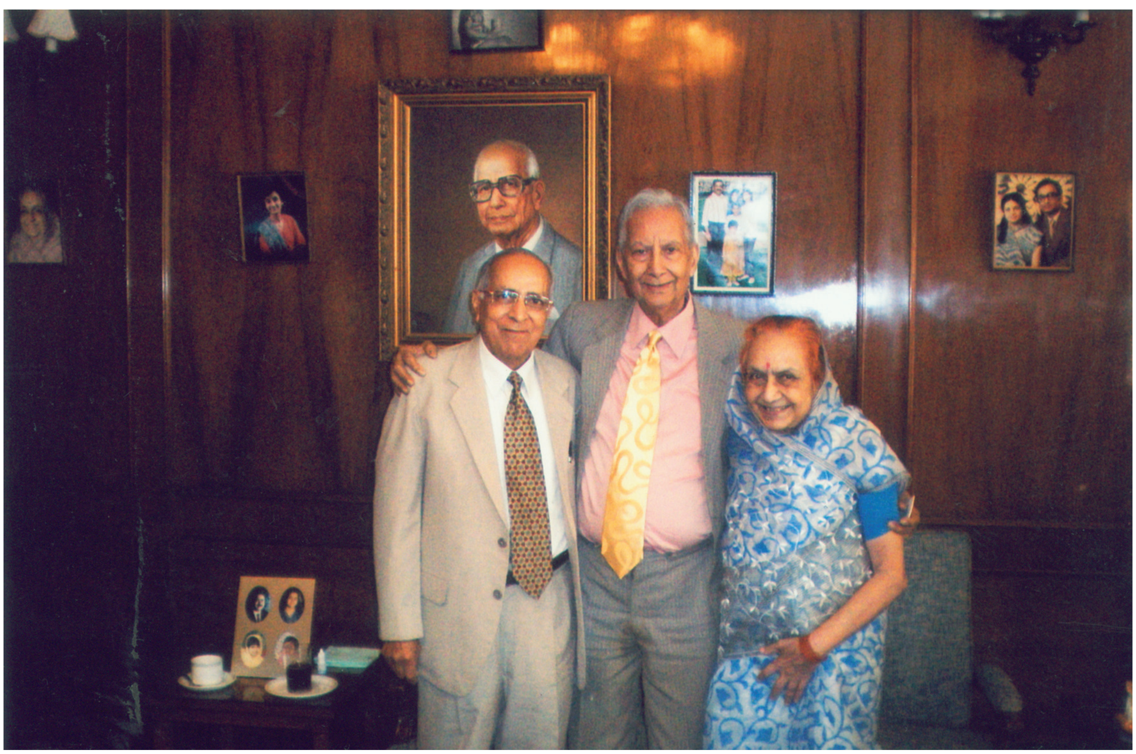
The company has been continuously making net profit since 2004. It had installed captive thermal power plant of 17.5 mw on October 01, 2007 which meets 80% of its power requirement. This power plant was largely financed out of its own internal resources and partly by borrowing from the State Bank of India. The company also installed wind-mills in Jaisalmer using internal resources which had added to its profitability. The company had pre-maturely repaid its loan raised from its sister companies i.e. Century Textiles and Kesoram Industries together with interest and also liquidated its loan to SBI and was now a debt free company consistently making profits since September, 2004, completely wiped out its cumulative losses and also reverted to traditional financial year from March, 2007. During the past two years ending March, 2008–2009, the company made net profit of Rs.113.55 crore and Rs.97.16 crore respectively. The company first time after many years declared dividend for the years ending 2008 and 2009 at 50% and 55% respectively. The market also reacted favourably to the above developments and the company's share has recorded an appreciable increase from Rs.20 to Rs.135.

As a result of continuous cash generation, the company has since decided to set up an additional cement plant at the same site with the capacity of 1.7 million tones entailing capital expenditure of Rs.800 crore. This heavy outlay was proposed to be met partly out of its own cash generation (Rs.300 cores) and largely by borrowing from SBI (Rs.500 crore). The company has anticipated its additional power requirement and has already placed an order with the suppliers for installation of another power plant of 17.5 MW capacity and the work was in progress. The loan proposal was reported to be under process of SBI and the same was expected to be sanctioned soon. In this connection, I have already cautioned the management to undertake realistic assessment of the future demand and supply of cement as also the projected price level lest the mistake committed in 1994 should get repeated. The Bank had however, approved the project in principal.

Consequent upon the settlement of dues of IDBI and other FIs, my role as a nominee director had ceased

The Board of Directors of Mangalam Cement Ltd., with Shri B. K. Birla and Dr. (Smt.) Sarla Birla

From Left - Shri R. C. Gupta (Company Secretary), Shri K. C. Jain (MD., Mangalam Cement), Shri K.K. Mudgil, Shri Anshuman Jalan, Shri B. K. Birla, Smt. Vidula Jalan, Dr. (Smt.) Sarla Birla, Shri O. P. Gupta and Shri T.S. Vishwanath



Shri K. K. Mudgil, Secretary General, COSIDICI with Shri B. K. Birla and Dr. (Smt.) Sarla Birla and I had accordingly resigned from the company's Board w.e.f. 25.11.2004. However, the management/promoters requested me to continue as Independent Director to which I had agreed. Thus, I have been associated with this company for the past about nine years and continuing. My long association with the company was quite satisfying and rewarding. Whether I could strike a healthy balance between my twin responsibilities spoken of above is for others to assess.

Corporate Social Responsibility :

I shall be unfair to the company if I do not mention about the social development works undertaken by it. It was very conscious about its social obligations as indicated below :

- Contributed Rupees One crore for setting up of a Government Hospital named as *"Mangalam Cement Govt. Hospital"* at Ramganj Mandi – would be completed by March, 2010;
- It has contributed a sum of Rs.5 crore for construction of a rail over-bridge and by-pass road from the Highway to the factory benefiting four villages on the way;
- Other community welfare works undertaken inter-alia included setting up a primary school at Ramganj Modi, free eye camp every year doing 300 operations with full cost;
- Granted grant-in-aid of Rs.9 lakh p.a. to three village Panchayats for development of villages;
- Set up full-fledged higher secondary school named as *"Mangalam DAV Public School"* inside the premises for general public and residents at company's cost;
- Adopted one ITI at Kherabad lead under PPP with Rajasthan Government;
- Providing free cement for renovation/beautification of cremation ground and kabristan.

I must compliment the promoters for encouraging the management to undertake social welfare activities and I hope that such efforts would continue in future too.

Industrial Relation and Employee Welfare :

The employee-friendly policies pursued by the management have gone a long way in motivating the employees. The company had provided ideal living conditions for its employees and promoted healthy community life in its township named *"Aditya Nagar"*. All necessities of life were provided by the company inside the colony. The company has promoted special schemes for scholarship to bright students at all levels, encouragement of talent among the residents, gymnasium to take care of their health and other recreational facilities. The industrial relations situation in the company was very cordial and harmonious. The management was getting spontaneous cooperation from the employees union/association, since it has been addressing their genuine grievances from time to time.

Future Prospects :

It is quite apparent from what has been stated in the foregoing paragraphs that the company has been enjoying the patronage and support of a powerful industrial group i.e. B.K. Birla Group. The timely assistance of the promoters has not only saved the precious industrial unit from collapsing but improved the fortunes of nearly 3000 employees and their dependent families. The BIFR also played its envisaged role well in protecting its interests.

The cement industry has a bright future atleast for the next 3-4 years, keeping in view the number of large infrastructure projects being implemented by the GoI/ state governments, widespread construction activity etc. It was learnt that substantial capacity in the existing units was in the process of being added in the next two years. The consistent spurt in cement prices in the market has completely turned around the fortune of all the cement units in the country including Mangalam and the level of profitability is expected to continue for another couple of years. Thereafter with the additional capacity in the market, the demand for cement may not remain commensurate with the total supply and may affect the price level and in turn profitability of the industry. With a view, therefore, to maintain the margin, Mangalam must adopt measures through combination of revenue management and cost effectiveness to cut costs and improve productivity. It must also focus on reducing energy requirement and cutting out waste through better use of energy.

Mangalam has seen ups and downs during its existence spanning three decades and also treaded on a rough patch from 2000 to 2004. It has come out of the woods and gathering strength. With the support and guidance of the principal promoter and under the able stewardship of its M.D., the company was on the threshold of accelerated growth and poised to scale new heights of achievements. The additional capacity and 100% captive power was bound to further improve its productivity and profitability as also its market share.

I shall watch the future growth of Mangalam with keen interest.

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**** The author is an Independent Director of Mangalam Cement Ltd. and a Former Executive Director, RBI/NHB***

COMPETITION LAW AND POLICY : INDIAN CONTEXT

Amit Singh*

Competition Law and policy relates to matters of competition and competitiveness so that goods and services are sold at competitive prices and the consumers have a choice as to the products they wish to purchase. Competition would also be a matter of large application—that of overall governance and development. Competition law has a role to address market distortions and barriers to free trade. These distortions and barriers may be caused by geographical limitations, natural monopolies, and weak distribution networks, cartels, entry barriers predatory pricing and oligopolies. Businesses thrive on competition which is the critical element of the dynamic economies. The relevance of competition in the business environment also paves the way for fair business practices. It is said that in the globalization era, competition is necessary for developing countries to obtain the benefits promised by trade liberalization and privatization. However, due to the different stages of economic development in different countries, there is no one-standard approach in determining the type of competition laws or policies that may prove beneficial to all countries.

Competition laws and policies aim to level the investment playing field. A level playing field, together with the increased business opportunities brought about by privatization, makes an economy an attractive investment destination in the global market. Setting up a competition framework will allow developing economies to protect themselves from the threat of multinational companies' anti-competitive practices—which increasingly have cross-border effects—without employing protectionist regulations that often restrict the foreign direct investment (FDI) to these economies.

Competition Policy should be an integral part of a country's economic development plan as it is beneficial to consumers who will pay lower prices for better quality products. India's Competition Act, 2002, was enacted to fulfill the country's obligations under the World Trade Organization agreements. Indian industrialists, fearful of the power of multinational corporations, which have become active in India's economy in significant numbers since the beginning of the process of liberalization, have also demanded legislative action to ensure a level playing field. It is the country's first comprehensive law dealing with unfair competition or antitrust issues. The Act's clearly stated objective is not only to prevent practices which have an adverse effect on competition, but also to protect the interests of consumers and to ensure freedom of trade. The Monopolies and Restrictive Trade Practices Act, 1969, which had been found to be inadequate in this context, stands repealed now.

Government of India, like other Governments around the world, recognizes that competition plays a key role in ensuring the efficient functioning of markets. As a result of the liberalization of the Indian economy, certain regulatory sectors—notably, telecommunications—have been able to achieve success in promoting competition. Increased privatization and private sector participation in sectors conventionally dominated by the public sector have ushered in a new economic environment in India. This new environment will function effectively and efficiently if the market can function without distortions. The Competition Act (2002) in India was enacted to address three kinds of anticompetitive practices, namely, anticompetitive agreements, abuse of dominant position, and combinations in restraint of trade. Competition Commission of India (CCI) was created to ensure the enforcement of the competition framework

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Courtesy : Yojana

established by the Act, i.e. to prevent practices having adverse effects on competition, promote and sustain and sustain competition in Indian markets, protect consumers' interest, ensure freedom of trade in Indian markets. It also plays an advocate's role of promoting competition by initiating informed debates on the issues related to competition. Competition advocacy is a function that needs to be carried out both by the competition authorities as well as sector regulators. Competition is not an end in itself, but a means to attain competitiveness, laws that introduce competition should suit the local context and consider public welfare concerns. Such law needs to be periodically revisited to take into account the changes that take place over time both domestically and internationally.

Government of India has strategically identified the manufacturing sector as the key to ensuring India's competitiveness, which has obvious developmental offshoots for the country. It established National Manufacturing Competitiveness Council (NMCC) to enhance capacity of this crucial sector of the economy, and has introduced a National Strategy for Manufacturing. However, there remain sectors, particularly those with a large number of state owned enterprises (SOEs) and low level of private investment—where competition is weak. Competition Law & Policy in India still face challenges, such as, ensuring that the Competition Commission of India (CCI) becomes fully effective and exercise adjudicatory powers, addresses overlap between jurisdiction of competition and sector regulators, and encourages private equity in natural monopolies.

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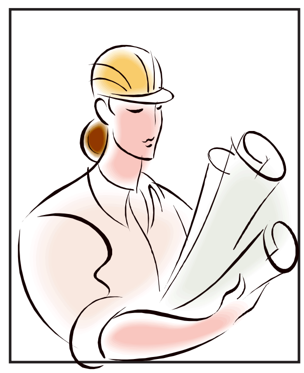
QUESTIONS OF CYBERQUIZ ~ 20

1. What kind of software is termed *"fritterware"* ?

[a] Any software that has excessive capability giving marginal gains in function but seduces people into using it anyway; [b] Software with very thick users manual; [c] Software that is full of bugs; [d] Software that tries to be everything for every type of application.



2. What is a *"brochureware"* ?

[a] The sales brouchure of a software product; [b] A planned product existing in brouchure only; [c] A product coming with a comprehensive brouchure; [d] A product that fails to delivery as has been promised in its sales brouchure.

3. In a software professional's jargon, what is *"dogwash"* ?

[a] Writing software for hishe or her own use in a larger software development project; [b] The act of completely removing one O/S in favor of a better one; [c] Adding features to a software to make it look more elegant, often at the expense of more important features; [d] Undertaking a less important project to escape from a more important one.

4. What are apps-on-tap ?

[a] A user customizable software application; [b] Mass-customized software; [c] Application programs or other service providers (ASPs); [d] Software which needs frequent upgradation.

5. VisiCalc, a software product originally produced by Software Arts of the USA, is the first :

[a] Calculator utility coming with an operating system; [b] Accounting package; [c] Spreadsheet package; [d] Graphic software.

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For Answers See **Page No. 25**

RIICO

RIICO posts a net profits of Rs.134.96 crores in 2008-09

Rajasthan State Industrial Development and Investment Corporation Ltd. (RIICO) has posted a net profit of Rs.134.96 crores for the financial year 2008-09. This was declared at the Corporation's Annual General Meeting by its Chairman, Mr. Sunil Arora. RIICO's Chairman also informed that one of the main highlights of the year was the Corporation registering the income of an amount of Rs.1296.96 crores which increased to the tune of 71.88% as compared to the previous year. The Corporation also focused on the acquisition, development and maintenance of industrial areas, incurring an expenditure of Rs.823.47 crores an increase of 106.46% over previous year. Furthermore, the administrative sanctions for development of new industrial areas also increased by an impressive 342.42% from the previous year with the amount pegged at Rs.1826.07 crores. The recovery of term loan of Rs.116.18 crores also witnessed an annual increase of 22.64%. RIICO's Managing Director, Shri Rajeeva Swarup informed that the Board has recommended a payment of a lumpsum dividend of Rs. 17.97 crores for the financial year.

MPFC

MOU with SIDBI and State Govt.

A tripartite MoU with SIDBI, MPFC and the State Government was renewed for next five years on 20th March 2009 at Bhopal. SIDBI officials and Chairman MPFC appreciated the working of MPFC and the progress made in various performance parameters. The performance evaluation of MOU executed with the State Govt. for the year 2008-09 was also reviewed. Corporation achieved a weight-age of 96.30/100 for 2008-09.

The Corporation in its BPRF plan emphasized the importance of growth in the business-portfolio and proposed the annual busines of Rs.250 Crores (Sanction) and Rs.180 Crores (Disbursement). SIDBI approved the business plan of MPFC and sanctioned a refinance limit of Rs.80 Crores to be utilized for 2009-10.

In an effort to upgrade the skills of the employees and thus improve the efficiency of the Corporation training was provided to 11 officers of the Corpoartion in *"Project Appraisal & F-up, Legal Aspects of Project Financing, Turnaround Strategies for SLFIs, Credit Rating & Risk Management, Project Monitoring & Recovery Management."*

KSFC

A Success Story

The great thing about food is that everybody eats several times a day—which translates to a lot of opportunity for food entrepreneurs led Sri Robert Furtado to set up a bakery unit in 1995 as a first generation entrepreneur in Airody Village 18 kilometers from Udupi. He made wise plans to make his mark on the world of food and understood the competitive landscape.

Before starting his unit, he visited speciality retailer, independent grocery store, super market to read the pulse of market. He considered basics like taste, price, brand, look, feel. He visited trade shows and even browsed the internet to analyse the products from competitors. He was overwhelmed by all the products in the market and decided to CREATE the best products and stay focused to improve on what he has seen and also fill a market void.

His journey was not smooth as an entrepreneur from a minority community. He availed first financial assistance of around Rs. 3.00 lakhs from Karnataka State Financial Corporation, Udupi Branch Office during 1995 and started a small bakery concentrating on basic bakery items like bread, biscuits, rusk etc and catered directly to retail stores locally. Ha made a meager turnover of around Rs. 5.00 lakh during his initial years of business. Subsequently, he availed several loans aggregating to around Rs. 65.00 lakhs from KSFC.

Presently, he is catering to all the major bakeries in Karwar, Mangalore, Shimoga, Udupi and Chickmagalur. The unit's turnover crossed rupees ten million during 2007. Sri Furtado aims to achieve turnover of more than rupees twenty million by 2010 and also has plans to export his products. Karnataka State Financial Corporation is proud of the success of entrepreneur and continues to support his future ventures.

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PROFILE OF MEMBER CORPORATIONS

The Nagaland Industrial Development Corporation Ltd. (NIDC)

The Nagaland Industrial Development Corporation Limited (NIDC) is a Government of Nagaland undertaking, incorporated on March 26, 1970 with a mandate to assist, develop and promote industrial growth in the State.

Besides funding long-term needs of industrial ventures by way of loans and capital infusion, NIDC is instrumental in development of infrastructure, providing technical and commercial know-how to entrepreneurs.

NIDC operates as a dual function IDC in the absence of a separate State Financial Corporation in the state.

In the backdrop of the liberalized National economy, NIDC is undergoing organizational and operational restructuring to meet the demands of a dynamic economy.

Mission

To facilitate rapid and sustained industrial development in the State through enhanced investment, an investor friendly environment, provision of infrastructure and institutional support, attractive incentive package and optimum utilization of existing resources in order to gainfully exploit emerging opportunities in the national and international markets and generate substantial income and employment avenues for the people of Nagaland.

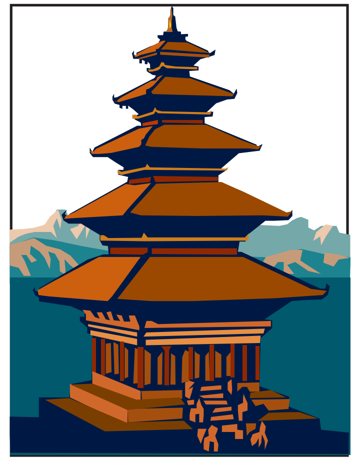
Our Commitment

The NIDC with the full support of the State Government is committed to fulfill its role towards creating a conducive environment for the development of the state's economy through selective and planned industrial growth and at the same time preserve the rich heritage of cultural and traditional diversities and the fragile eco-system.

NIDC is open to partnerships in the development and growth of industries in the state and invite participation of investors and entrepreneurs in such sectors like infrastructure development, power, transport & communication, healthcare, warehousing, housing development, information technology, fruits & vegetable processing, meat processing, tourism development, floriculture, horticulture and a host of agro-based industries.

Objectives

- To create conditions for rapid industrial development and a climate conducive for investment.
- Create gainful employment opportunities for local population.
- Develop human resources and bring about improvement in the quality of life by promoting industrial ventures in sectors in which the State has a comparative advantage.



- Develop entrepreneurial and other technical skills of the available human resources by setting up training centers in relevant sectors as also by enlisting support from reputed national and regional training centers.
- Develop industrial infrastructure in selected areas by providing common facilities in a compact area for specialized categories of industrial units. Provide other critical infrastructure such as power, water, communications, etc.
- Promote export-oriented industries with a view to exploit the emerging market opportunities in the neighboring countries.
- Develop marketing facilities for industrial products.
- Encourage large and medium scale mother industries in the public, private, joint and assisted sectors to create an industrial base making use of the available resource base of the State in selective categories compatible with the local environment and ecology.
- Develop village and Small Scale Service and Business Enterprises (SSSBE) to provide self-employment to unemployed youth.
- Develop and promote Tourism Industry in the State.
- Revive and rehabilitate sick industrial units in the State.
- Develop food-processing industry by facilitating forward and backward linkages.
- Expedite formalization and development of cross border trade with Myanmar.
- Provide investor friendly environment by removing procedural bottlenecks and legal hurdles.

Thrust Areas :

- Food Processing Industries

- Tourism Industry
- Agro-based Industries
- Mineral based Industries
- Handloom and Handicrafts
- Sericulture
- Floriculture
- Electronics and Information Technology
- Pharmaceuticals
- Petrochemicals
- Bio-tech Industries

Transportation :

The major mode of transportation in Nagaland is by road. Pliable road network and State Highways link with all districts as well as far-flung areas. Nagaland is also connected to the rest of the country by National Highways. Development of roads specifically in the notified industrial zones is being accorded priority.

Dimapur, the commercial hub is also connected both by Rail as well as by Air. Efforts are also being made to extend the railway network to other interior parts of the state.

Telecommunication :

The telecommunication network in the state is growing at a rapid rate. With the up-gradation of the Dimapur Telecom District to that of a Telecom Circle headed by a Chief General Manager, the telecommunication services in the state is expected to improve further. The advent of Internet service has also linked this remote state with the global information highway.

Media :

International & National editions of Newspapers are available regularly. The local print media in both the English as well as the local dialect segment has also grown substantially. Further, easy access to almost all satellite broadcasts of all major international and national networks is available.

Hospitality :

Effort by both the private as well as state owned sectors in setting up decent hospitality facilities of high standard has now made it convenient for business travelers as well as tourists to visit the state without facing any accommodation problems

Postal Services :

The state has a wide postal network with post offices spread throughout the state offering a wide range of value added services like satellite based money order services, courier & speed post services besides the other normal services.

Power :

The State is still dependent on the neighboring States of Meghalaya and Assam for its power requirement. With the commissioning of the 75MW Hydel Project at Doyang, 24MW Hydel Project at Likhimro and another 24KW Thermal Project the power availability in the state is expected to improve and supply of adequate power to industry available. Preliminary surveys have revealed the potential of generating 2000 MW in the Tizu-Zungki basin .

Industrial Growth Centre :

An Industrial Growth Centre with high standard infrastructure is being set up at Ganeshnagar near Dimapur. The Growth Centre would provide dedicated Power, sufficient water supply and communication facilities besides other facilities like banks, post offices, fire station, police station, etc in an industry friendly environment. The project is to be completed by the end of 2001-2002.

Industrial Estates :

Industrial EstatesTwo Industrial Estates have been established at Dimapur. The Estates, managed by NIDC provides ready built Industrial Sheds at nominal rent to industrial units. Augmentation of the facilities at the Industrial estates is being considered. The Department has also established Mini Industrial Estates with ready built industrial sheds at Kiphire and Tizit.

Export Promotion Industrial Park :

An Export Promotion Industrial Park with state of the art and environment friendly industrial infrastructure and facilities is being set up at Ganeshnagar near Dimapur. The Park, spread over an area of around 80 acres and adjacent to the Industrial Growth Centre, would provide industrial plots as well as ready built Standard Design Factories, state of the art Convention Centre with hi-tech communication services, secretarial services, besides other facilities.

* * *

Everything in God's creation proves God exists - its perfection, its organisation, its synchronization, its harmony, its unity, and its balance !

ACTIVITIES OF COSIDICI

Training Programmes :

On-site Programme at Ahmedabad :

COSIDICI had organized an on-site Training Programme at Ahmedabad for the Officers of Gujarat State Financial Corporation (GSFC) from 14th to 17th September, 2009. The existing course content of the programme was modified by the faculty of CAB (RBI), Pune on the request of GSFC. It included the method of recovery of dues from the stress assets, prevailing laws pertaining to their recovery and the role of other asset management companies involved in similar activities. The training programme was inaugurated by Shri K.K. Mudgil, Secretary General, COSIDICI. In his key note address to the participants after the inauguration, Shri K.K. Mudgil lauded the role of GSFC which had played a very important role in the industrialization of the state of Gujarat. He went on to add that it would not be an exaggeration to say that Gujarat was one of the most industrialized states of the country and that GSFC had been instrumental in making it so. GSFC had been one of the foremost SFCs earlier but had become a victim of the liberalized economic scenario and the restrictive provisions of the SFCs Act, 1951. Shri Mudgil observed that SFCs were set up in the states in early 50s when there was no other institutional arrangement in the country for dispensing credit in the rural, semi-urban and backward regions of the states for developmental activities including SSI and village industries. These institutions were created mainly for fulfilling the socio economic obligations of the Government e.g. entrepreneurial development, employment generation, removal of poverty and reduction in regional imbalances etc. These corporations have played a crucial role in the promotion of first generation entrepreneurs. Many of the multinationals like Infosys, biocon etc. were first funded by SFC. The SSI sector accounts for around ***95 percent*** of the industrial units in the country, contributing to 40 percent of the manufacturing sector output and to more than one-third of the nation's exports. At the end of March, 2008, there were ***13.4 million*** SSI units providing direct employment to around ***32.3 million*** persons. The MSE sector contributes about 39% of the manufacturing sector and 35% of the nation's exports. It will not be an exaggeration to say that such an impressive performance of SSI Sector has been made possible due to the ceaseless efforts of the SFCs in the past.

The SFCs were as relevant today as they were 50 years back and an important reason for keeping SFCs afloat is to maintain the flow of credit to SMEs. The commercial banks had failed to provide credit to the SMEs. As a result the share of SME group in total non-food finance credit declined almost consistently from 15.1% in 1991 to 6.5% in 2006-2007. Widespread closure of SFCs could thus impact adversely on a dynamic segment of the Indian economy and undermine industrial growth.

Continuing, Shri Mudgil advised that in view of the emerging business environment the SLFIs must make a conscious efforts to diversify their business portfolio in order that they may not entirely depend upon the traditional long term operations. He cited the example of APSFC. The corporation had been suffering heavy losses and had decided to diversify its activities alongwith a change in their method of working and attitude of employees. This enabled APSFC to show some profits. Shri Mudgil exhorted GSFC to undertake marketing of insurance products of Life and General Insurance companies as corporate agents in area of their operation. Many SFCs including KSFC were doing this business successfully. The corporation could also approach the State Government to channelise their funds relating to rural development e.g. RIDF and poverty alleviation programme and other allied areas/services. The corporation would then be able to deploy its surplus staff in a constructive manner. Shri Mudgil added that recognising the useful role being played by the SFCs many of the State Governments have provided substantial relief to their respective SFCs. The Government of Andhra Pradesh has extended capital contribution to APSFC by way of alienation of land in addition to the amount released towards their equity contribution. The Madhya Pradesh State Government has subscribed to the share capital of the corporation to the extent of Rs.189 crore to be invested in the shares of two power generation companies in the state. The state government has now purchased Rs.150 crore worth of NPAs of the SFCs thus wiping out its NPAs completely. Similar trend has been observed with the other state governments. As a result those SFCs with negative networth viz. TIIC, HFC, AFC etc. have become positive networth corporations. Assam Financial Corporation which has been chronically sick has made a spectacular turnaround with State Government support.

Glimpses Of The On-site Training Programme Held At Ahmedabad For The Officers Of GSFC From 14th to 18th September, 2009

Shri K. K. Mudgil, Secretary General, COSIDICI lighting the traditional lamp to inaugurate the Training Programme. Also seen in the picture are (from left) Shri V. N. Sethuraman, Programme Director, CAB (RBI), Shri C. V. Alexander, Programme Director, CAB (RBI), Shri Arvind Aggarwal, IAS, M.D., GSFC and Shri Y. S. Jani, DGM, GSFC.

Shri K. K. Mudgil, Secretary General, COSIDICI giving the key-note address to the participants. On the dais from left are Shri C. V. Alexander, Shri Arvind Aggarwal, Shri V. N. Sethuraman and Shri Rajeshwara Prasad, CGM, APSFC.

COSIDICI had met the Assam Chief Minister. After that the State Government very liberally gave its support to the AFC viz. and within a short period of one year AFC made a net profit of Rs.605.22 Lacs during 2007-2008, its networth turned positive at Rs.1029.77 Lacs and its CAR jumped to 92.58%. Shri Mudgil requested Shri Arvind Aggarwal, M.D., GSFC to arrange a meeting of COSIDICI with the Principal Secretary and the Chief Minister of Gujarat to prevail upon them to come to the help of GSFC which could again start contributing to the upliftment of the MSME sector. CAB had also invited Shri Rajeshwara Prasad, CGM, APSFC to hold interactive sessions with the officials of GSFC on the methods adopted by his corporation which helped APSFC to turnaround. The M.D., GSFC, Shri Arvind Aggarwal, IAS thanked the COSIDICI and CAB (RBI) for organizing the training programme at Ahmedabad for the benefit of the officers. He expressed his satisfaction about the contents and usefulness of the programme.

Study Tour to China :

The Executive Committee in its meeting held on June 26, 2009 had desired that COSIDICI should organize a ***'Study Tour'*** for the CEOs and senior employees of SLFIs to Singapore, Brazil or China to study their funding mechanisms so that they could be incorporated here. In this connection, COSIDICI had informed all the Member Corporations that FICCI with GoI had arranged to take a ***"Business Delegation to China"*** from 15th to 18th September, 2009 to look at their SEZs and learn from their experiences. COSIDICI is happy to advise that Shri V. Ramachander Rao, General Manager PAD (B) of Andhra Pradesh State Financial Corporation (APSFC), Hyderabad had gone with the above delegation. He had found the visit very useful and felt that it had provided good exposure. However, he suggested that as SFCs were catering mainly to the SME sector the future programme may emphasise more on visits to SMEs, SEZs and industrial units.

Training Programme at CAB :

COSIDICI had entered into long term arrangements with the CAB (RBI), Pune for holding specially structured training programmes for the officers of SLFIs on regular basis. The training programmes commenced from October, 2001 and have been continuing since then without any break. COSIDICI in consultation with the Principal and other faculty members of the college have been constantly reviewing the contents and usefulness of this course from time to time. Based upon suggestions received from the members and the feedback from the participants, the syllabus of the programmes has undergone continuous changes to suit their specific requirements. As the training programmes have been found to be very effective in increasing the productivity of the organisations the members have been nominating their officers in large numbers for these. In the recent training programme held at Pune from 3rd to 6th November, 2009, 29 participants were nominated as against the optimum number of 25 in a class. Shri K.K. Mudgil, Secretary General, COSIDICI had addressed the participants of the programme and ascertained their independent opinion about its usefulness and effectiveness. The participants had expressed their happiness and satisfaction with the programmes and had requested to arrange more such programmes for the benefit of the corporations. The Member Corporations have also been requested to obtain independent feedback from their officers regarding the training programme. COSIDICI has requested the Principal, CAB (RBI), Pune to organize atleast two training programmes for State Level Financial Institutions (SLFIs) in the campus and atleast 2 on-site programmes at the head quarters of our Member Corporations.

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It pays to listen to others.
Everyone knows at least
one thing you don't.

Restructuring of bad loans allows viable but cash-strapped SMEs to stay afloat

Micro, Small and Medium Enterprises (MSMEs), which constitutte the backbone of the industrial and services sector in India, are most vulnerable to any downturn in demand. Due to the global financial crisis, the MSMEs were badly hit in two ways. First, there was a sharp drop in demand, especially in external demand. Payments were delayed or stopped as trade finance froze due to a loss of trust among banks and financial institutions.

Second, many large Indian companies, which are among the most important customers for MSMEs, began to either delay or default on payments. MSMEs could either negotiate inorder to salvage a part of the outstanding money or could look at legal redress to recover payments, but such a step would have meant loss of business.

While banks, nudged by the Reserve Bank of India (RBI) and the government, came up with special financing schemes, the benefits were limited. State-owned banks raised the cap on working capital in December 2008. They also slashed interest rates by 200 basis points. This helped small units to reduce somewhat the burden of interest payments.

CREDIT FLOW TO MICRO, SMALL AND MEDIUM ENTERPRISES

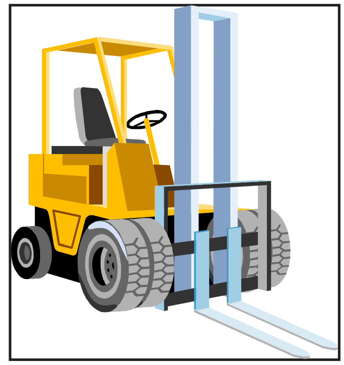
Year ending	Outstanding amount (Rs crore)	MSMEs' credit as per cent of net bank loans
March 2007	Rs.127,323	7.2%
March 2008	Rs.213,538	11.6%
March 2009	Rs.257,072	11.4%

**Provisional data* *Source : RBI*

What came as a vital source of support to SMEs was the RBI's go-ahead for the restructuring of stressed assets. Many SMEs which were viable faced cash-flow problems, and the RBI move ensured that such units stayed afloat. Shri M. Narendra, executive director with the Bank of India, says, *"The restructuring gave them space to rework business and finance. We now see some inprovement in demand for credit from small units. The outstanding credit, however, may not rise rapidly."*

Bank credit to MSMEs forms a major segment of total credit to non-farm sector. The outstanding credit to MSMEs rose by 20.38 percent to Rs.2,57,072 crore at the end of March 2009.

The total credit provided by public sector banks to the small enterprises sector at the end of March 2009 amunted to 26.5 per cent of the total priority sector advances of these banks. The credit provided to small enterprises by private banks at the end of March 2009 formed about 11.8 per cent of adjusted net bank credit.



A senior executive with ICICI Bank expects the bank to increase revenues from its SME business segments by 15-20 per cent in the current financial year. The Bank's SME loan book increased marginally to Rs.7,924 crore in the quarter ended June 30, 2009, from Rs.7,845 crore in the April-June 2008 quarter.

Recovering from the effects of the long-drawn-out slowdown, the global economic environment is showing some signs of recovery. This provides hope for SMEs in India to procure new business.

Press Note 6 liberalises FDI rules for MSMEs

The government has paved the way for micro, small and medium enterprises to attract foreign investment within the current sectoral limits. The Centre issued a fresh Press Note 6 on 04/09/2009 to the effect in a bid to double credit flow to such enterprises over the next five years. A Press Note 18 issued in 1997 had capped all foreign investment in small-scale industries at 24%.

This meant that micro unit- the capex of which cannot exceed Rs.25 lakh- could get only $13,000 in FDI, and a small-scale unit with a maximum capex of Rs. 5 crore could get about $0.4 million in FDI. Such small investments received little interest from foreign investors, and this left India's MSEs starved of capital and know-how.

"The present policy on FDI in MSEs permits FDI subject only to the sectoral equity caps, entry routes and other relevant regulations," the Press Note. 6 issued by Department of Industrial Policy and Promotion (DIPP) clarified.

In 2007, the Industrial (Development) Regulation Act of 1951 allowed big domestic or foreign industrial houses to own small enterprises.

Though 21 items like bread, pickles and aluminium utensils are reserved for MSEs, non-MSE units can also produce them as long as they export at least 50% of additional production within three years.

Press Note 6 has clarified that foreign investment of more than 24% in such non-MSE units would require prior approval of the Foreign Investment Promotion Board. According to the MSME Act, in the manufacturing sector, micro units are those where investment in plant & machinery does not exceed Rs 25 lakh, while small enterprises are defined as those investing between Rs. 25 lakh and Rs 5 crore. In the services sector, investment in equipment up to Rs 10 lakh will qualify for a micro enterprise and Rs10 lakh-Rs 2 crore for a small unit.

Centre Sees 8 lakhs jobs in villages

Amid reports of massive job losses in the time of global downturn the government sees about eight lakhs jobs being created in rural areas this financial year with khadi units contributing 50,000 jobs. The ministry of micro, small and medium enterprises also sees an increase in sales of products from rural industries.

Merchandise sales from village industries is expected to increase by 10 percent to Rs.22,344 crore in the fiscal says the annual report of the ministry of micro, small and medium enterprises for 2008-09. Sales from khadi industries are estimated to increase to Rs.910 crore in 2009-10 from Rs 855 crore in the last fiscal.

"The total cumulative employment in the khadi and village industry sector is estimated to have increased to 10.2 crore by the end of March 2009 as against 99.21 lakh by the end March 2008", the report said. The MSME sector is estimated to employ about 42 million people in over 43 million units throughout the country.

The sector accounts for about 45 per cent of the manufacturing output and 40 percent of the total exports of the country. The government sees jobs in village industries touching 1 crore by fiscal-end.

Meanwhile with the government embarking on an ambitious programme to modernize employment exchanges in the country, the minister of state for labour and employment Mr. Harish Rawat said these centres will focus more on *"counseling "* of job-seekers. The exchanges will be more of counseling centres assisting students about jobs and the avenues available in different sectors.

The modernization work will be completed by this year and students can register online from any part of the country.

The modernization work will be carried out on PPP mode, he said. Till now 40.5 million candidates have registered with employment exchanges. The ministry was also laying stress on upgradation of ITI s in the country and the programme was progressing satisfactorily. *"We have already developed 400 ITIs as centres of excellence with the assistance of the World Bank and another 100 on our own. Besides 1,396 ITIs will be upgraded on the PPP mode in the Second phase"* he said.

MSMEs told to opt for PE funding

Shri K.C. Chakrabarty, Deputy Governor of RBI has asked the micro small and medium enterprises (MSME) to approach the private equity players for funds if they think bank credit is not coming at a cheap rate.

"My message to the MSME sector is that do not ask for low interest rates from the banking sector, better ask for credit at competitive rates," said Shri Chakrabarty at a function organised by ICICI Bank on MSME knowledge conclave, to educate MSMEs on relevant policies. He strongly noted that if the MSME sector does well in India, we would be in a position to achieve inclusive growth.

"MSMEs would create the right environment for India to grow at 9-10% in the next 10-20 years," he said. Pointing out the failure of MSMEs he said that MSMEs in India tend to run after profits at the cost of cashflows by which eventually they land up in a working capital crunch.

MSEs to get priority on loans from rural banks

Loans from Regional Rural Banks to MSEs providing certain services like education and housing would now be considered as priority sector lending. Under the RBI guidelines, lenders have to give 40% of their total advances to priority sector areas such as agriculture, education and housing. Loans by Regional Rural Banks to MSEs for providing services in consultancy, brokerage, education, advertising, among others would now be considered priority sector lending.

"....it has been decided to include loans granted by Regional Rural Banks in respect of following activities under Micro and Small (Service) Enterprises within the priority sector," the RBI said. The activities also include third party administration services for medical insurance claims, training institutes, retail trade, legal services, trading in brand new medical instruments, seed grading, placement and management services. RBI said loans would be considered as given to the priority sector if the enterprises that receive the loans satisfy the definition of Micro and Small (*Service*) Enterprises in respect of investment in equipment.

Investment in equipment, the original cost excluding land, building and furniture, fittings and other items not directly related to the service rendered, should not exceed Rs 10 lakh for micro and Rs 2 crore for small enterprises. *"....There will be no seperate category for 'Retail Trade' under priority sector,"* the RBI said. Advances to retail traders of essential commodities *(fair price shops),* consumer co-operative stores, and private retail traders with credit limits not above Rs 20 lakh would now be part of the Small (*Service*) Enterprise.

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30-mw hydropower for UP in 3 yrs

The UP government and Tehri Hydro Development Corporation (THDC) signed an implementation agreement to set up the 30-mw Dhukwan hydro electric power project in Jhansi, Bundelkhand. The project will be set up down stream of Mata Tila dam on the Betwa river and will cost Rs. 150 crore to be fully borne by the THDC.

Disbursement of funds in UP

The Uttar Pradesh government has directed various departments to make special efforts to ensure timely disbursement of about Rs 5,259 crore central money granted for different schemes. This amount includes 1,000 crore under rural electrification programme, Rs. 300 crore for irrigation department's flood related schemes, Rs 300 crore under central road fund. Besides, Rs 637 crore for JNNURM, Rs 2,053 crore for Education to All programme, Rs 927 crore for mid day meal scheme and Rs 42.19 crore for information and communication technology under secondary education.

Process to set up industrial units in UP gets simpler

In order to boost industrialisation in the state and bring in investors, the Uttar Pradesh government has simiplified the procedures for obtaining exemption and concesions from stamp duty and registration fee for both the industry and service sector. The general manager district industries centre will be the nodal officer responsible for ensuring that registration of land for industrial units is completed promptly by involving the subregistrar of the stamp and registration department.

Policy steps help Haryana garner Rs. 25kcr funds

Haryana has attracted Rs. 25,646.54-crore investment for 99 large and medium units in the last four years. The state's investment inflow increased after the implementation of the new investment-friendly industrial policy, which also generated employment opportunity for over 2.35 lakh people.

The state industries department sources said that 7,913 small-scale industrial units, with an investment of Rs. 5,646 crore had also been set up in the state, besides the implementation of 343 entrepreneurs memorandum, with a total investment of Rs. 6,067.70 crore during the period.

Under the new industrial policy a number if incentives had been offered and these have resulted in increasing the state's exports to Rs. 35,000 crore during 2008-09. A petrochemical park with an investment of Rs. 35,000 crore was also being set up at Panipat for the development of downstream industries of Indian Oil Corporation Limited. The Kundli-Manesar-Palwal Expressway is also being developed as a global corridor.

The concessions being given to the industries under the industrial policy 2005, were that the Haryana VAT Rules, 2003, had been amended to expand the scope of the scheme of interest-free loans under the new industrial policy. The Haryana Industrial Promotion Act – 2005 had also been enacted to provide time-bound clearances and approvals to the industrial projects. Also, in order to promote tourism in the state, the new Tourism Policy 2008 had been formulated and tourism activities in the state are now being given the status of industry under the policy.

These incentives have resulted in an investment of Rs. 40,000 crore. FDI of Rs. 9,000 crore had also been catalysed during the period.

Punjab to take up Rs 31,248-crore infra projects via PPP model

The Punjab Infrastructure Development Board (PIDB) will take up new projects under the public-private partnership (PPP) model valued at Rs31,248 crore. There are 62 projects on anvil. The most ambitious of these projects are five expressways-the Mohali-Phagwara Expressway at Rs 2,500 crore, the Mohali-Banur-Baddi expressway, the expressway for Amritsar Airport at Rs 300 crore, the Pathankot-Ajmer Expressway up to the Punjab border.

The PIDB plans to spend Rs 468.72 crore to construct railway over bridges (ROB), railway under bridges and high-level bridges.

The PIDB has proposed two metro rail projects at Ludhiana at an estimated cost of Rs.5,000 crore and the other in Amritsar at Rs 4,500 crore. A project for a mass rapid bus transport system in Jalandhar, Ludhiana and Amritsar at Rs.15 crore and nine inter state checkpoints are planned at a cost of Rs 300 crore.

Other PIDB projects under the PPP mode include the Punjab Institute of Medical Sciences at Jalandhar at Rs 225 crore and a super-speciality hospital at Mohali at Rs 200 crore. The city will also get a sports complex at a cost of Rs.150 crore.

SHGs in Punjab extend help to rural women

Self-help groups (SHGs) operating in rural Punjab as part of the STEP (*strengthening, training and employment programme*) project of the Centre are proving to be a step in the right direction for village women.

These groups follow two models of functioning. According to one model, every member of a group deposits Rs 100 per month in a bank account. The SHGs that have been functioning for the last few years in places like Banur, Mohali, Ropar, Noorpur Bedi, Mullanpur now have good cash reserves, and are able to provide loans to members at an interest rate of 2%. The other model is that members make products like pickles, jams, detergents, phenyls, etc. The products are sold at a small profit, which is distrubuted among the women.

Milkfed executes the STEP projects in Punjab. Women contribute Rs 100 a month. *"Now the members take loans from the group for various purposes like buying a buffalo or some domestic works. The scheme has proved to be a great enabler, and has made the members economically sound through small savings."*

After depositing money at the bank for six months, members could get loans four times the amount they have deposited from the bank. *"The bank gives the loan at an annual interest of 9%. On the other hand, the rate self-help groups charge is 2% per month. This way the SHGs are benefitted."*

Punjab IT policy targets $4.6-billion exports by 2018

The Information Technology and Knowledge Industry Policy 2009, part of Punjab's new industrial policy, has set up an ambitious target. It has "devised a strategy which intends to create an IT and knowledge industry with exports worth $4.6 billion, in addition to 0.6 million direct and indirect jobs by 2018."

The policy announced on October 7, 2009 states that *"The strategy has been conceived with the view that the growth in the coming years will be increasingly driven by the knowledge and service-based sectors, whereas information transactions will be a key determinant of success."* Considering that Punjab has consistently ranked low in terms of ratings on infrastrcture, policy, human resources and investor relations, the new road map for developing the IT and knowledge industry addresses major issues plaguing industrial development in Punjab. State industry and commerce minister Shri Manoranjan Kalia said the strategy aims to create an ecosystem for the IT and knowledge industry by providing solutions for areas where the state has ranked low.

The state envisages the role of the government as being primarily that of a facilitator to ensure the energies of the private sector and the civil society are effectively deployed. In this regard, the state government has created a venture fund for the IT/knowledge industry, with a corpus of Rs.20 crore contributed by SIDBI and other state corporations. The fund has mobilised contributions to the tune of Rs.5 crore, and its management is going to be entrusted to the private partner. The state givernment will contribute an additional Rs.5 crore to the corpus. The state plans to set up a development fund contributed by government agencies including PIDB and optimum utilisation of vacant government lands scheme for promotion of IT/knowledge industry.

The fund will be used to promote IT/knowledge industry for creation of infrastructure, human resource development, policy implementation and building strong investor relations. The fund will also provide an additional assistance for advancement of SMEs.

* * *

Do what you can do, and if you pray,
God will do what you can't do.

Results of Fiscal Stimulus

There is a pick-up in GDP growth rate to 6.1% in the first quarter of 2009-10. In the industrial sector the growth has bounced back from a low of 1.4% in the fourth quarter of 2008-09 to 5% in the first quarter of 2009-10. The manufacturing, has picked up from 1.4% to 3.4%. Construction, has acclerated from 4.2% to 6.8% and further to 7.1% over the last three quarters. However, the services sector continues to be a drag on overall growth, with numbers steadily slipping from 10.2% to 8.6% and further to 7.8% over the last three quarters mainly on account of the deceleration in community, social and personal services segment, where growth was bloated by the sixth pay commission award. Pick-up in agricultural growth to around 2.5% during the last two quarters has also contributed to the recovery. However, the long-term prospects of the economy continue to be restrainted by the fall in domestic consumption and exports.

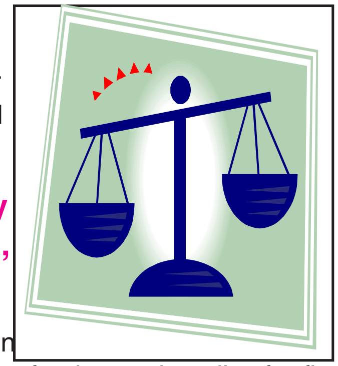
Private consumption expenditure continues to fall from a level of 57.4% of the GDP in the third quarter of 2008-09 to 55.6% in the most recent quarter and the contribution of exports to GDP has shrunk much faster from a peak level of 26.5% of the GDP in the first quarter of 2008-09 to 22.3% now. Also, the impact of the fiscal pump-priming seems to be slowly dissipating with the share of government consumption expenditure once again shrinking to 9.9% in the most recent quarter, after touching a high 13.4% in the fourth quarter of 2008-09. Investments with gross fixed capital formation (GFCF) have picked-up from low of 30.9% of the GDP in the third quarter of 2008-09 to 31.6% in the last two quarters. But full recovery can only take place when GFCF is once again pushed up to pre-crisis rates of around 35%. Financial services have also reported impressive growth.

Exports drop 28.4%; trade deficit at $6 bn

India's global trade continued to remain in the negative territory in July with exports dipping for the tenth consecutive month while imports contracting for the eighth month in running as demand for goods remained weak in both overseas and domestic markets.

Data released by the commerce ministry in September showed that overseas sale of Indian goods during July dipped 28.4% and stood at $13.62 billion while imports shrunk 37.1% in the same month at 19.62 billion.

The trade deficit-stood at $6 billion which is half of what it was for the corresponding period last year.



New trade policy sweetens sops, opens up market

The government in August, 2009 released its foreign trade policy for five years ending MArch 2014. It extended indirect tax sweeteners to labour-intensive industries, sought to slash red tape and widen the reach of Indian exports. The policy will the reviewed by March 2011.

"The immedediate objective of this policy is to arrest the declinning trend of exports and provide additional support, expecially to those sectors that have been hit badly by recession in the developed world."

Finance Minister, Shri Pranab Mukherjee said *"All of us want international economic revival. It is important for the short term and medium-term recovery of our exports. Over 64% of our exports go to the EU, US and Japan. Unless the economies revive there, it is not possible to revive our exports in a very substantive way, no matter what measures we take."*

World Bank stimulus: $ 4.3-bn loan to boost PSBs, IIFCL & Power Grid

The World Bank has approved $4.3 billion loans for India, including a $2-billion fund to recapitalise seven public sector banks. Along with $1.2 billion for India Infrastructure Finance Company Ltd (IIFCL) and $1 billion for the Power Grid Corporation, the loans make up the largest block released by the World Bank to India in one go.

A World Bank statement said the 'banking sector support loan' will help India maintain the economic stimulus programme by shoring up the capital base of banks, whose capital adequacy ratio has slipped to less than 12%. *"A possible second loan, for about $1billion, is likely to be provided by June 2010".* The loan will supplement the government's efforts to improve the financial health of the banks as they migrate to higher capital adequacy ratio under Basel II standards from March 31, 2009. *"Supporting infrastrcuture is particularly* *important during the current crisis, not just to sustain the domestic economy at a time of reduced global demand, but even more to lay the foundations for stronger future growth,"* said World Bank's India director Mr. Roberto Zagha.

Bank	Capital adequacy ratio 2007-08*	2008-09**
Bank of Maharashtra	10.26	10.75
Central Bank of India	10.42	11.75
Dena Bank	11.09	10.73
IDBI	11.95	11.57
Punjab & Sind Bank	11.57	11.88
Syndicate Bank	11.22	11.37
Uco Bank	10.09	9.75

*Source: *RBI's profile of banks 2007-08; **Bank Websites*

India estimates that public sector banks will require an injection during 2009-11 to maintain credit expansion over the medium term, the World Bank said.

The loans for the bank recap will be priced at Libor plus 0.17% and a service charge of 0.25%. With Libor at about 1.1%, the rate works out to less than 2%. The loans for IIFCL and Power Grid Corporation are lower, at Libor minus 0.03%.

The bank loans will be given as a budgetary support, which will then be used for bank recapitalisation. The finance ministry has promised to ensure banks' capital adequacy ratio is at least 12%, more than the 9% prescribed by RBI.

The IIFCL loan has a maturity of 28 years, including a grace period of seven-and-a-half years. The loan will enable IIFCL it to catalyse private financing for public-private partnerships in the infrastructure sector, the World Bank noted. It would also stimulate the development of a long-term local currency debt financing market.

The loan for the Power Grid Corporation will finance the fifth power system development project to expand the electricity transmission networks in the western, northern and southern parts of India. Of the total $14 billion loans committed to india during 2009-12, the World Bank has already granted about $5 billion, including the current set.

India got $40-bn FDI in '08

India received the 13th highest inflow of foreign direct investment (FDI) during 2008 which stood at about $40 billion, nearly double of what was seen in the previous year according to the World Investment Report prepared by United Nations Conference on Trade and Development (Unctad).

ADB upgrades India's growth forecast to 6%

Asian Development Bank increased India's growth projection by one percentage point to 6% for 2009 but warned inflationary pressures would continue. *"Emerging signs of a recovery in private business confidence and a continued large fiscal stimulus announced in the July 2009 budget helped bolster India's projected economic expansion to 6% this year, upgraded from 5% in March,"* ADB said in its Asia Development Outlook 2009 update.

India would be able to clock 7% growth rate during 2010, it said. India's gross domestic product grew at 6.7% in 2008-09, down from 9% in the previous year, according to Central Statistical Organisation data. Growth in the first quarter of 2010 reached 6.1%, a modest rise on the previous two quarters. The Reserve Bank of India has pegged the growth rate at 6% for 2009-10, while the Planning Commission sees stronger economic expansion in the second half resulting in 6.3% plus growth.

ADB projected India's inflation to touch 4-5% by March 2010 due to high food prices and expansionary monetary and fiscal policies.

ADB, however, said that if the large fiscal deficits are not reined in over the next few years, the public expenditure-led growth strategy, although appropriate given the global economic weakness, could prove counter-productive. *"Apart from global uncertainty, the key downside risk to the outlook emerges from financial crowding out of private investment."*

World Bank to provide $3bn for road projects

The World Bank has agreed to provide a $3-billion loan for developing national highways. The assistance would be utilised for converting 6,372 km of the 19,702-km single-lane highways into two-lane.

"They (World Bank) have, for the first time, informed me that they will be willing to fund the viability gap and also 50 percent of our annuity projects," Road Transport Minister Shri Kamal Nath said after concluding his week-long tour to the US on September 17, 2009.

Shri Nath also announced the construction of 18,000 kms of expressways in the country. *"We are going to set up an expressway division in the next fortnight. I propose bringing in legislation for Expressway Authority of India."*

WB to provide $500-m loan to edu plan

The World Bank will provide $ 500 million as soft loan to newly-launched Rashtriya Madhyamik Shiksha Abhiyan (RMSA) scheme for improvement of the quality of secondary education in the country and check drop-out rate lead Education Specialist, Mr. Sam Clarison, South Asia Human Development Sector of the World Bank, said. Earlier, the World Bank had evinced interest in being involved in the scheme. The ministry of HRD had accepted the proposal and written to the Department of Economic Affairs (DEA) for further action. Mr.Clarison said the money will be given with zero interest rate for 35 years.

The Bank at present also supports the government's flagship programme, SSA, which aims at universalisation of elementary education. The Bank has taken intrest in RMSA keeping in view the objective of the programme to check drop-out rate at secondary level completely by 2020. The scheme also aims at achieving a general enrolement target of 75% for classes IX-X within five years from 52.26%.

Handicrafts exports rise 177% in September, at $46.87 million

Exports from the handicraft sector expanded 177% in Septembeer and stood at $46.87 million against $16.88 million for same period last year, data available with Export Promotion Council for Handicrafts (EPCH) reveals. The government incentives, including the ones released in the Foreign Trade Policy (FTP) helped exporters to price their products competitively.

To gain additional market access, handicraft exporters are now looking at new markets like South Africa, Namibia, Tunisia, Botswana, Argentina, Columbia, Indonesia, Malaysia among others which had earlier been over looked.

The government had doled out a series of benefits for export sectors, including 2% subsidy on interest rates on export-related loans as well as bringing all handicrafts products under the Focus Products scheme in the FTP released in August. This meant that handicraft exporters could avail duty offset scrips worth 5% of the value of products exported. Handicraft exports, which account for nearly a percent of India's export basket,have been in the red for over two years.

* * *

ANSWERS OF CYBERQUIZ ~ 20

1[a]. Any software that has excessive capability giving marginal gains in functions but seduces people into using it anyway : The term *"bloatware"* has also similar meaning.

2[b]. A planned product existing in brochure only : The product here can be both software as well as hardware. It is often used as a bet to discourage potential customers from committing to an existing product from the competitors.

3[d]. Undertaking a less important project to escape from a more important one : It is a method of procrastination that reduces guilt-feeling by creating the illusion of productivity. Often, dogwashing results in the writing of games, freeware etc.

4[c]. Application programs or other services available online from application service provider (ASPs) : The term stands for application-on-tap.

5[c]. Spreadsheet package : VisiCalc was the first spreadsheet program available for personal computers. It is considered to be the first killer app for the microcomputer.

Forign Trade policy 2009-14

The government has allowed duty-free import of capital goods, extended the duty refund scheme for exporters, and cut transaction costs for them in a bid to reverse the decline in exports and double outbound sales of goods and services in five years.

Annoucing the foreign trade policy for 2009-14 in New Delhi, on August 27, 2009 Commerce and Industry Minister Shri Anand Sharma said he expected exports to reach $200 billion in the financial year ending March 2011.

Exports were worth $168.7 billion in 2008-09, but were falling in annual terms since October as the recession in developed nations has sapped demand. They were down 31.3 per cent in the quarter ended June, 30 from a year earlier, a sharp contrast from the annual growth of more than 20 per cent between 2004-05 and 2007-2008.

The new policy shifts focus to 26 new countries to counter the demand slump in traditional markets. About 36 per cent of India's exports in 2008-09 were to Europe, 18 percent to the US and 16 per cent to Japan and a decision has been taken to expand and diversify India's export markets especially in the emerging markets of Africa, Latin America, Oceania and the CIS countries.

The new policy assures stability and continuity of the existing schemes, at least for the next two years. The government's focus will be on export sectors with high employment.

The introduction of zero-duty import of capital goods, under the Export Promotion Capital Goods Scheme, sent a wave of cheer among exporters, as this will enable them to modernise their manufacturing. The Duty Entitlement Passbook scheme, which neutralises the incidence of Customs Duty on the import content of export products, has been extended by a year to December 2010.

The new policy exempts exporters from paying fees for availling incentives under export development schemes. The Export Credit Guarantee Corporation Scheme, which provides credit risk insurance cover to exporters, will continue at least till March, 31 next year.

Relief measures include providing dollar credit to exporters that will be overseen by a committee consisting of the Finance Secretary, Commerce Secretary and the Chairman of Indian Banks Association. To protect small and medium exporters, who are unable to seek expensive markets, a Directorate of Trade Remedy Measures will be set up.

Following are the highlights of the Trade Policy **:-**

- To neutralise duty incidence on gold jewellery exports, the policy allows duty drawback on these. To make India a diamond international trading hub, it is planned to establish *"Diamond Bourses,"* The first one has come up in Mumbai .

- To participate in overseas exhibitions, exporters may carry merchadise worth $5 million with them, against $2 million allowed now.

Sops for the Leather sector

- Leather sector will be allowed re-export of unsold imported raw hides and skins and semi-finished leather from public bonded warehouses, subject to payment of 50% of export duty.

Sops for Tea & Agriculture

- Minimum value addition under advance authorisation scheme for export of tea has been reduced from the existing 100% to 50%.
- To reduce transaction and handling costs in agriculture, a single-window system to facilitate export of perishable agricultural produce has been introduced.

Sops for Pharmaceuticals

- Export obligation period for advance authorisations issued with 6-A PA as input has been increased from 6 months to 36 months.

Sops for Exports-Oriented Units

- EOUs allowed to sell products manufactured by them in DTA up to a limit of 90% instead of existing 75%.
- Board of approvals (BoA) will consider extension of block period by one year for calculation of Net Foreign Exchange earning of EOUs.

Thrust for Value-Added Manufacturing

- To encourage Value Added Manufactured export, a minimum 15% value addition on imported inputs under Advance Authorisation Scheme prescribed.

Flexibility provided to exporters

- Payment of customs duty for export obligation shortfall under Advance Authorisation/DFIA/EPCG Authorisation has been allowed by way of debit of Duty Credit scrips.

- Import of restricted items, as replenishment, will be allowed against trasfe rred DFIAs. Time limit of 60 days for re-import or exported gems and jewellery items for participation in exhibitions has been extended to 90 days in case of USA.

Simplification of precudures, reduction in trasaction costs

- To facilitate duty-free import of samples by exporters, number of samples/pieces has been increased from the existing 15 to 50.

- No fee shall now be charged for grant of incentives under Chapter 3. For all other 18 Authorisations, maximum fee is being reduced to Rs. 100,000 from Rs 1,50,000 and Rs 50,000 from the existing Rs.75,000 (for EDI applications).

Now, check your credit worthiness for Rs 142

Any individual can check his/her credit worthiness by obtaining a copy of their credit report.

All one needs to do is fill up an application form available at Credit Information Bureau (India) or Cibil's website, attach a draft for Rs.142 and an identity proof and mail it to Cibil. The company's Managing Director Shri Thukral said that the report would reach you within a week.

While only banking records were available at present, the information provider had started pilot projects with Bharti Airtel and Vodafone to include data related to telephone bill payments as well. Information from general insurance companies would also be included. From the database covering over 140 million accounts, the agency provides a credit score between 300 and 900 for banks to enable the lenders to decide on whether a loan could be sanctioned or not.

The Cibil Credit Report, provides details such as identification (Permanent Account Number, passport number, voter identity card number), address and contact details. It also provides the list of all your bank accounts, the zero balance accounts, the approved credit limit on your cards and the outstanding and overdue balance. Further, there are details of all loans that you have availed, including those already repaid.

Besides, details for the last three years for each loan is given, which provides a month-vise status-ranging from standard, overdue, special mention account, sub-standard or doubtful.

Full interest subsidy on loans to poor students

In a significant move that would benefit over 5,00,000 students in pursuing higher education in technical and professional streams, the government has decided to provide full interest subsidy on education loans taken by poor students whose parental income is under Rs. 4.5 lakh per annum.

Home Minister Shri P. Chidambaram said the number of loans as on March 31, 2009 were 1.6 million, while the total outstanding amount was Rs.24,000 crore. The scheme, to be applicable from the ongoing academic year, would provide full interest subsidy during the period of moratorium on loans taken by students from scheduled banks. The moratorium period begins from the launch of a course till one year after the student gets a job, whichever is earlier. The interest during this period would be borne by the government. After this moratorium period is over, the interest on the outstanding loan would have to be paid by the student borrower.

The interest subsidy would be available to students only once, either for the first undergraduate degree or the post graduate degree and diploma courses. The interest subsidy scheme, formulated by the Indian Banks Association, would, however, be admissible for combined undergraduate and post-graduate courses. However, the benefit would not be avaiable for those students who discontinue the course mid-stream due to any reason, except on medical grounds. The modalities for implementation and monitoring mechanism would be finalised in consultation with Canara Bank, which has taken a lead role, the home minister said. A memorandum of understanding would be signed with the bank.

Govt approves 110 rural self-employment centres

The Centre has approved establishment of 110 Rural Self-Employment Training Instituites (RSETIs) in 14 states and sanctioned about Rs 15 crore for the scheme.

The institutes will provide training to the people belonging to below poverty line (BPL), in an effort to bring more BPL households in the network of swarojgari (self-employed groups.)

The ministry of rural development plans to set up 500 RSETIs, one in each district, as part of its rural poverty alleviation programme.

Nearly Rs 15 crore of central funds have been released for 32 such institutes in Andhra Pradesh, Karnataka, Kerala, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu and Uttrakhand.

As per the plan, RSETIs will be the replication of *successful'* Rural Development and Self-Employment Training Institute (RUDSETI). National Institute of Rural Development (NIRD) and Rudset Acedemy have been given the responsibility of developing a *"standardised"* curriclulum for the RSETIs.

RBI approval must for mergers of deposit-taking NBFCs

The RBI has directed that any takeover/merger/acquisition of shares of a deposit-taking NBFC with another entity or any merger/amalgamation of an entity with a deposit taking NBFC that would give the acquirer another entity control of the deposit-taking NBFC, would require prior permission of RBI. This has been done to enable the RBI to ensure and verify the 'fit and proper' character of the management of NBFCs continuously.

RBI gives real-time data on economy

The RBI has started putting in public domain, real time data for money market and various capital market instruments. For the first time, RBI on September 15, 2009 released its Handbook of Statistics on the Indian Economy on the Reserve Bank's Data Warehouse Platform. With this initiative the user will have access to latest data as soon as they are updated from the source.

Some of the market data released by RBI could end up becomming reference rates for financial contracts. At present, the business world depends on reference rates released by news agencies as benchmarks. These rates, which include overnight rates and forward premia rates are largely based a poll where by quotes are obtained from various market participants.

While RBI will continue to follows its existing calendar for periodicity of data dissemination, the data may be released to the market much earlier since there won't be any time lag between the data being assimilated by RBI department and in releasing it online.

Exempt bank M&As from Competition Act: RBI

The RBI has sought exmption for bank mergers and acquisition (M&As) from the Competition Act of 2002.

In a note sent to the Ministry of Finance, the RBI has stated that the exemption should be granted following the urgency and unique nature of bank mergers. Control by the Competition Act on the crucial issue of bank mergers goes against the spirit of the regulatory powers given to RBI under the Constitution.

The Competition Commission, RBI stated, is a general body that monitors M&As across industries and sectors and it may not have the necessary technical expertise to decide bank M&As. Any delay or fault in decision-making could have a direct impact on the public who deposits money in these banks. In order to address concerns of cartelisation or market dominance by any bank merger, the RBI suggested that the commission could send its views to the RBI.

Bank M&As were exepmt from the erstwhile Monopoly and Restrictive Trade Practices Act (MRTPC) which was replaced by the new Competition Act. Under the Competition Act, any bank merger has to get final approval from the Competition Commission, although the RBI's views will be duly noted. However, the Act has restricted the control of the Competition Commission to mergers of two entities for which the combined asset value is more than Rs.1,000 crore or $500 million or a turnover of Rs.3,000 crore or $1.5 billion. Under the statutory provisions of section 44A of the Banking RegulationAct, the RBI has freedom to decide bank M&As. In the case of forced mergers, the central bank was bound by public interest so those decisions were-often taken in a short-time frame (sometimes overnight) to protect depositors.

It was felt that the process would be delayed and confidentiality compromised if every bank merger had to be first vetted by the Competition Commission. These officials suggested that sectoral regulators in banking, insurance, telecom and so on should be final decision-making authorities in M&As in their sectors because they understand the issues best.

Banks may have two BPLRs

Banks could soon have seperate benchmark prime lending rates (BPLRs) for corporate and retail borrowers with the rate for the latter expected to be higher but home loans will be outside the new regime according to a committee appointed by RBI.

The panel, comprising representatives from banks, was set up following an announcement statement in April on the need to bring greater transparency in pricing of risks by banks. At present, nearly 75 per cent loans are extended below BPLR. The committee is headed by RBI Executive Director Shri Deepak Mohanty.

Though banks in India have a single BPLR, ICICI Bank has seperate benchmark rates for corporates and retail customers. While the floating reference rate used for retail loans, was fixed at 12.75 per cent, the bank's benchmark advance rate was revised to 15.75 per cent in June. At present, BPLRs of banks range betwen 11.75 per cent and 15.75 per cent.

Sidbi extends Rs.250 cr loan to Bandhan

Bandhan, one of the country's leading microfinance institutions (MFI), has just received a Rs.250-crore credit line from Sidbi. This will help the seven-year old MFI grow its lending portfolio and cover 5 lakh additional borrowers this fiscal.

Sidbi, which supports the country's endeavour towards micro-credit expansion via the Sidbi Foundation for Micro Credit (SFMC), has of late become more aggressive in this respect. Its Rs.250 crore line of credit to Kolkata-based Bandhan is by far the largest loan support to MFIs in this region. Last fiscal, Sidbi lent just about Rs.100 crore to Bandhan.

SFMC will offer the loan at 12% per annum for five years, according to Mr. Ghosh. *"We will continue to on-lend the fund at 24% (on reducing balance) to our borrowers. This will leave an interest rate margin of around 4%, after meeting our cost of operation,"* he said. On a fixed-rate basis, Bandhan's rate of interest comes to 12.5% a year. Bandhan has an outstanding loan portfolio of Rs 900 crore. If it utilises the line of credit properly, its portfolio may grow to Rs.11,500 crore by March 2010. The MFI operates through around 1,000 branches across the country with over 5,500 employees.

Issuance and Operation of Prepaid Payment Instruments

Amending its guidelines on issuance and operation of prepaid payment instruments in India, the Reserve Bank has now decided to permit *'other persons'* to issue mobile phone based semi-closed system pre-paid payment instruments.

Entities issuing mobile phone based semi-closed payment instruments should ensure full compliance to the safeguards against money laundering [know your customer (KYC)/anti-money laundering (AML)/combating financing of terrorism (CFT)] provisions stipulated in Para 6 of the guidelines on issuance and operation of prepaid payment instruments in India.

'Other persons' issuing mobile phone based semi-closed payment instruments should also comply with the following conditions:

- The maximum value of such instruments should not exceed Rs 5,000.
- The purchase/reloading of these instruments against the value of airtime/talktime shall not be permitted.
- This facility should be enabled only to facilitate purchase of goods and services. Person-to-person transfer of value should not be permitted.

All persons proposing to operate payment systems involving the issuance of these pre-paid payment instruments should seek authorisation from the Reserve Bank's Department of Payment and Settlement Systems, under the Payment and Settlement Systems Act, 2007. The application for authorisation should also include the risk management process that would be adopted by the entity.

CO-OPERATIVE BANKING

Housing Finance

Reviewing its instructions on housing finance granted by state co-operative banks (StCBs) and central co-operative banks (CCBs), the Reserve Bank has advised that -

- The maximum quantum of housing loan that can be granted to an individual borrower by a StCB/CCB is revised to Rs. 20 lakh. In case a bank's net worth is Rs.100 crore and above [as per the assessment made in National Bank for Agriculture and Rural Development's (NABARD's) latest inspection report], the limit will be Rs. 30 lakh.
- The aggregate of housing loans outstanding on any day against individuals, institutions, and societies should not exceed 10 per cent of the total loans and advances of the bank as on March 31 of the preceding year. This limit can, however, be exceeded to the extent of funds obtained for the purpose, from the higher financing agency and refinance from the National Housing Bank.
- Housing loans would not include finance to the commercial real estate sector (in May 2009 the Reserve Bank had advised StCBs/CCBs to desist from financing the commercial real estate sector).
- For repairs, additions, alterations etc., carried out to existing houses, the maximum amount of loan per individual borrower is revised to Rs. 1 lakh.

Opening New Place of Business

The Reserve Bank has reviewed the policy for opening of new place of business by state co-operative banks and has advised that -

Opening of Branches/Extension Counters

- In a three-tier structure consisting of StCBs at the apex level, CCBs at the intermediate level and primary agricultural credit societies (PACS) at the ground level, StCBs will normally be allowed to open branches/extension counters in state capitals. In case a branch is required in district head quarters, the bank may open a branch only for maintaining and servicing deposits of co-operative banks. In semi-urban/rural areas where CCBs are non-existent, weak or virtually defunct, StCBs would be allowed to open branches, provided the CCB in the adjoining district is not in a position to extend its area of operation to cover the area (where CCB is non-existent) or to take over the weak/defunct CCB through merger. In all such cases, the recommendations of the Registrar of Co-operative Societies of the concerned state would be required.
- In a two-tier co-operative credit structure consisting of StCB and PACS, StCBs would be allowed (except in the north-eastern states, where general permission has been granted for opening branches anywhere in the states) to open branches in urban as well as rural centres.
- For opening branches/extension counters, StCBs should have (as per the latest inspection report) -
  - *capital to risk-weighted assets ratio (CRAR) of at least 9 per cent;*
  - *complied with cash reserve ratio (CRR) and statutory liquidity ratio (SLR);*
  - *net non-performing asset (NPA) of not more than 10 per cent; and*
  - *no serious irregularities.*
- For a StCB to be eligible for opening new place of business, the concerned state government should have signed the memorandum of understanding (MoU) in connection with the Government of India's Revival Package for short term rural co-operative credit structure.

These instructions supersede all instructions issued by the Reserve Bank earlier in this regard. Applications for licence for opening of branches/extension counters should be made to the Reserve Bank's Rural Planning and Credit Department, Central Office in the prescribed format through NABARD. StCBs which have already submitted proposals for opening branches, etc., should forward the additional information required to be furnished in terms of these revised instructions, to the Reserve Bank through NABARD.

First Quarter Review of Monetary Policy 2009-10

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 Statement for 2009-10 on July 28, 2009. The highlights are **:**

Projections

- GDP growth for 2009-10 placed at 6.0 per cent with an upward bias.
- WPI inflation projected at around 5.0 per cent by end-March 2010.
- Money supply (M_3) growth for 2009-10 placed at 18 per cent.
- Aggregate deposits of commercial banks projected to grow by 19 per cent.
- Growth in adjusted non-food credit placed at 20 percent.

Challenges

The immediate and medium term challenges facing the economy are to :

- manage the balance between the short-term compulsions of providing ample liquidity and the potential build-up of inflationary pressure on the way forward by maintaining the accommodative monetary stance till demand conditions further improve and credit flow takes hold;
- manage the Government's large borrowing programme without crowding out present or potential private credit demand. Despite active liquidity management by the Reserve Bank, the large and abrupt increase in government borrowing has resulted in hardening of yields which clearly militated against the low interest rate regime that the economy requires in the current situation;

- maintain policy rates and liquidity conditions conducive for spurring private investment demand, which has been dented by the crisis;
- restore the fiscal consolidation process by laying down the roadmap. Large fiscal deficits, if continued strictly beyond the recovery period, can crowd out private investment and trigger inflationary pressures. The large government borrowing has already led to hardening of yields which have impeded monetary transmission. The Government will, therefore, need to return to a path of fiscal consolidation which will lend credibility to the fiscal stance and also give predictability to economic agents. It is also necessary to focus on the quality of fiscal adjustment even while pursuing quantitative targets; and
- improve the investment climate and expand the absorptive capacity of the economy by (i) moving forward with financial sector reforms to promote financial inclusion, further widen and deepen financial markets and strengthen financial institutions while factoring in the lessons of the global economic crisis; and (ii) giving a big thrust to governance reforms.

Stance

On the basis of the above overall assessment, the stance of monetary policy for the remaining period of 2009-10 will be to:

- Manage liquidity actively so that the credit demand of the Government is met while ensuring the flow of credit to the private sector at viable rates.
- Keep a vigil on the trends and signals of inflation, and be prepared to respond quickly and effectively through policy adjustments.
- Maintain a monetary and interest rate regime consistent with price stability and financial stability supportive of returning the economy to the high growth path.

Monetary Measures

- Bank Rate kept unchanged at 6.0 per cent.
- Repo rate under the liquidity adjustment facility (LAF) retained at 4.75 per cent.
- Reverse repo rate under the LAF retained at 3.25 per cent.
- The Reserve Bank has the flexibility to conduct repo/ reverse repo auctions at a fixed rate or at variable rates as circumstances warrant.
- The Reserve Bank retains the option to conduct overnight or longer term repo/reverse repo under the LAF depending on market conditions and other relevant factors. The Reserve Bank would continue to use this flexibly including the right to accept or reject tender(s) under the LAF, wholly or partially, so as to make efficient use of the LAF in daily liquidity management.
- Cash reserve ratio (CRR) of scheduled banks kept unchanged at 5.0 per cent of net demand and time liabilities (NDTL).

Priority Sector Lending

Pursuant to the Government of India announcing the categorisation of activities under services under the Micro Small and Medium Enterprises Development (MSMED) Act, 2006, the Reserve Bank has advised that loans granted by banks for certain activities under micro and small (service) enterprises would be included within the priority sector provided, such enterprises satisfy the definition of micro and small (service) enterprises in respect of investment in equipment (i.e., original cost excluding land and building, furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006 should not exceed Rs. 10 lakh and Rs. 2 crore respectively). The activities which would be included within priority sector are –

- Consultancy services including management services.
- Composite broker services in risk and insurance management.
- Third party administration (TPA) services for medical insurance claims of policy holders.
- Seed grading services.
- Training-cum-incubator centre.
- Educational institutions.
- Training institutes.
- Retail trade.
- Practice of law, i.e. legal services.
- Trading in medical instruments (brand new).
- Placement and management consultancy services.
- Advertising agency and training centres

Accordingly, there will be no separate category for *"retail trade"* under priority sector. Loans granted by banks for retail trade [i.e., advances granted to retail traders dealing in essential commodities (fair price shops), consumer co-operative stores and advances granted to private retail traders with credit limits not exceeding Rs. 20 lakh] would henceforth be part of the small (service) enterprises.

* * *

Positive Thinking Steps to put you on your way to success

by
Amy Twain

Every one of us naturally wants to take steps towards positive thinking because it would take us towards more encouraging and optimistic experiences. Since thinking positively does not come naturally or easily to most of us, it takes focus to acquire them. However, the steps of affirmative thoughts are many, and not all steps to optimistic mindset are as effective and useful as others.

So why do you have to take more steps of feeling positively than you need to? I have made and developed two steps of thinking positively that are powerful steps that they cannot even be called steps.

A more fitting description would be the leaps of positive thinking. In fact, you could follow complex system to reprogram your mind for sensing positively or you could keep it simple, so your efforts would have a much greater and powerful impact your life.

Before each action you take, spend a couple of seconds seeing yourself getting the desired results that you want from that action. Always keep your mental focus on what is it you really want. If for instance, you are heading to a nearby grocery store and you think about how short the lines would be.

Do not think about how there will be no long lines at all. Instead, think about how quickly and easily you can do and accomplish your shopping. A most common mistake in positive thinking is in seeing or imagining things like this**:** *a)* The physician will not find anything wrong with me. *b)* My boyfriend/girlfriend will not break up with me. *c)* I will not be caught in traffic again. These sorts of mindset are not positive thinking at all. They are negative thoughts just wearing disguises in positive thinking. The true positive thoughts are**:** *a)* My doctor will say that I am in the pink of health. *b)* My boyfriend/girlfriend loves me so he/she wants to be with me. *c)* I will get where I am going—on time because traffic will flow smoothly. So can you spot the difference now?

Whatever you are thinking keep your thoughts not on what you cannot have or can't do but instead what you can have and can do. Thoughts of can or could are the greatest and most empowering leaps you can take towards the life that you want. Most people make the mistake of thinking that positive mindset is looking at the bright side of life. They can say they can't have the job that they like but it's okay because it's possibly for the best.

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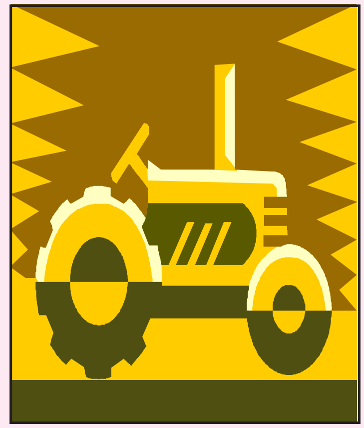
Ask God to confirm your decisions. He can keep you from mistakes, show you if you're forgetting or overlooking something, turn good ideas into great ones, and give you the assurance you need to proceed in full confidence.

DO YOU KNOW ?

Chief Industries Of The Countries



COUNTRY		INDUSTRIES
Afghanistan	:	Dry and fresh fruits, wool carpets
Australia	:	Wool, dairy products, meat
Austria	:	Textile, leather goods
Brazil	:	Foot wear, coffee, iron ore
Belgium	:	Glass, textiles, transport equipment
Canada	:	Newsprint, machinery
Chile	:	Copper, iron ore
Congo	:	Oil, tobacco, plywood
Cuba	:	Sugar, tobacco, textiles, chemicals
Denmark	:	Fur, farm products
France	:	Textile, wine, silk, iron and steel products
Germany	:	Machinery, chemicals, iron and steel products
Ghana	:	Cocoa, gold, coffee
India	:	Jute, textile, sugar, hides and skins, tobacco, tea, cement, mica
Indonesia	:	Sugar, spices, rubber, rice, petroleum, carpets, leather
Iran	:	Petroleum, carpets, dry fruits
Iraq	:	Dates, Petroleum
Italy	:	Mercury, textiles, foodstuffs, footwear
Japan	:	Machinery, textiles, toys, silk, automobiles, electronic goods
Kenya	:	Coffee, tea, meat, sisal, hides, skins, cement, soda ash
Kuwait	:	Petroleum, Shrimp
Malaysia	:	Rubber, tin, timber, petroleum
etherlands	:	Machinery, natural gas, chemicals
Saudi Arabia	:	Oil, dates, petroleum and its products
Spain	:	Lead, fresh fruits, textiles
Sweden	:	Matches, timber, iron ore
Switzerland	:	Watches, chemicals, electrical
Taiwan	:	Camphor, rice
UK	:	Textiles, medicines, machinery cars
USA	:	Petroleum, wheat, machinery, coal, automobiles, iron, grains
Russia	:	Petroleum, wheat, chemicals, heavy machinery, iron, gold
Vietnam	:	Tin, rice, rubber, teak, mineral ores

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States' SEZ laws revived to ease labour woes

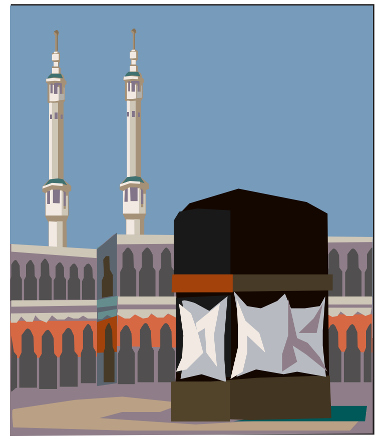
The Centre has decided to give the green signal to special economic zone laws proposed by four state governments- including Andhra Pradesh and Maharashtra-that have been hanging fire from 2005. Formulated to compete with the Gujarat SEZ Act of 2004 that allowed sigificant flexibilities on labour laws to SEZ units, the approvals would clear the way for investments of about Rs.46,000 crore in the projects,as per Commerce Ministry data.

These four states account for 317 SEZs with formal and in-principle approvals-44% of the total approved SEZs in the country, with labour laws similar to the Gujarat model.

The Gujarat SEZ Act was a pioneer in introducing the concept of flexibilities in labour law within SEZs. Apart from Gujarat, two other states have also simplified this sector. These are the Haryana SEZ Act that delegates powers of the labour commissioner and the inspector of factories to SEZ development commissioners, while the Uttar Pradesh SEZ policy has rationalised labour laws. The four state Acts, will also bring in single-window clearance for prospective investors.

Infact, in May 2009, the SEZ Board of Approvals had asked states to ensure that single-window clearance systems for SEZs are in place by July, failling which their proposals wouldn't be considered.

"Many of the labour related provisions are archaic and the SEZs are at the mercy of labour inspectors. The commerce ministry feels that the SEZ development comissioner- a government officer- can act as a single interface between the zones and the government machinery."



While the Centre's SEZ Act of 2005 provides the overreaching frame work for setting up such zones across the country, states were asked to work out laws of their own to create a single-window clearance system and throw in additional sops at the state level for prospective investors. But except Gujarat, Haryana, West Bengal, Madhya Pradesh, Uttar Pradesh and Tamil Nadu, other states are yet to put in a single window mechanism for SEZ clearances.

While the Centre's SEZ law requires the labour laws of the land to be followed, states can use their powers under the Constitution to regulate their applicability on SEZ investors. As per the constitution, legislations on concurrent subjects like labour, drafted by states have to be cleared by the nodal ministry at the Centre, before they get the Presidential assent. The draft laws are tested on the basis of three parameters-their legal and constitutional validity, repugnancy with central laws and most importantly, deviation from central policies.

* * *

Keep your head in the clouds,
your feet on the ground,
and your heart in the middle
to balance the two.

Corruption, National Security And The Role of Investigating Agencies

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