COSIDICI COURIER

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

Vol. LVI No.1

JANUARY-JUNE, 2020

CONTENTS

WHY LENDING TO MSMES MAKES BUSINESS SENSE

Everyone is concerned about the impact of Covid-19 on micro, small and medium enterprises (MSMEs) — the second biggest employer in the country with a 31 per cent share in India's GDP. The section 7 of the Micro, Small and Medium Enterprises Development Act 2006 specifies the size of the MSMEs on the basis of investment. Among manufacturing units, micro enterprises are those that have invested up to Rs25 lakh in plant and machinery. The comparable figure for small units is Rs25 lakh-Rs5 crore and for medium units, Rs5 crore-Rs10 crore. For services, the investment thresholds are lower – up to Rs10 lakh, Rs10 lakh-Rs2 crore and Rs2 crore-Rs 5 crore.

Unlike big industries, the MSMEs' resilience during the current crisis is lower; many of them are probably eating into their capital to stay afloat.

While everyone is expecting a relief package from the government for the sector, the Reserve Bank of India has asked banks to offer a three-month moratorium on loan repayments by such units besides opening a window from where banks can borrow money and lend to the sector.

Banks are afraid of loans given to these units turning bad.

The latest study of TransUnion CIBIL Ltd, a credit information company, should give the banks some food for thought. Based on available information, exposure to the banks and past payment history, the study has found that 74 per cent of the close to 8.9 million units are creditworthy. Their exposure to the financial system in December 2019 was Rs11.04 trillion. Of these, the share of very small businesses (up to Rs10 lakh exposure) is Rs54,000 crore.

In December, the pie of commercial credit (excluding agriculture and retail) was a little over Rs64 trillion. Of this, the share of MSMEs (up to Rs50 crore exposure) was Rs17.94 trillion, a little less than 28 per cent. The maximum loans were in the Rs1 crore-Rs15 crore basket (Rs8.74 trillion), followed by Rs15 crore-Rs50 crore (Rs4.68 trillion). The corpus of less than Rs10 lakh loans was the smallest – Rs93,000 crore. Loans to the MSME segment had grown 4.7 per cent between December 2018 and December 2019.

Indeed, the bad loans in the segment have been on the rise over the past few years and reached 12.6 per cent in December 2019. The TransUnion study has kept the Rs2.32 trillion MSME exposure of banks in the highest risk bracket (of this, the micro units' share is just about Rs13,600 crore) but there are millions of creditworthy borrowers outside this. The banks must grab this opportunity with both hands to fuel growth in the economy as well as their loan books.

Maharashtra has the maximum share of MSME credit, 17.36 per cent; followed by Tamil Nadu (10.77 per cent), Gujarat (8.85 per cent), Delhi (7.13 per cent) and Uttar Pradesh (6.5 per cent).

At The Bottom of the Pyramid

While the banking system is the main source of money for the MSME segment, microfinance institutions (MFIs) meet the credit needs of retail borrowers at the so-called bottom of the pyramid. They are not suffering from risk aversion but most of them do not have the money to lend.

Initially, the banks were reluctant to offer moratorium to the MFIs and non-banking financial companies (NBFCs), many of which are in the business of micro loans, on their repayment of loans to the banks. They had felt that it was meant for the loans given for productive purposes and not to financial intermediaries. Now, most banks are offering the moratorium to MFIs too but two government agencies, the Small Industries Development Bank of India and Micro Units Development and Refinance Agency Ltd are not that liberal. Between them, they have around Rs3,000 crore of exposure to the MFIs.

Going by Equifax Credit Information Services data, as of February 2020, the portfolio of micro loans was close to Rs2.24 trillion. This includes exposure of private banks and eight of the 10 small finance banks as well. The exposure of pure play MFIs, NBFCs and NBFC- MFIs is around Rs94,000 crore. Overall, the number of loans are over 102 million.

There is not much stress in such loans. Less than 1 per cent of the loans are not being serviced for 90 days and less than 2 per cent for 30 days. A loan turns bad when it is not repaid for 90 days.

There are five large NBFC-MFIs with at least Rs5,000 crore loan books; around 16 of them have a loan book of over Rs1,000 crore and 37, more than Rs100 crore; 86 of them are really small, with less than Rs100 crore loan portfolios. Overall, these entities and the small finance banks and private banks have over 56 million customers in this segment. The median loan amount is around Rs25,000.

Tamil Nadu has the largest share of micro loans (Rs31,522 crore), followed closely by West Bengal (Rs31,060 crore). Three other states among the top five are Bihar, Karnataka and Maharashtra.

The NBFCs and MFIs borrow primarily from banks and on-lend to their customers. The banks give money to them as they cannot reach out to the segment directly but under the Reserve Bank of India norms, they need to give the so-called priority loans. If the banks close the tap, the MFIs cannot survive. The Banks should not do that as the micro borrowers' business model is very different from even MSMEs. For instance, the cash flow of a vegetable vendor and a tailor starts from day one. The turnaround time is fast and they can start repaying loans the moment they get back to their businesses. Which is why most of them can be given the so-called top-up loans or fresh loans. Unlike in the past (2010), when following a state law, many customers did not pay up in a southern state, the scene is very different now.

In April, more than 70 per cent of the micro borrowers were not planning to avail of the moratorium facility but in May, this figure has come down to 20 per cent. Either they have used up the cash they had or want to conserve cash in times of uncertainty. Typically, micro loan instalments are paid once in a fortnight. Of the total micro loan portfolio, about 50 per cent exposure is in semi-urban pockets, 40 per cent in rural and 10 per cent in urban India.

In times of recovery, we may see a rural-urban divide with the urban pockets affected more by Covid-19 but the MFI business model should encourage banks to handhold them in this hour of crisis. The government needs to step in for those who have eaten up their capital during the lock-down period. ♦♦♦♦

The Writer is a consulting Editor with Business Standard, is an author and senior Adviser to Jana Small Finance Bank Ltd

Tell everyone who is important to you how you feel about them !

You do not ever want to spend your days regretting about things you never told them

THE ART OF WINNING TRADE DEALS POST THE PANDEMIC

**** Pranjul Bhandari***

It's no secret to anyone that economic growth will be very weak this year. The challenge will not just be to stage a quick recovery but also to seize new growth opportunities that have opened up due to the crisis. And for that, one may need to reflect on the footprints that Covid-19 leaves behind. What will the threats and opportunities be? How can India prepare ? The Covid-19 experience may unleash a wave of home bias around the world. A push to produce more domestically and develop new national champions could come back in vogue. This could shorten global supply chains and reduce the amount of trade between countries. To be fair, this had already been happening since the global financial crisis, but could pick up pace now. New markets for exports though could also arise over time, as importers look for new producers in a bid to diversify. But India will have to work hard to seize these opportunities, because gaining share in a shrinking pie is never easy. A lot may boil down to its administrative capability to roll out reforms that can smooth the way for business. If global trade shrinks, the foreign funding that underpins it could do the same. And if capital controls and other restrictions come into vogue, funds from overseas may need juicier returns to be tempted to take on the risk, especially when venturing into emerging markets. Countries that can deliver higher growth will get the cash. For India, again, that means rolling out much needed reform.

So what are these reforms? Those that improve India's potential growth and raise its export competitiveness fall broadly into the category, but we focus on the latter as performance there hasn't been great. Since FY14, core Exports have fallen by 4.5 per cent. As a proportion of world trade, India is stuck at 1.7 per cent. Any improvement, if at all, has been in the second decimal. To get to the bottom of what's going wrong, we looked into the drivers of exports and found three key factor: domestic bottlenecks 50 per cent of the slowdown, world growth 33 per cent and the exchange rate less than 20 per cent. But that's at a macro level. When we looked more deeply to examine exports sector by sector, we found some eye-opening results. While the three main drivers continued to matter, sector-specific factors played an increasingly important role.

To cite a few, we found that volatility in cotton availability and disproportionate policy focus on cotton when world demand has moved towards man-made fibres has inhibited the growth of textile exports. Similarly, irrigation infrastructure matters for agricultural exports and foreign direct investment and domestic import tariff rates matter for engineering goods.

Our findings suggested do and don'ts for reviving India's export fortunes :

First, easing domestic bottlenecks will help the entire export sector. The list is long, so it may be a good idea to target sum of the more pressing reforms in the land, power and transportation sectors where momentum for change is already underway.

Examples include fast tracking recent state plans to create large land banks, particularly those near ports and airports, and to make them efficient manufacturing hubs; put into operation the new commercial coal mining policy to allow for a more stable supply of coal; and make India's major ports more efficient.

Second, sector-specific factors can make a meaningful difference. Free market thinkers would prefer that authorities work towards creating an overall environment where businesses can flourish, rather than tinkering with policies down at a sector level. Yet, past policies have created some problems, and sector specific corrections may be needed. For example, equal support for cotton and man-made fibres can lead to a healthier balance and higher growth for India's textile exports.

Third, signal to the world that India is open to trade. Here, India has been doing the opposite by raising import tariff across the board over the last two to three years. The risk with this, as trade economists warn, is that a tax on imports can translate into tax on exports. Instead, India should try to join Asia's Regional Comprehensive Economic Partnership and benefit from the opportunities that come by as Asian supply chains rebuild.

Fourth, blaming export woes squarely on the currency is not the way out. The strengthening (by 11per cent on a real effective between 2014 and 2019) explained less than a quarter of the slowdown in exports over the last few years.

Finally, some good news for India's IT companies. As working-from-home become popular, more investment will likely be made in digital transformation, cyber security and cloud migration around the world. Indian IT companies have proven to be quite adaptive in the past, and stand a good chance of seizing this opportunity. They should be allowed to flourish.

In the past, India has reformed best during periods of crisis. If it can make the right strategic choices quickly it could make up for some of the lost momentum in economic growth and job creation.

♦♦♦♦

**** Courtesy: The Business Standard. The author is Chief India economist, HSBC Securities and Capital Markets (India) Pvt. Ltd.***

When everything has come to

a standstill, and you feel it's the end.

This might be a beginning.

After every end is a new beginning

and

Every beginning has an end.

APPOINTMENTS

- Shri Jalaj Shrivastava, IAS has been appointed as Chairman & Managing Director, Delhi Financial Corporation {DFC}, New Delhi vice Shri Praveen Kumar Gupta, IAS.

- Shri Kailash Chand Verma, IAS has been appointed as Managing Director, Rajasthan Financial Corporation {RFC}, Jaipur vice Smt. Urmila Rajoria, IAS.

- Shri Govindaraju N.S., IAS has been appointed as Managing Director, Uttar Pradesh Financial Corporation {UPFC}, Kanpur vice Shri Gaurav Dayal, IAS.

- Shri Rahul Sharma, KAS has been appointed as Managing Director, J&K State Financial Corporation, {JK SFC}, Jammu vice Mohd. Farooq Thoker.

- Shri Palash Barooah, ACS has been appointed as Managing Director, Assam Financial Corporation {AFC}, Guwahati vice Shri Udyan Hzarika, IAS

- Smt. Sarita Choudhary has been appointed as Managing Director, Bihar State Financial Corporation {BSFC}, Patna vice Shri Ranjit Kumar, BAS.

- Shri P. Zuvito Waths Sema has been appointed as Managing Director, Nagaland Industrial Development Corporation {NIDC}, Dimapur vice Shri C. Mhonrao Lotha.

- Revenue Secretary, Shri Ajay Bhushan Pandey, IAS has been designated as the new Finance Secretary vice Shri Rajiv Kumar, Financial Services, Secretary.

- Shri Debasish Panda, IAS has been appointed as the Finance Secretary. He is 1987 batch IAS officer of U.P. Cadre and Special Secretary Deptt. of Financial Services at present.

- Shri Debeswar Malakar, IAS former M.D., Assam Financial Corporation {AFC}, Guwahati has been appointed as Member of the Assam Public Service Commission (APSC), Guwahati.

♦♦♦♦

MANIDCO
Manipur Industrial Development Corporation Limited
(A Government of Manipur Undertaking)
Industrial Estate Takyelpat, Post Box No. 46
Imphal - 795 001 (Manipur)

' LETTER TO EDITOR '

Micro, Small & Medium Enterprises (MSMEs) sector is a backbone of the Indian Economy as it contributes significantly to industrial production etc. The MSMEs sector has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and diversification. Council of State Industrial Development & Investment Corporations of India (COSIDICI) has historically played an important role in the development of this sector. Moreover, COSIDICI's endeavours in showcasing the achievements of SLFIs is laudable as these SLFIs have been fulfilling the socio-economic obligations of the State and have played a crucial role in balanced regional development.

The COSIDICI Journal contains comprehensive information regarding various developmental schemes of Government of India. The Journal's popularity among the financial institutions, University Libraries, Industry Associations and individual entrepreneurs are really appreciable.

My good wishes are always with COSIDICI'. Keep it up !

Sincerely

(S. I. SHARMA)
Managing Director
Manipur Industrial Development
Corporation Limited {MANIDCO},
Industrial Estate Takyelpat,
Post Box No.46,
Imphal – 795 001
(M A N I P U R)

Tele : 0385 2449624 Fax : 0385 2410767
E-mail : manidco@gmail.com | Vjsit us at on Website : www.manidco.in

West Bengal Financial Corporation {WBFC}

West Bengal Financial Corporation {WBFC} is governed by a Board of Directors constituted under the State Financial Corporations Act, 1951 having representatives from GOWB, SIDBI, SBI and LIC. Smt. Mousumi Chattaraj Chaudhuri, IAS, Joint Secretary, Finance Deptt, Govt. of West Bengal is the Managing Director of WBFC. Under her leadership WBFC is scaling new heights of achievements.

WBFC provides financial assistance on easy terms to micro, small and medium sector enterprises in the form of long term loan for setting up new project and/or modernization/expansion of existing project It extends loan for manufacturing units or service sector enterprises. Since the days of its establishment, WBFC is working in close coordination with the Government of West Bengal [GOWB], the union government, the banks, and other financial institutions in the state and the central level. The GOWB is extending major support and guidance to WBFC in its endeavour to turn the dreams of the entrepreneurs into reality in the state of West Bengal.

The Operation Department headed by a Dy. General Manager looks after the sanction of loan proposals received from the entrepreneurs. Similarly the Disbursement Department takes care of the release of the sanctioned loan; the Monitoring Department takes care of the monitoring of the projects and the Non Performing Assets Management [NPAM] deals with the recovery of loan funds.

The support departments are the Administration Department, the Internal Audit Cell, the Insurance Cell which looks after the insurance of the assets of the project, the Law Cell helping the entrepreneurs in drawing the covenants. To address the grievances of the public with transparency and alacrity the Corporation has Grievance Cell and a Vigilance Cell to deal with the related issues. The Right to Information Cell is also very active in the Corporation and disposes of the issues in terms of the RTI Act, 2005.

Smt. Mousumi Chattaraj Chaudhuri, IAS
Managing Director, WBFC

The entrepreneurs from any corner of the State can contact / call on any of its 14 branches located at the district headquarters or Head Office at Kolkata with their loan proposals which are disposed of as quickly as possible. Primarily the Corporation extends long term loan to the entrepreneurs for acquiring fixed and other assets required for manufacturing or service industry viz., land, building, plant & machinery, miscellaneous other fixed assets like electrical equipment, furniture & fixtures etc. However, the Corporation may also consider other assistance associated with project financing.

Loan assistance can be provided to the following activities / categories **:**

- The manufacture, preservation or processing of goods
- The hotel industry
- The transport of passengers or goods
- The maintenance, repair, testing or servicing of machinery
- Assembling, repairing or packing any article with the aid of machinery or power
- The setting up or development of an industrial area or industrial estate
- Providing weigh bridge facilities
- Providing medical, health or other allied services
- Setting up or development of tourism related facilities
- Construction
- Providing commercial complex facilities and community centres including conference halls
- Floriculture
- Tissue culture, pisciculture, poultry farming, breeding and hatcheries

- Service industry
- Such other activity within the provisions of the State Financial Corporations Act, 1951.

Fair Practice Code Of The Corporation In Credit Delivery System :

At Branch level

- The proposal is scrutinised normally within seven (7) days from the date of receipt of such application and the proponent is asked to furnish required addl. Documents, if any, along with processing fee at one go. Ground for rejection is intimated in non-viable cases promptly.

- The proposal is processed and placed before the Branch-in-Charge or sent to the Regional Manager or Head Office for consideration after necessary enquiry, inspection, reference within 20 working days from the date of receipt of the complete information/papers as also processing fee from the proponent.
- The Branch-in-Charge after perusal/scrutiny and sanctions the loan within the next 3 working days if the same is within his delegated power

- The proposals received by Regional Manager from the branches are sent to Head Office with his views and comments within 07 days from the date of receipt.
- The Head Office after necessary scrutiny disposes of the proposal within 10 working days from the date of receipt except in cases where those are placed before the EC/Board.

At Head Office Level

The loan proposal is scrutinised and additional papers, if required are asked for normally within ten days from the date of receipt of the proposal. The Operation Department processes and places a loan proposal before the Managing Director for prima facie opinion of the Screening Committee, within 30 days of receipt of complete information. The processed proposals are placed before MD/EC/Board as the case may be for sanction at the next available opportunity.

As a part of the fair practice policy, WBFC provides

- A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement is furnished to the borrower (by WBFC).

- As far as possible, the loan agreement/sanction advice clearly stipulates that credit facilities are solely at the discretion of lenders. WBFC ensures timely disbursement of loan on proper compliance of the terms & conditions governing the sanction.

- WBFC gives notice to the borrower of any change in the terms and conditions including interest rates, service charges etc. and invariably obtain a written confirmation from the borrower at the material point of time that he/she/it is in full knowledge of such changes and is accepting the revised rates.

- WBFC releases /returns all securities on receiving payment of loan or realization of loan subject to any legitimate right or lien for any other claim it may have against borrowers.

As a part of the fair practice policy, WBFC provides

- A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement is furnished to the borrower (by WBFC).

- As far as possible, the loan agreement/sanction advice clearly stipulates that credit facilities are solely at the discretion of lenders. WBFC ensures timely disbursement of loan on proper compliance of the terms & conditions governing the sanction.

- WBFC gives notice to the borrower of any change in the terms and conditions including interest rates, service charges etc. and invariably obtain a written confirmation from the borrower at the material point of time that he/she/it is in full knowledge of such changes and is accepting the revised rates.

- WBFC releases /returns all securities on receiving payment of loan or realization of loan subject to any legitimate right or lien for any other claim it may have against borrowers.

♦♦♦♦

DO YOU KNOW

INTERNATIONAL YEARS

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

2011	International Year of Chemistry
2012	International Year of Cooperatives
2012	International Year of Sustainable Energy for All
2013	International Year of Water Co-operation
2013	International Year of Quinoa
2014	International Year of Solidarity with the Palestinian People
2014	International Year of Family Farming
2014	International Year of Small Island Developing States
2015	International Year of Soils
2015	International Year of Light and Light-based Technologies
2016	International Year of Pulses
2017	International Year of Sustainable Tourism for Development
2019	International Year of Indigenous Language
2020	International Year of Plant Health

♦♦♦♦

When we have fully discovered

the scientific laws that govern life,

we shall realise that

one person who has more illusions

than the dreamer

is the man of action.

QUESTIONS OF CYBERQUIZ ~ 78

Qn.1. Just for Fun is a book by which much admired computer scientist ?

[a] Linus Benedict Torvalds; [b] Alan Mathison Turing; [c] Dr. Andrew Stuart "Andy" Tanenbaum; [d] John McCarthy.

Qn.2. Make Money Fast (MMF) is the name of an electronically forwarded chain-letter scheme that has been made famous by many a scamster since introduced in 1988. Who first wrote it ?

[a] David Rhodes; [b] George Parker; [c] Charles Ponzi; [d] Victor Lustig.

Qn.3. What effort is being funded by Arthur C. Clarke, Paul Allen, Gordon Moore and Hewlett-Packard cofounders William Hewlett and David Packard ?

[a] Spaceship One; [b] SETI (Search for Extraterrestrial Intelligence); [c] Internet 2 Project; [d] Commercial tourism to Moon.

Qn.4. Who or what is a mouse-potato ?

[a] A person suffering from palm and finger injury due to long hours of computer mouse use; [b] A person spending long hours online; [c] A person who prefers the mouse and the command menus rather than the key-board for command input; [d] A "click-happy" Net surfer who surfs the Net at very fast pace.

Qn.5 Coined by Manfred Clynes in 1960, this term originalloy referred to a human being with bodily functions aided or controlled by technological devices. But over the years, the term has come to mean human beings who are over dependent on technology, particularly, the computers. What is this term ?

[a] Cybernetics ; [b] Cyborg; [c] Technophile; [d] Nerd.

For Answers see page 29

Life does not count by years; some suffer a lifetime in a day,
and so grow old between the rising and the setting of the Sun.

ECONOMIC SCENE

Exports Improves after 6 months, Covid-19 May Hurt recovery

Merchandise exports showed recovery in February, 2020 after contracting for six consecutive months. Exports rose 2.9% on year in February while imports grew at 2.5% leading to a narrowing of trade deficit at $9.8 billion in the month. Exports of electronic goods and Chemicals grew at 37% and 16% respectively, Commerce and Industry Minister, Shri Piyush Goyal said in a tweet. Trade deficit was $15.17 billion in January. Out of the 30 major export items, 16 categories showed growth. While exports of pharmaceuticals grew 8.33%, chemicals rose 16.3%, engineering goods increased 8.7%, electronic goods expanded 37% and petroleum products picked up 10.1% in the month, shipments of gems and Jewellery and readymade garments continued to contract. They shrank 20.1% and 4.5%, respectively.

Non-food credit crosses Rs.100 lakh-cr mark

Credit owed to the banking system stood at Rs.100.24 lakh-crore up from Rs.99.23 lakh crore at the end of previous fortnight. Non-food credit growth slipped to 7.08% year-on-year (y-o-y) during the fortnight ended January 31, 2020, from 7.14% in the previous fortnight. Data from the RBI showed that during the comparable fortnight a year ago, non-food credit growth stood at 14.43%. Deposits with banks grew 9.91% y-o-y to Rs.133.24 lakh crore during the fortnight ended January 31, up from 8.69% in the previous fortnight. During the comparable fortnight of 2019, deposits with banks had grown by 9.63%. The credit deposit (CD) ratio for the fortnight stood at 75.23%, lower than 75.6% at the end of the previous fortnight.

Forex reserves increase to $ 487.23 bn

The country's foreign exchange increased by USD 5.69 billion to USD 487.23 billion in the week to

March 6 following an increase in foreign currency assets according to the RBI data. In the previous week, the foreign exchange reserves had increased by USD 5.419 billion to USD 481.540 billion. Foreign currency assets, a major component of the overall reserves, rose by USD 5.311 billion to USD 451.135 billion in the reporting week. Expressed in dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.

Microfinance sector grows 26.5% y-o-y in Dec quarter

The Microfinance Sector witnessed a 26.5% year-on-year growth in its portfolio outstanding to Rs.2.12 lakh crore in the December quarter, Crif Microlend said in its quarterly report on the sector. Early delinquency, however, saw an increase to 1.9%, compared with 1.3% in the previous quarter. Following the recent unrest in Assam between lenders and borrowers, the disbursed amount in the North-East saw a decline of 33% over the previous quarter. As a result, the microfinance book in the region shrunk by 3% against the previous quarter, while the national book grew by 8.5%.

Proposed competition law may cover buyer cartels

Buyers forming a cartel may be penalized. The Ministry of Corporate Affairs has put a draft competition (Amendment) Bill 2020 in the public domain wherein it has sought to give monetary and penal powers to the Director General for investigation under the CCI. Some of the changes in the Bill are as under : -

Current Provisions : Deal with seller cartels only
Draft : Seeks to cover buyer cartels as well

Current Provisions : DG (Investigation) can recommend penalties for non-compliance with orders. However, these can only be imposed by CCI after a show-cause notice.
Draft : DG (Investigation) to be given powers to send errant persons to six years in prison and impose upto Rs.1 crore fine.

Current Provisions : Penalties could be imposed on the basis of turnover.
Draft : Can also be imposed on the basis of individual income.

Current Provisions : No commitment and settlement clause

Draft : Seeks to insert this clause to give an opportunity to parties to commit to avoid any further action even when investigation is not completed.

High Inflation may give mixed results :

Driven by select items retail inflation **:** 7.35%. Retail inflation without onions : 4.48%. May bottom out soon if vegetables prices cool.

Higher household spending on food can dampen demand for other goods : Food spending is not usually cut, even if prices rise; Households cut spending elsewhere.

Higher prices will lift farm incomes and rural demand : Farmers now aware of prices; Higher prices not all cornered by middlemen.

High food inflation can spill over to other areas, including high-protein foods.

Moderately high inflation will help raise nominal growth : Low inflation has dampened nominal growth; Higher nominal growth will lift sales and tax collections.

Stagflation risks : Growth not likely to recover quickly; Being supply driven, inflation expected to cool, but stagflation is a risk if prices continue to rise.

GST collection for states rises 16%

GST collections from domestic transactions rose 16 per cent Y-o-Y to Rs 80,849 crore in December 2019. Among the top 10 states in terms of GST collections on this count, only Uttar Pradesh and Telangana witnessed a growth rate of less than 14 per cent. Any state which gets less than 14 per cent revenues from GST is taken as loss- making and is given compensation by the Centre, largely from the cess imposed for this purpose. However, for clear picture, IGST on imports and compensation cess on imports are needed. Also, 14 per cent growth for compensation is taken on the base of 2015-16.

Budget : MFIs seek more refinance from DFIs

Microfinance institutions (MFIs) have urged the Centre for more refinance from development financial institutions (DFIs) such as SIDBI and NABARD so that they can provide credit to the poor people at low rates of interest, an official said. The industry has also sought withdrawal of GST on credit disbursements by banking correspondents (BC), which the micro-lenders do on behalf of banks. Many of 200-odd MFIs operating in the country work as BCs for the banks for credit disbursements for which an 18 per cent GST is levied on overall borrowing by beneficiaries.

The industry has also urged the government to create a dedicated fund for MFIs which are financing water and sanitation projects. Around 50 to 60 MFIs are doing the funding for water and sanitation projects for the poor people.

Second Amendment to IBC cleared by RS

The second amendment to the Insolvency and Bankruptcy Code (IBC) has been passed. This will now ring-fence successful bidders of insolvent firms from the risk of criminal charges for offences committed by previous promoters.

Stimulus Measures for MSMEs

Union Finance Minister Smt. Nirmala Sitharaman in May announced a set of stimulus measures of nearly Rs 5.94 trillion to provide relief to various constituents of the Indian economy. They are micro, small, and medium enterprises (MSMEs); taxpayers; non-banking financial companies (NBFCs); power distribution companies; the real estate sector; organised sector employees; and contractors working with the government. These measures are part of the Rs.20-trillion "Atmanirbhar Bharat" package, announced by earlier Prime Minister Shri Narendra Modi.

The key measures were aimed at MSMEs, with a Rs. 3-trillion credit guarantee fund for collateral-free automatic loans, a Rs.20,000-crore subordinate fund for stressed MSMEs, and a Rs.50,000-crore equity infusion "fund of funds".

Liquidity tap opened for shadow banking secto

The Finance Minister, Smt. Nirmala Sitharaman in May 2020 provided a major liquidity boost of Rs.75,000 crore to shadow lenders and microfinance institutions (MFIs), through two separate schemes via guarantees on investment in debt papers of such lenders. These firms are struggling with cash flow problems amid the Covid-19 crisis as banks have become risk-averse in lending to them, and raising funds from the debt capital markets has been a challenge. She announced a special liquidity scheme of Rs 30,000crore for nonbanking finance companies (NBFCs), housing finance companies (HFCs) and MFIs, which are finding it difficult to raise money from the debt markets. Under this scheme, investment will be made in both primary and secondary market transactions in investment-grade debt papers of NBFCs, HFCs and MFIs. And, all the debt papers bought through this special liquidity scheme will be guaranteed by the government. "This will provide liquidity support for NBFCs, HFCs, MFIs, and mutual funds and create confidence in the market", the finance minister said.

Earlier, the RBI had provided a corpus of Rs 50,000 crore via bids in the targeted long term repo operation (TLTRO 2.0), wherein banks would borrow money from the Central Bank at the repo rate of 4.4 per cent and invest in the debt papers of shadow lenders. However, the RBI received bids for only about half the Rs 25,000 crore it offered in the first trance, indicating that banks were reluctant to lend to NBFCs.

Second, the FM announced the government will extend the already in-force partial credit guarantee scheme (PCGS 2.0) to cover borrowings, such as primary issuances of bonds, commercial papers of NBFCs, HFCs, and MFIs, wherein the government will bear the first 20 per cent loss as guarantor for even unrated papers. This will enable another Rs 45,000-crore liquidity support to the shadow banking industry. Papers of lenders with creditrating AA and below will be eligible for investment under the scheme.

Among major announcements, the government said it will provide 100 per cent credit guarantee on the principal amount to lending institutions for extending credit to the MSME sector. Loans totaling Rs.3 trillion will be for four years with a moratorium on principal repayment of 12 months.

In the earlier PCGS, public sector banks were encouraged to buy high-quality pooled assets of NBFCs upto Rs.1 trillion, for which the government would provide a one-time six month partial credit guarantee for the first loss of upto 10 percent.

Labour law changes must adhere to Global Standards : ILO

The International Labour Organization (ILO), responding to the sweeping changes in labour laws proposed by state governments, has asked the authorities to ensure that all such relaxations adhere to global standards and are effected after proper consultation. *"Certain states in India are moving towards relaxing labour laws with a view to revitalise the economy from the impact of Covid-19. Such amendments should emanate from tripartite consultation involving the government, the workers' and the employers' organisations and be compliant with the international labour standards, including the Fundamental Principles and Rights at Work (FPRW),"* the ILO said. Labour laws protect the well-being of both employers and workers and called for *"collective efforts and solidarity between the government, employers and workers"*. They (labour laws) are an important means to advance social justice and promote decent work for all.

Exports decrease by 60% in April

India's exports contracted by a 60.28 percent in April to $ 10.36 billion due to Covid-19 induced lockdown. Imports decreased by 58.65 percent to just $ 17.12 billion in April, according to the data released by the commerce and industry Ministry in May, as crude oil imports were cut and gold inflows wiped out. As a result, the monthly trade deficit reduced to just $ 6.76 billion, the lowest since May 2016, when it stood at $ 6.27 billion.

World Bank approves $ 1-billion loan to India

The World Bank announced $ 1 billion in social sector funding for India in May, 2020. The money will go towards mitigating the economic and humanitarian crisis being faced by unorganized workers and migrant labourers impacted by the Covid-19 pandemic. This takes the total commitment from the World Bank towards emergency Covid-19 response in India to $ 2 billion. A $ 1 billion support was announced in April to support India's health sector. The new support will be funded in two phases – an immediate allocation of $ 750 million for the financial year 2021 (F.Y. '21) and a $ 250 million second tranche that made available for F.Y. '22 the multilateral agency said.

Rs.3.2-trn support for aam aadmi

In its second package, the government on Thursday announced Rs.3.16 trillion support for vulnerable sections, including migrant workers, farmers, tribals, street vendors, and the middle class - all hit hard by the lockdown.

Three of the nine measures announced on May 14, 2020 were targeted at migrant labourers, who have been bearing the brunt of the lockdown. Union Finance Minister, Smt. Nirmala Sitharaman announced 5 kg of grain - either wheat or rice - per person and 1 kg of "*chana*" (pulses) per family a month for two months for workers not enrolled under the National Food Security Act or states food schemes. This measure will help 80 million migrants and implementation of the scheme will be through States.

Following are the Key Announcements of the Scheme :

Affordable rental housing scheme – Under PMAY for migrants and urban poor to provide ease of living at affordable rent.

One Nation, one Ration Card – Scheme to enable migrants to access ration from any fair price shop in India.

Rs.3,500 crore – Cost of free foodgrain distribution, to be borne by Centre.

Farmers : Rs.30,000 crore – Additional refinance support from NABARD for crop loan requirements of rural co-operative banks & RRBS.

30 million – Mostly small and marginal farmers, to benefit.

Concessional credit to PM-KISAN beneficiaries through Kisan Credit Cards, fishermen also to be included.

Traders / Vendors - Interest subvention of 2% for prompt payees of Mudra-Shishu loans for a period of 12 months. Rs.1,500 crore worth of relief to Shishu loanees. Rs.5,000 crore special credit facility for street vendors to benefit about 50 million.

♦♦♦♦

UNION BUDGET AT A GLANCE : 2020-2021

The Hon'ble Union Finance Minister, Ms.Nirmala Sitharaman, presented the Union Budget for 2020-21 in the Parliament on February 1, 2020. The table below gives estimates and revised figures of revenue and expenditure for the last year i.e. 2019-2020 and the figures proposed for the next 2020-2021 and deficits of revenue, fiscal and primary as percentage of GDP :

S.No.	*ITEM*	*2019-2020 (BE)*	*2019-2020 (RE)*	*2020-2021 (BE)*
1.	Receipts:			
	(a) Revenue Receipts	1962761	1850101	2020926
	(i) Tax Revenue (Net to Centre)	1649582	1504587	1635909
	(ii) Non-Tax Revenue	313179	345514	385017
	(b) Capital Receipts	823588	848451	1021304
	(i) Recoveries of Loans	14828	16605	14967
	(ii) Other Receipts	105000	65000	210000
	(iii) Borrowings and Other Liabilities	703760	766846	796337
	Total Receipts (a) + (b)	2786349	2698552	3042230
2.	Total Expenditure	2786349	2698552	3042230
3.	Revenue Expenditure	2447780	2349645	2630145
4.	Capital Expenditure	338569	348907	412085
5.	Revenue Deficit	485019	499544	609219
		(2.3)	(2.4)	(2.7)
6.	Fiscal Deficit	703760	766846	796337
		(3.3)	(3.8)	(3.5)
7.	Primary Deficit	43289	141741	88134
		(0.2)	(0.7)	(0.4)

The break-up of estimated receipts and expenditure both under the revenue and capital heads in terms of percentage is given as under : -

S.NO.	**RECEIPTS**		**EXPENDITURE**	
A.	**Tax Receipts**	**64**	**Revenue Expenditure**	**54**
	Excise Duties	7	Defence	8
	Customs Duties	4	Subsidies	6
	Corporate Tax	18	State Share of Taxes and Duties	20
	Income Tax	17	Fin . Comm.& Other Transfers	10
	Service Tax and Other Taxes	18	Other Non-Plan Expenditure	10
B.	**Non-Tax Receipts**	**36**	**Capital Expenditure**	**46**
	Borrowing and Other Liabilities	20	Central Plan	13
			Pension	6
	Non-Debt Capital Receipts	6	Centrally Sponsored Scheme	9
	Non Tax Revenue	10	Interest	18
	TOTAL	**100**		**100**

The focus of the budget was inclusive growth under which Governance guided by "Sabka Saath, Sabka Vikas, Sabka Vishwas" with focus on:

- Preventive Healthcare: Provision of sanitation and water
- Healthcare: Ayushman Bharat
- Clean energy: Ujjawala and Solar Power
- Financial Inclusion, Credit support and Pension
- Affordable Preventive Housing
- Digital penetration

Financial Sector :

- Deposit Insurance Coverage increased from Rs.1 lakh toRs.5 Lakh per depositor.

- Eligibility limit for NBFCs for debt recovery under SARFAESI Act proposed to be reduced to asset size of Rs.100 crore or loan size of Rs.50 Lakh.

- Separation of NPS Trust for government employees from PFRDAI.

- FPI Limit for corporate bonds to be increased to 15 per cent.

Industry, Commerce and Investment :

- Knowledge Translation Clusters for emerging technology sectors;
- Scaling up of Technology Clusters harbouring test beds and small scale manufacturing facilities;
- National Mission on Quantum Technologies and applications with an outlay of Rs.8000 crore proposed.
- National Technical Textiles Mission for a period of 4 years with an outlay of Rs.1,480 crore.

Micro Small and Medium Enterprises :

- Extension of invoice financing to MSMEs through TReDs.
- A scheme to provide subordinate debt for entrepreneurs of MSMEs.
- Scheme anchored by EXIM Bank and SIDBI to handhold MSMEs in exports markets.

Infrastructure :

- **Roads:** Accelerated development of Highways.
- **Railways:** Four station redevelopment projects 150 passenger trains through PPP mode.
- **Port:** Corporatizing at least one major port.
- **Air:** 100 more airports to be developed under UDAAN.
- **Infrastructure Financing:** Rs.103 lakh crore National infrastructure Pipeline projects announced. The projects under it will include housing, safe drinking water and healthcare.
- An international bullion exchange to be set up at GIFT City.

Tax proposals :

- Concessional corporate tax rate of 15 per cent to new domestic companies in manufacturing and power sector.
- Tax concession for sovereign wealth fund of foreign governments and other foreign investments.
- Tax benefits to Start-ups by way of deduction of 100 per cent of their profits are enhanced by increasing turnover limit and period of eligibility.
- Concessional tax rate for cooperatives proposed.
- Turnover threshold for audit of MSMEs increased.
- Extension of time limits pertaining to the tax benefits for affordable housing.
- Issuance of Unique Registration Number to all charity institutions for easy tax compliance.
- Health cess to be imposed on imports of medical equipment given these are made significantly in India.
- Dividend Distribution Tax removed and classical system of dividend taxation adopted.

ACTIVITIES OF COSIDICI

Executive Committee Meeting of COSIDICI : Due to COVID-19 Pandemic, COSIDICI was unable to hold its Executive Committee meeting, scheduled to be held in the first half of 2020, onsite. Therefore, the meeting of the Executive Committee of COSIDICI was held in the month of June, 2020 by circulation.

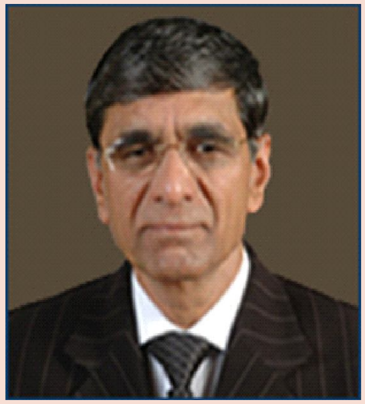
The Executive Committee appreciated that during the current pandemic the SFCs have successfully supported the MSMEs funded by them by providing loan on easy terms against work orders; by providing top up loans to existing customers and by granting moratorium. The SFCs have immense potential to grow and help the state governments in promoting industries in the decentralized sector with the necessary financial support from the RBI, State Governments and Ministry of MSME.

The Executive Committee, therefore, felt the Government of India, may include SFCs as 'eligible institutions' in the various schemes announced by it for the MSME Sector. RBI may allow well performing SFCs to raise funds through SLR bonds and also restore temporary borrowing facility against adhoc bonds. RBI may allow Banks to treat loans sanctioned by them to SFCs for on-lending to Micro and Small Enterprises as eligible for priority sector status as was the case before the issue of its Master Circular dated July 05, 2011. As per the RBI data, banking sector has not been able to meet its Priority Sector Lending (PSL) targets. Therefore, the E.C. also felt the RBI may continue to treat lending by Banks to well performing SFCs as priority sector lending. As the SFCs are mostly financing first generation entrepreneurs and small scale units, there is a need to relax the risk weight for SFCs' Capital adequacy norms and NPA norms which are at present on par with that of the banks so that more capital is available for SFCs. Since SFCs give only industrial loans they are not able to hedge against uncertainties in this sector in the short run. Therefore, the stipulation that the NPAs continue to be identified as such for one more year even after their upgradation may not be enforced. The State Governments may be requested to infuse share capital on a regular basis and provide interest subsidy of 1-2% so that the lending rates to SMEs are affordable. Ministry of MSME may create a separate fund for development of the MSME sector in the States and the SFCs should be made the implementing agencies for this fund.

The Government of India in May 2020 had announced some measures to trigger liquidity in the system. The measures like, easy access of funds to NBFCs/MFIs and commercial banks through loans and subscriptions to bonds/NCDs, for onward lending to MSMEs will ensure the much required cheap, adequate and timely credit to entrepreneurs, creating positive atmosphere in the system. The SFCs which are extending effective credit to a large number of MSME units however have not been included as implementing agencies for this relief package. Hence, these MSME units are unable to take advantage of this help. In this connection, COSIDICI vide letter dated May 22, 2020 had requested the Hon'ble Finance Minister that the SFCs may be considered as the implementing agencies for the relief package for MSMEs under the Special Liquidity Scheme extended to NBFCs/MFIs/HFCs; Collateral free automatic loans for businesses, including MSMEs; Partial Credit Guarantee Scheme 2.0 extended to NBFCs; and Subordinate Debt for Stressed MSMEs.

In view of the prevailing pandemic in the country, the Executive Committee decided to postpone the 7th COSIDICI National Award Function, 2020 to the next Calendar Year.

SUCCESS STORY OF MPFC ASSISTED UNITS



Shri NC Majumdar
Chairman & Managing Director

M/s NCM Shoava Engineers Pvt. Ltd. was incorporated in 1993 for setting up a heavy industrial engineering unit. During the year 1995 to 2007 the Corporation advanced multiple loans to the Company aggregating to Rs. 297.000 lacs, for expansion and modernization.

The company is promoted by Shri N.C. Muzumdar, qualified mechanical engineer having technical skill and management acumen. PIONEER.PRECISION.PERFECTION These words express the spirit behind the team of NCM-SHOAVA Engineers Pvt. Ltd. that is reflected in the Design, Manufacturing, Technology and Quality of its products. It is this spirit that has placed NCM-SHOAVA Engineers Pvt. Ltd. on the forefront of India's Manufacturing scenario. It is privileged to place India on world map in the earth moving industry. It is the only Indian company that manufactures and exports accessories and attachments for earth moving industry.

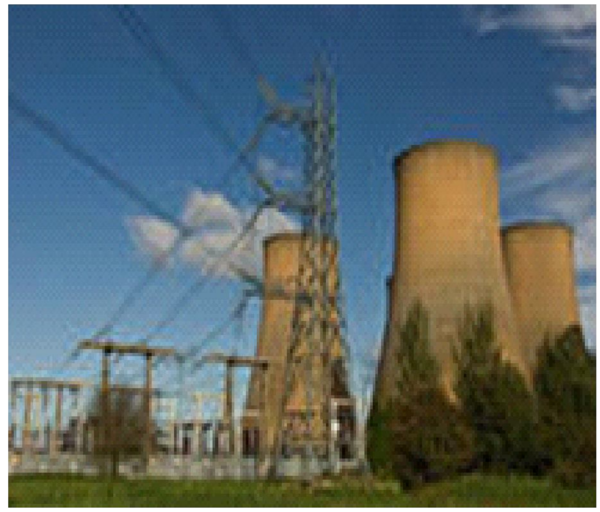
Out of over seventy products NCM Shoava makes, it is the patent holder for Vertical Shaft Impactors, a tertiary stage crusher for aggregate manufacturing plants. (Patent No. 194111) The company undertakes design, manufacturing and supply of tailor made equipments such as hydro tester (pipe handling system for spiral and submerged arc welded pipes) and calibration fixture for load cells. While meeting the most stringent international standards of our customers, the company takes every project as an opportunity to scale new technical frontiers. In the year 2004, the promoters have developed hydraulic hammer model X-21366 of 300 kg. Capacity, which is a very vital equipment used in demolition industry. This is mainly used for breaking rocks and concrete structures. Only a few countries in the world manufacture this product.

The first consignment of hammer was dispatched in Sept.,2004 and in the first two years of operations the company has exported 391 hammers. The company is certified with ISO 9000:2001 for maintaining quality standard.

INFRASTRUCTURE

MNRE set to remove ceiling on tariffs for wind energy tenders

In a move that could revive participation in wind bidding in a big way, the ministry of new and renewable energy (MNRE) is set to stop imposing ceiling tariffs on wind tenders. Developers feel that tariffs are too low and it restricts them from participating as well as stymies the progress of renewable energy.



Rs.102 L-cr investment road map in infrastructure by 2025

With economic growth decelerating, the government in January, 2020 laid out a road map for its proposed investments of over Rs.102 lakh crore in infrastructure by F.Y. 2025 pledging 70% of the capital expenditure for energy, roads, urban development and railways and envisaging an important role for private investors. Releasing a report by a task force on the national infrastructure pipeline set up under Economic Affairs Secretary, Shri Atanu Chakraborty, Finance Minister, Smt. Nirmala Sitharaman said the proposed spending will be front-loaded and backed by concomitant reforms in various areas – including public private partnership models, enforcement of contracts and dispute resolution – to achieve the intended results. Another Rs.3 lakh crore of projects will be added to this pipeline soon, she said. The new pipeline consists of 39% of projects each by the Centre and States (together), and balance 22% by the private sector. The government aims to raise the share of the private sector to 30% in the coming years.

Core Sector output rises 2.2% in January

The output of eight core sectors of the economy rose in January, growing by 2.2 per cent as key sectors like refinery products and electricity continued to see slow growth. Core output had contracted for four months till November as a broad-based decline gripped most sectors. As a result, core sector output in the April-January period of the current fiscal year (FY20) dropped to 0.6 per cent, compared to 4.4 per cent in the corresponding period of the previous year.

Goods procured from SEZs by single-brand retailers qualify to meet norms

Goods procured from units in special economic zones (SEZ) by single brand retailers, owned by foreign companies, would qualify for meeting the mandatory 30% local sourcing norms, the government said in a clarification. According to the foreign direct investment (FDI) rules, 100% overseas investment is allowed in the sector but sourcing of 30% of the value of goods procured is mandatory from India for such companies having FDI beyond 51%.

NEWS FROM STATES

U.P. Budget

The Uttar Pradesh government on February 17, 2020 presented Rs.5,12,861-crore budget for F.Y. ‘21, up 6.9% from the budget for the previous year. The thrust of the budget is on creation of infrastructure and jobs. The government has laid emphasis on developing metro networks, airports and expressways, besides fixing a target to build four lakh houses for weaker sections by March 2021. Fiscal deficit of Rs 53,195 crore is estimated for 2020-21, which is 2.97% the gross state domestic product and close to the FRBM limit. Provision of Rs 2,000 crore for the 637-km-long ‘Ganga Expressway’ from Meerut to Prayagraj. Rs 2,000 crore for Noida International Greenfield Airport at Jewar in Noida, Rs 500 crore for Ayodhya Airport and `92.5 crore for airports under the regional connectivity scheme. Of total receipts of Rs 5,00,559 crore estimated, Rs 4,22,568 crore is by way of revenue receipts and Rs 77,990.70 crore by way of capital receipts.

Revenue receipts include Rs 3,18,884 crore by way of tax revenue share, which includes Rs.1,66,021 crore by way of the state’s own tax revenue and Rs 1,52,863.17 crore by way of the state’s share in the central taxes. Total state expenditure is estimated at Rs 5,12,860.72 crore, which includes Rs 3,95,116.95 crore by way of revenue expenditure and Rs 1,17,743.77 crore by way of capital expenditure.The state’s debt liability is estimated to be 28.8% of the state’s GDP.

The State has also allocated Rs.358 crore for the Kanpur Metro Rail Project and another Rs 286 crore proposed for Agra Metro Rail Project. The budget also proposes ‘200 crore for Metro rail projects in Gorakhpur. Rs.900 crore for Delhi-Meerut Regional Rapid Transit System allocated to improve connectivity in the cities, Rs.170 crore for flyovers, bypasses and intersections; Rs 20,000 crore for Smart City Project in Lucknow, Kanpur and other districts of the State; Rs 5,800 crore towards the Swachh Bharat Mission and Rs 4,000 crore for Rashtriya Poshan Abhiyaan.

The Government also announced two new schemes to promote and help the youth of the state — the Chief Minister Apprenticeship Promotion Scheme (CMAPS) and the Yuva Udyamita Vikas Abhiyan (YUVA). “A provision of Rs 100 crore has been made under the CMAPS to impart on-job training to the state’s youth in MSME units and link them with an employment of definite period. Out of the total amount of stipend, Rs.1,500 will be borne by the Centre, Rs.1,000 by the state and the remaining amount by the industry concerned.

Kerala gets investment offers of Rs.1 trillion

The Kerala Government has received investment intentions of about Rs 1 trillion during the ASCEND 2020 Global Investors Meet held in January, 2020. The largest commitment was by Abu Dhabi Investment Authority, which committed around 66 per cent of the total investment.

Overall, the state has received 164 investment proposals. Across the sessions at ASCEND 2020 came in promises worth Rs 32,008 crore. Kerala Infrastructure Management Ltd. will invest Rs 8,110 crore, while the Abu Dhabi Investment Authority has agreed to invest of Rs 66,900 crore.

Kerala to cut spending to address crisis

The Kerala government is looking at ways to cut its expenditure significantly in order to deal with the current financial situation of the state, which may see the worst recession since its formation in 1956, said State Finance Minister, Shri T M Thomas Isaac. According to a report on economic and fiscal shock of Covid-19 on Kerala by Gulati Institute of Finance and Taxation (GIFT) - an autonomous institution of the state government - the state's revenue deficit is expected to rise up to Rs.48,657 crore and fiscal deficit to up to Rs.62,751 crore in fiscal year 2020-21.

Andhra agrees to pay average rates to renewable projects

Andhra Pradesh in December told the High Court that it will pay solar and wind power producers at an average rate till the legal proceedings are concluded over the State government's decision to review tariff of all renewable power projects. The power distribution companies of the State said they will pay solar power project Rs 2.44 per unit (kilowatt an hour) and wind projects Rs 2.43 per unit till the issue is resolved.

Both outstanding and future payment will be made at the same rate. The average rate decided by the state is half of what is the prevailing rate for solar and wind projects in the state. The average tariff for wind projects is Rs 4.8 per unit and for solar is Rs 4.5 per unit.

Maharashtra to have India's 13th major port

The Union Cabinet in February approved the setting up of the country's 13th major port at Vadhavan in Maharashtra at a total cost of Rs 65,544.54 crore. The Vadhavan port will be developed on "landlord model" (where infrastructure is leased to private firms or industries and chemical plants). A special purpose vehicle (SPV) will be formed, with the government planning to hold 51 per cent stake in the project. The SPV will develop the port infrastructure including reclamation, construction of breakwater, besides establishing connectivity to the hinterland. All the business activities would be undertaken under the private-public partnership mode.

The Central Government felt the need for a deep draft port to accommodate the largest container ships in the world. The new port will also cater to the spillover traffic from JNPT once its planned capacity of 10 million TEUs is fully utilised. The Vadhavan port has a natural draft of about 20 metres close to the shore, making it possible for it to handle bigger vessels. Development of this port will enable cargo container vessels of 16,000-25,000 TEUs capacity, giving advantage of economies of scale and reducing logistics cost.

Bengaluru rural district was formed in 1986 and is situated in the South Eastern part of Karnataka. It is spread across four Taluks : Doddaballapur, Devanahalli, Hosakote and Nelamangala. The district has 63 large Industries and 8,639 MSME units. These MSME units employs 68,511 people at a total investment of INR 1,168.16 crores. Aerospace Park in 732 acres is being developed and Aerospace SEZ on 252 acres near KIA. Sericulture employs over 51,700 people with 10% of the total MSME units in the district engaged in the sector. The State has approved the establishment of a 100 acre food park with a total cost of USD 5.4 5 million. Also Devanahalli Business Park with two IT parks is being set up. Scheme for Integrated Textile Park Apparel parks in KIADB industrial area has also been approved.

♦♦♦♦

ALL INDIA INSTITUTIONS

Digital system to enable lenders to lend to MSMEs

A new digital system that facilitates lending to small firms, based on their cash flows, is on its way and it is expected to see business worth an estimated Rs 20 lakh crore being transacted in the next six to seven years. That's about ae total outstanding loans of banks at Rs.100 lakh crore.

New digital system will facilitate loans to small firms; Loans will be given on basis of cash flows; Lenders can track firm's invoices on GST network; All existing lenders banks, NBFCs - can participate; Loan service providers can also be part of the system; Experts says Rs.20 lakh crore could be lent in the 6-7 years.

RBI's 5 year financial inclusion strategy

The RBI has come up with a National Strategy for Financial Inclusion 2019-2024 to provide access to formal financial services in an affordable manner. It's key recommendation are as under : -

- Access to financial service providers in every village within a range of 5 km;
- Every adult registered under PMJDY should be enrolled in insurance, pension scheme;
- Public credit registry to be made fully operational by March, 2022;
- Strengthening of digital financial services to facilitate less cash society.

The RBI announced a series of measures in February, 2020 to support growth as under:

Measure : Lesser CRR for those who lend more for homes, cars & MSMEs;
Impact : Cheaper home, car & MSMEs.

Measure : Introduced 1 to 3 years term repos of upto Rs.1 lakh crore.
Impact : To lower cost of funds for banks, facilitate better transmission.
Measure : Extends one time restructuring scheme for MSME to December, 2020.
Impact : Some relief for eligible MSMEs
Measures : Delayed realty projects get 1 year protection from asset downgrade.
Impact : Some incentive to distressed builders, comfort for lenders.

RBI to get more control over cooperative banks

RBI is set to get more auditory and supervisory powers over urban and multi-state cooperative banks as the Central Government has approved the Banking Regulation Amendment Bill, 2020. Like Commercial Banks, multi-state and urban cooperative banks will be brought under the regulations of the RBI. These changes will be only for the banking side and administrative rights will continue to remain with the registrars, said Information and Broadcasting Minister, Shri Prakash Javadekar.

The audit of such cooperative banks will be according to RBI regulations and the best management practices laid down by the regulator will also apply to them. Further, the RBI will be allowed to set the minimum level of qualifications for the board members of such lenders which will need the consent of the regulator to appoint a Chief Executive Officer.

Bank credit grows 7%; deposits by 10%

The pace of year on year growth in commercial bank credit more than halved to 7.1 per cent at end fortnight (December 20, 2019) from 15.11 per cent a year ago, data released by RBI revealed. Between December 6 and December 20, lenders disbursed Rs 12,519 crore, taking outstanding of scheduled commercial Rs 99.47 trillion, according to Reserve Bank of India data. On the other hand, the deposits in the same period increased 9.09 per cent to Rs 130.08 trillion by the end of December 20. However, in the fortnight between December 6 and December 20, the deposits declined 0.7 per cent.

RBI extends timeline for easier securitization of NBFC assets

The RBI in January extended the availability of relaxed terms for sale of assets by non-bank lenders to banks to June 30, 2020. The dispensation was earlier set to expire on December 31. The rules for securitisation transactions were first relaxed on November 29, 2018.

PSBs sanction loans worth Rs.6 trillion in two months

Public sector Banks (PSBs) have sanctioned loans worth Rs.5.95 trillion in the March and April, 2020 to various sectors, including MSME, agriculture and corporate, hit hard by Covid-19 induced nationwide lockdown. Non-bank finance companies (NBFCs) have received Rs.1.18 trillion from these banks during the period between March 1 and May 8. PSBs sanctioned loans worth Rs.5.95 trillion for more than 4.67 million accounts from the MSME, retail, agriculture and corporate sectors between March 01 and May 08, 2020. Total financing worth Rs.1.18 trillion was provided to NBFCs.

BRICS Bank loans $1 bn to India for Covid

The New Development Bank of the BRICS countries has fully disbursed $1-billion emergency assistance loan to India to help it contain the spread of Covid-19 and reduce human, social, and economic losses caused by the coronavirus pandemic.

♦♦♦♦

A map of the world that does not include
Utopist is not worth even glancing at,
for it leaves out the one country at which
humanity is always landing.
And when humanity lands there, it looks
out and seeing a better country, sets sail.

Push for MSMEs to join E-comm exports

The Government has urged e-commerce firms to help sell goods produced by small enterprises in remote parts of the country around the world via online marketplaces, and to identify district-wise products that can be promoted globally, amid decreasing exports. Exports have been hovering around \$300 billion since 2011-12. In the April-December period, exports fell 1.96% year on year to \$239.29 billion while imports fell 8.9% to \$357.39 billion, leaving a trade deficit of \$118.10 billion. In FY19, total trade deficit was \$176.42 billion.

The Government had in 2018 increased the value limit for availing export incentives under the Merchandise Export from India Scheme (MEIS) to Rs.5 lakh per consignment sold via ecommerce platforms, courier or foreign post offices from Rs.25,000 earlier for handloom products, books and periodicals, leather footwear, toys, and customised fashion garments.

MSME loan recast window extended till Dec. 31

RBI in February 2020 extended the restructuring window for MSME loan accounts till December 31, 2020, which was supposed to expire in March 2020. The one-time restructuring can now be done without a downgrade in asset classification to standard accounts of GST-registered MSMEs in default as on January 1, 2020. The restructuring under the scheme has to be implemented latest by December 31, 2020. This is a relief to banks as the latest available data released by the lenders shows that at least 19 banks have restructured advances to MSMEs worth Rs.16,746.83 crore in 4.55 lakh accounts. Shri Sanjay Kumar Agarwal, Senior Director, CARE rating said the restructuring window offered to the MSMEs is akin to that provided to the textile industry several years ago, after which the companies were able to deliver. "The NPA figures will not deteriorate, as F.Y. '22 is when the results will show up. It all depends on how the economy will perform in that period.

The UK Sinha expert committee report on MSMEs, released in July 2019, said bankers were hesitant to restructure the MSME accounts, even though there is no need to make immediate provisions. Apprehension arising from internal staff accountability exercise triggered by the classification of any account as NPA and a concomitant fear of investigative agencies, and the fact that there is no visibility of future viability of MSME accounts had led to the hesitation.

To ensure better rate transmission, the central bank also linked all new floating rate loans by banks to medium enterprises to external benchmarks including the policy repo rate, or any benchmark interest rate produced by Financial Benchmarks India, including treasury bill rates effective April 1, 2020, which were earlier linked to external benchmarks effective October 1, 2019.

SIDBI, CGTMSE directed to set up framework for faster processing of SME loans

Commerce and Industry Minister, Shri Piyush Goyal has directed SIDBI and the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to set up a framework for helping process loans to SME units faster and also provide insurance cover to the SME exporters. He also urged SME sector manufacturers to produce high-quality goods and follow international standards so that exports from the SME sector may become a part of the global value chain.

MSME may need more restructuring after moratorium

Micro, small, and medium enterprises (MSMEs) might need large-scale restructuring in August once the moratorium on loan repayment is lifted. Most small businesses have started opening up with Unlock 1.0 but they continue to remain under stress due to lack of demand. In March, the RBI had launched three-month moratorium on loans, which was extended by another three months. Customers can now avail of moratorium till August, though at a higher cost on account of accrued interests. "About 40-50 per cent of borrowers are availing of the moratorium and the stress is likely to continue. Across the banking sector, small businesses have been seriously impacted and banks might have to make high provisions for them if restructuring is not done. This will seriously impact balance sheets of all banks.

Small industries have proposed to extend the moratorium till March 31, 2021. "For most MSMEs, the supply chain is largely disrupted, there is an acute labour shortage, and the export market is very weak. Also there is not much demand in the market. According to estimates by SIDBI, recoveries have been around 40-65 per cent in June for most non-banking financial companies, including microfinance operators. Microfinance lenders that lend to small businesses have been witnessing better recoveries as their lending has been mostly concentrated in rural areas. Most of the loans sanctioned by SIDBI have been for emergency purposes, such as paying staff salaries. SIDBI had received Rs.15,000 crore from the RBI to provide financial help to MSMEs.

Banks will monitor solvency, guarantees cool credit risk fear

Banks expect faster disbursement of sanctioned money to micro, small and medium enterprises (MSMEs) after the lockdown is lifted. But the apprehension of money coming back being addressed in the form of guarantees. While the issue of providing liquidity to existing borrowers who are sapped of revenues has been addressed, banks will have to undertake due diligence on the solvency of units. Public and private sector bankers said the government was setting bigger goals, and with the present disruption, the challenge was beyond just providing money to address immediate liquidity concerns. It has been a blow to units across supply chains, and hence banks have to examine the viability of units over a longer period. These are collateral free loans. Yet, prudent norms will have to be followed, including repayment within the scheme's parameters. This is not a free flow of money. Credit guarantees will start when defaults happen.

CIBIL, in its review, said MSMEs continue to have the lowest default rate in commercial lending. Default rates across all MSME segments are lower than large corporate NPAs. The gross non-performing asset ratios for the micro segment of MSMEs have remained stable. Within micro loans, loans of less than Rs.0.1 crore in ticket size have seen a reduction in default rates.

Rs.1 trillion lent under MSME lending scheme

Lenders have sanctioned almost half of the money promised under the Emergency Credit Line Guarantee Scheme (ECLGS) almost three months after its announcement. Public and private sector banks have sanctioned over Rs 1.5 trillion as of August 18 out of the Rs.3 trillion promised to be lent under the scheme, fully guaranteed by the government. The scheme was primarily aimed at the micro, small and medium enterprises (MSMEs), hit hard by lockdowns due to the outbreak of Covid-19.

Covid toll on MSMEs : 3 in 4 at below half capacity

After lockdown production of MSMEs is at less than half their capacity. On account of poor demand, logistical issues, and their own financial troubles.

85% of MSME units operate from households and as their exposure to formal banking is almost zero, they are not able to take the benefit of the Centre's liquidity package, *which is linked to outstanding bank credit. The government needs to come out with a separate fund or fast-track MUDRA [Micro Units Development & Refinance Agency Ltd] loan for these people. For bigger MSMEs, e-marketing needs to be strengthened and a special fund for technology upgradation is required as many MSMEs want to invest heavily in technology.*

And as of August 6, four million MSMEs had been sanctioned around Rs.140,000 crore under the Emergency Credit Line Guarantee Scheme announced as part of the government's Rs.20 lakh crore relief package, of which around ~95,000 crore had been disbursed. The numbers highlight the toll the pandemic and the lockdown imposed to slow its spread (while the national lockdown ended on May 31, localised lockdowns continue across many parts of India as cases continue to rise) has taken on what is described as the backbone of Indian industry — MSMEs. India's small businesses employ around 110 million people and accounted for almost half of India's exports in 2019-20 and around 30% of GDP.

MSME definitions revised

The definition of Micro Small and Medium Enterprises (MSME) has been revised by the Central Government. Earlier, the MSMEs were defined on the basis of investments put in, now the revised definitions will also include turnover of the company. Also there will be no more distinction between Manufacturing and Service MSMEs. Earlier, the criteria for manufacturing units and service units were different. Now those distinctions between Manufacturing and Service MSMEs are being removed. They will all be defined similarly.

Micro units

MSMEs with investments upto Rs. 1 crore and turnover of less than Rs.5 crore will be classified as Micro units. Earlier the investment criteria was up to Rs.10 lakh for Service MSMEs and Rs.25 lakh for manufacturing.

Small units

Investment limit for small MSMEs has been raised from Rs.5 crore to Rs.10 crore with a turnover of less than 50 crore. This applies to all MSMEs including the Service enterprises which earlier came under investment of up to Rs.2 crore.

Medium units

Enterprises with investments up to Rs.50 crore with a turnover of Rs.250 crore will now be called Medium units. Earlier, the investment limit for Medium units was up to Rs. 10 crore and Service enterprises up to Rs 5 crore.

The definition being changed is done in the favour of MSMEs to enable them to avail of the benefits of being MSMEs and also grow in size. Below is given the existing and revised definitions of MSMEs

	Earlier Definition (Based on investment)		Revised Definition # (Based on investment+turnover)	
	Manufacturing	**Services**	**Investment**	**Turnover**
Micro	< 25 lakh	< 10 Lakh	< 1 crore	< 5 crore
Small	< 5 crore	< 2 crore	< 10 crore	< 50 crore
Medium	< 10 crore	< 5 crore	< 50 crore	< 250 crore

The Government announced loans worth Rs.3 trillion for 4.5 million units. The collateral-free, automatic loans will be available till October 31, but only MSMEs with outstanding loan upto Rs.25 crore or with a turnover upto Rs.100 crore will be eligible. The loans will have a 4-year tenure, along with a moratorium on repayment for 12 months. The government will provide 100 per cent credit guaranteed cover to banks and non-banking financial companies on both principal and interest. All government bodies and central public sector enterprises have been told to clear all MSME dues in 45 days.

The proposal for provisioning of Rs.20,000 crore as subordinate debt to provide equity support to stressed MSMEs expected to benefit 200,000 stressed units has been approved. A proposal for equity infusion of Rs.50,000 crore for MSMEs through a fund of funds has also been approved. This will establish a framework to help MSMEs in managing the debt-equity ratio and in their capacity augmentation.

♦♦♦♦

ANSWERS OF CYBERQUIZ ~ 78

Ans.1.[a]
Linus Benedict Torvalds : A humorous biography co-written with David Diamond, the book describes Linus view of himself, the development of Linux, and the free Software movement.

Ans.2.[a]
David Rhodes : Also known by his Internet name Dave Rhodes, David was sentenced to ten-year imprisonment. Later on he denounced the scheme in his own website as a condition for his parole.

Ans.3.[b]
SETI(Search for Extrater-restrial Intelligence) : SETI is a scientific effort aimed at discovering intelligent life in other parts of the universe. It involves detection of radio signals as a sign of presence of intelligence in other parts of the universe.

Ans.4.[b]
A person spending long hours online : Mouse-potato is the on-line counterpart is the person who spends a lot of time before the TV lying on a couch.

Ans.5[b]
Cyborg : The term has been coinced from cybernetics and organism. Manfred used the term to describe the need for manking to artificially enhance biological functions so as to survive in the space.

PREVENT COVID-19: HOW TO PROTECT YOURSELF FROM THE NEW CORONAVIRUS

The COVID-19 pandemic has been a part of our daily lives since March 2020. According to the **Center for Disease Control and Prevention (CDC)**, "The best way to prevent illness is to avoid being exposed to this virus." Here are the simple steps you can take to help prevent the spread of COVID-19 and protect yourself and others.

Know how it spreads

Scientists are still learning about COVID-19, the disease caused by the new coronavirus, but according to the CDC, this highly contagious virus appears to be most commonly spread during close (within 6 feet) person-to-person contact through respiratory droplets. "The means of transmission can be through respiratory droplets produced when a person coughs or sneezes, or by direct physical contact with an infected person, such as shaking hands," says Dr. David Goldberg, an internist and infectious disease specialist at NewYork-Presbyterian Medical Group Westchester and an assistant professor of medicine at Columbia University Vagelos College of Physicians and Surgeons.

The CDC also notes that COVID-19 can spread by airborne transmission, although this is less common than close contact with a person. "Some infections can be spread by exposure to virus in small droplets and particles that can linger in the air for minutes to hours," the CDC states. "These viruses may be able to infect people who are further than 6 feet away from the person who is infected or after that person has left the space. These transmissions occurred within enclosed spaces that had inadequate ventilation."

Finally, it's possible for coronavirus to spread through contaminated surfaces, but this is also less likely. According to the CDC, "Based on data from lab studies on COVID-19 and what we know about similar respiratory diseases, it may be possible that a person can get COVID-19 by touching a surface or object that has the virus on it and then touching their own mouth, nose, or possibly their eyes, but this isn't thought to be the main way the virus spreads."

Practice Social Distancing

Since close person-to-person contact appears to be the main source of transmission, **social distancing** remains a key way to mitigate spread. The CDC recommends **maintaining a distance of approximately 6 feet** from others in public places. This distance will help you avoid direct contact with respiratory droplets produced by coughing or sneezing.

In addition, studies have found that outdoor settings with enough space to distance and good ventilation will **reduce risk** of exposure. "There is up to 80% less transmission of the virus happening outdoors versus indoors," says **Dr. Ashwin Vasan**, an assistant attending physician in the Department of Medicine at NewYork-Presbyterian/ Columbia University Irving Medical Center and an assistant professor at the Mailman School of Public Health and Columbia University Vagelos College of Physicians and Surgeons. "One **study** found that of 318 outbreaks that accounted for 1,245 confirmed cases in China, only one outbreak occurred outdoors. That's significant. I recommend spending time with others outside. We're not talking about going to a sporting event or a concert. We're talking about going for a walk or going to the park, or even having a conversation at a safe distance with someone outside."

Wash Your Hands

Practicing good hygiene is an important habit that helps prevent the spread of COVID-19. Make these **CDC recommendations** part of your routine **:**

- Wash your hands often with soap and water for at least 20 seconds, especially after you have been in a public place, or after blowing your nose, coughing, or sneezing.
- **It's especially important to wash :** Before eating or preparing food; Before touching your face; After using the restroom; After leaving a public place; After blowing your nose, coughing, or sneezing; After handling your mask; After changing a diaper; After caring for someone who's sick; After touching animals or pets
- If soap and water are not readily available, use a hand sanitizer that contains at least 60% alcohol. Cover all surfaces of your hands with the sanitizer and rub them together until they feel dry.
- Avoid touching your eyes, nose, and mouth with unwashed hands.

Visit the CDC website for guidelines on how to properly **wash your hands** and **use hand sanitizer**. There's plenty of **science** behind this basic habit. "Soap molecules disrupt the fatty layer or coat surrounding the virus, " says Dr. Goldberg. "Once the viral coat is broken down, the virus is no longer able to function."

In addition to hand-washing, disinfect **frequently touched surfaces** daily. This includes tables, doorknobs, light switches, countertops, handles, desks, phones, keyboards, toilets, faucets, and sinks.

Wear a Mask

Face masks have become **essential accessories** in protecting yourself and others from contracting COVID-

19. The CDC recommends that people **wear face coverings in public settings,** especially since studies have shown that individuals with the novel coronavirus could be asymptomatic or presymptomatic. (Face masks, however, do not replace **social distancing** recommendations.

"Face masks are designed to provide a barrier between your airway and the outside world," says **Dr. Ole Vielemeyer**, medical director of Weill Cornell ID Associates and Travel Medicine in the Division of Infectious Diseases at NewYork-Presbyterian/Weill Cornell Medical Center and Weill Cornell Medicine. "By wearing a mask that covers your mouth and nose, you will reduce the risk of serving as the source of disease spread by trapping your own droplets in the mask, and also reduce the risk of getting sick via droplets that contain the coronavirus by blocking access to your own airways."

Restrict Your Travel

Traveling can increase the spread of COVID-19 and put you at risk for contracting the disease. The CDC recommends **avoiding non-essential travel to many international destinations** during the pandemic. It also advises people to **weigh the risks** when it comes to domestic travel: "Travel increases your chance of getting and spreading COVID-19," states the CDC. "Staying home is the best way to protect yourself and others from COVID-19."

"For people at risk for the complications of COVID-19, such as those with underlying medical conditions or those who are older, it's prudent to avoid travel," says Dr. Goldberg. If you must travel, take **safety measures,** consider your mode of transportation, and stay up to date on the **restrictions** that are in place at your destination. Adhering to your state's quarantine rules after traveling will help prevent the spread of COVID-19.

Watch For Symptoms

The symptoms of infection for the coronavirus are often similar to those of other respiratory virus infections, such as influenza. Symptoms can include **:**

Fever or chills; Cough; Shortness of breath or difficulty breathing; Fatigue; Muscle or body aches; Headache; New loss of taste or smell; Sore throat; Congestion or runny nose; Nausea or vomiting and Diarrhea.

With the COVID-19 pandemic now coinciding with flu season, it's important to **recognize the differences** in symptoms — as well as get a flu shot. "The medical community is concerned that if we have an increased number of influenza cases, it will strain the hospital system on top of what's already going on with the COVID-19 pandemic," says **Dr. Ting Ting Wong**, an attending physician and infectious disease specialist at NewYork-Presbyterian Brooklyn Methodist Hospital.

If you think you may have been **exposed to a person with COVID-19** and have symptoms, call ahead to a doctor's office to see if you can get tested. Avoid contact with others and wear a face mask if you need to leave your home when you are sick. ♦♦♦♦

MISCELLANY

What's 'One commodity, One Exchange ?

What is the concept of 'one commodity, one exchange'?

The concept is in line with the global practice where particular commodities are offered on a single exchange. A concept paper has recently been circulated among stock exchanges for their feedback on whether unique contracts can be launched on a single SE as is vogue on Shanghai Futures Exchange or Dalian Commodity Exchange of China, which have become price setters instead of price takers. The prices discovered on these exchanges, like copper on SHFE, have become global benchmarks.

What is the situation on Indian exchanges currently?

Currently, of the 91 goods notified for trading by the government, exchanges have launched contracts on 40 such goods. The same contracts are offered by multiple exchanges like MCX NSE -2.67 %, NCDEX, ICEX, BSE and NSE, which results in liquidity getting fragmented and the exchanges not being incentivised to conduct further research on products that they launched initially for trading.

If the concept becomes practice, how will it function?

The plans are twofold. One is to allow each exchange to select 2-3 goods from the notified list on which no exchange has launched a derivatives product. The exchange would get 3-5 years to exclusively offer that product and make it liquid. Secondly, Sebi could allow exchanges to include commodities to the notified list of goods. Any exchange opting for this route would get the first right to launch derivative products on such goods it proposes.

Which are the overseas exchanges known for unique commodities?

Malaysia's BMD is known for offering the benchmark crude palm oil derivatives contract, US' CME group for gold, silver, crude oil and natural gas derivatives, ICE in US and Europe for derivatives on coffee and sugar and Japan's Tocom for rubber.

♦♦♦♦