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HOW DIGITAL TECHNOLOGY HAS REDEFINED MSME SECTOR

* *Ramaswamy Venkatachalam*

As the steady rising day temperatures call out the ending of the winter season, Shri Pradeep Kumar is on his way to start another busy day. As a retailer of consumer camera equipment, he has established a good presence both on ecommerce platforms (that is responsible for about 30% of his sales) in addition to his small store in Delhi's Lajpat Rai market. He is expecting a big surge in sales as the school holiday season is expected to start driving up demand for cameras and associated ancillary products. He needs to stock up on inventory and needs about Rs.10 lakhs urgently to secure his supplies from the distributor.

Till last year, this meant doing the rounds to a few known lenders and spending at least 2-3 days doing the paperwork without knowing for sure when and how much he would be able to borrow. However, today, the balance has shifted in his favour as he has a choice of lenders to choose from, and a clear visibility of how much he can borrow at any given time. The best part is that he does not have to leave his shop — and as a bonus, the actual funds are available to him in almost real time.

At almost, the exact same time, Ms. Sushila Chanu, a beauty salon owner in Imphal, is constantly struggling with the need to maintain her popular outlet with the latest trends in the fashion industry. She operates in what is mainly a cash-dominated economy and most of her interactions with her customers as well as with her suppliers have so far mostly been in cash. She is looking up to redo the interiors of her salon and also invest in some of the latest styling products. She estimates that she needs about Rs 4 lakhs to undertake this. She has learnt from her sources that there are many willing lenders, but she will have to take out the time to submit paperwork, do the necessary follow up and hope that her loan application is approved. The other alternative is the local money lender, but the interest rates deter her from taking that option.

Shri Pradeep and Ms. Sushila are prime examples of millions of Indians across the length and breadth of this country who constitute a vital sector of the economy in the MSME segment. The MSMEs (Micro, Small and Medium Enterprises) contribute to almost half of the total industrial output and a fifth of the GDP. The sector is also responsible for the huge employment generation in the economy. Nevertheless, the MSME segment faces significant challenges as it is diverse, does not have regular accounting practices, depends on the skill/expertise of a very few people within the enterprise. Therefore, this sector has lacked access to formal credit and relies on informal players who have a share of more than 40% of lending to this sector.

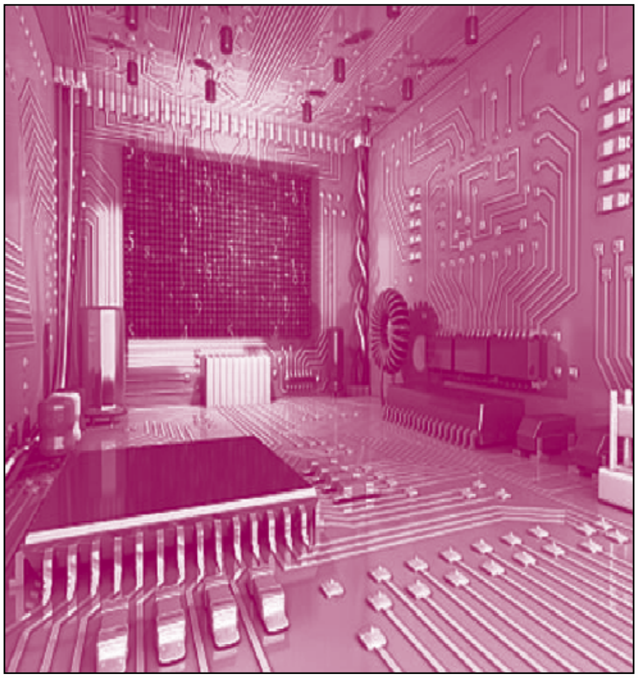
From working capital requirements to capital for capacity expansion, and trade related financing, this sector has many requirements from the financial services sector. However, as established earlier, it is not easy to lend for these requirements since the process of lending involves sourcing of credit applications, evaluation of the proposal, loan limit determination, pricing and actual servicing of the loan, all of which in the traditional model has involved significant amount of paperwork, strong expertise in specific industry segments to support such operations. This means that till now, coverage of MSMEs has been poor due to fragmentation, their interest has also been low due to high costs of managing the lending supply chain. In Addition , the use of legacy technology tools have also been a limitation for MSMEs.

In the world of digital transformation in the lending space, we are witnessing a completely changed environment. It is estimated that the total potential for lending to this sector is today close to $100 Bn in annual disbursements across the 60 million MSMEs estimated in India.

Digital lending is transforming this sector at a pace historically never seen before. What is driving this change? Formalization of a large part of this economy especially in the Rs.10 lac and above annual turnover due to GST and other reforms has led to increased digitization of accounts, usage of banks, and adoption of smartphones.

On the supplier side, digital transformation is here to stay. Various banks and lenders and fintech firms have established a robust and real-time digital ecosystem that leverages India stack, and API based interactions. These provide rich customer experience to the borrower but more importantly cuts down the credit application to disbursement timeframe to a few hours, significantly reduce the cost, and all with minimal paperwork and without the need to appear in person.

In the near future, the lenders will be able to turn on mass-customization to fine tune the product as close to the customer specific needs. Customer acquisitions will increasingly shift away from the distributed physical network and start to leverage supply chain ecosystems such as ecommerce,



trade groupings and smartphone adoption will further accelerate this shift. Data processing at scale will also provide adequate inputs for analytics and the ability to tailor offerings to customers as well as help with fraud reduction.

The areas where there may need to be more emphasis in the coming days, include: having a Payments Service Directive-2 (PSD2) type mandate that allows for consent-based sharing of customer data, digitization of the underlying physical securities so digital records can be directly accessed for processing, and differentiated credit scoring model. With these steps and more, one can see how digital lending can vastly aid the MSME segment.

This is the tale of many Indians, but between Shri Pradeep moving towards realizing the digital potential to Ms. Sushila still in the discovery phase of what is possible, we are straddling the biggest opportunity in the country with MSME landscape.

Courtesy: The Economic Times.

The author is Managing Director, Banking and Payments, FIs

LETTER TO THE EDITOR

20th March, 2019

Dear Editor,

Shri S.K. Agarwal

It gives me immense pleasure to know that COSIDICI has been publishing its in-house Journal – "COSIDICI COURIER" since 1978 for accomplishing its objectives and for establishing direct communication link with its Member Corporations all over India. The State Level Financial Institutions (SLFIs) as the Development Financial Institutions (DFIs) are the harbinger of change generating employment and contributing to economic growth. The revival of these Growth Engines would bring about the second round of development resulting in faster economic growth which is the need of the hour. COSIDICI through its Member Corporations is servicing these building blocks of the economy.

The Journal contains comprehensive information regarding promotional and developmental schemes especially for MSMEs. The news items published are very informative and the write ups on successful Entrepreneurs are very inspiring.

My sincere complements and good wishes to the 'Team COSIDICI'.

With best regards

Sincerely,

Sd/-
(S.K. AGARWAL)
A.G.M. (CA/PBD/Law)
Delhi Financial Corporation
(A Government of Delhi Undertaking)
Plot No 37-38, Institutional Area,
Pankha Road, Janak Puri,
New Delhi - 110058

PROFILE OF MEMBER CORPORATIONS
BIHAR STATE FINANCIAL CORPORATION {BSFC}

Bihar State Financial Corporation {BSFC} was established in the year 1954 under SFC's Act, 1951 to promote Small and Medium Scale Industries by way of providing financial assistance. Since then it is playing major role in growth of tiny, small and medium industries in the erstwhile State of Bihar (Presently Bihar and Jharkhand). At present **Shri Ranjit Kumar, BAS** is the Chairman & Managing Director of Bihar State Financial Corporation. Under his leadership BSFC is scaling new heights of achievements.

Shri Ranjit Kumar, BAS
Chairman & Managing Director, BSFC

BSFC has contributed significantly to the growth of various Sectors defined as Industrial concern under SFC's Act, 1951 (as amended from time to time). From early 70's it has also provided liberal financial assistance under special schemes like educated unemployed, composite loans to small artisans, Mahila Udyam Nidhi(MUN), SEMFEX etc. for creating self-employment opportunities to artisans, educated unemployed, women entrepreneurs and ex-service men. It has also provided financial assistance for setting up Hotels/Motels including Marketing Complex, Nursing Homes and also for Electro Diagnostic Equipments etc.

Many of the Industrial concerns set up with financial assistance from BSFC have gone for expansion, established themselves prominently and are contributing to the exchequer of the State Government. Majority of the successful industrial units in Bihar and Jharkhand were earlier assisted by BSFC, which later on have expanded their activities with the support of Banks and other Financial Institutions, as their further requirement of funds exceeded the limit of financial assistance which BSFC could provide as per provision of SFC's Act. BSFC definitely has played a pivotal role in development of industries in the State.

Industrial Finance, Enterprise Development & Project Services Division:

In light of amendment in SFC's Act in 2000, Bihar State Financial Corporation has planned to diversify its activities within the ambit of SFC's Act. This division has been set up in 2008 to take up the following diversified activities.

- Project identification, formulation/ management services, counseling, pre-feasibility studies, DPR and project appraisal.
- Infrastructure planning and arrangement of finance.
- Market survey Assessment/Research.
- Pre lending Post sanction services/Valuation of fixed assets/Non Performing asset Resolution.
- Restructuring (Technical/Management/ Organizational).

- Development of Industry Clusters.
- Technology Facilitation.
- Financial Products Marketing and Securitization.
- Extending hand holding services to micro entrepreneurs through its escort services.
- Waste Minimization/Management.
- Environment Management.
- Research Studies.
- Energy Audits/Management.
- Skill Development.
- Tourism Projects.
- Training entrepreneurs for getting finance from Financial Institution/Bank.
- Preparation of DPR for Government departments as well as for other organisation.

Bihar State Financial Corporation had a large pool of technical and management professionals having more than 25-35 years of experience and even after their retirement, they are still available for giving their services to BSFC. Apart from them experienced consultants/professionals in various disciplines/activities have been empanelled to take up these activities.

IFEDPRO division has been accredited by Department of Industries, Govt. of Bihar and Khadi and Village Industries Commission (KVIC), Mumbai for imparting Training to beneficiaries of Prime Minister's Employment Generation Programme (PMEGP). It is a recognized Nodal Training Institute under Agri-Clinics and Agri-Business centre scheme of Ministry of Agriculture, Govt. of India by National Institute of Agricultural Extension Management (MANAGE), Hyderabad.

IFEDPRO division has successfully completed many **"Entrepreneurship Development Programme."** It has also successfully negotiated with prominent Insurance Companies for selling their life and General Insurance Products on Referral Basis.

The Annual Accounts of BSFC have been audited upto 31st March, 2018. It has taken up initiatives for re-starting its financing activities with the financial support of the State Govt. which has provided an initial fund of Rs.5.00 crores to be given during the current financial year.

■■■

Positive thinking does not mean what will happen, will be the best;
it means whatever will happen, will be accurate for me;
according to my sanskars and my past karmic accounts.

DO YOU KNOW !

USES OF MICROORGANISMS

Microorganisms in food

Microorganisms are used in the production of fermented food and beverages. E.g. Yeast, Penicillium, Lactobacillus.

Microorganisms in Medicine

They also have immense potential in the field of medicine. They are used industrially for the production of antibiotics, vaccines. Insuline, growth hormones and diagnostic kits. E.g. E. coli, Polio virus.

Microorganisms in Industry

Industrially important acids, enzymes, pigments are produced with the help of microorganisms. E.g. Aspergillus niger, Bacillus subtilis.

Microorganisms in Agriculture

Microorganisms have been ruling in agriculture from the past century. They are used as Biofertilizers and Biopesticides. E.g. Rhizobium, Bacillus, Azotobacter.

Microorganisms in Environment

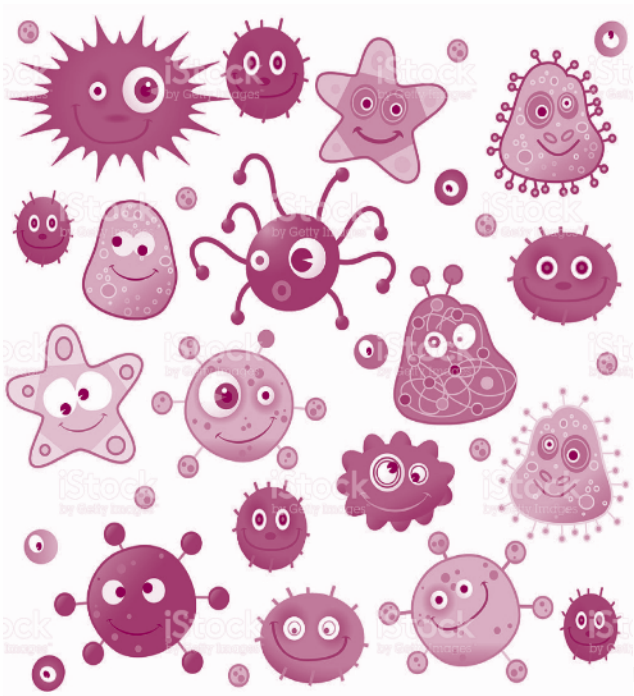
Ability of microorganisms to degrade toxic materials like oil, petroleum, plastic, etc has opened a new field of research. E.g. Pseudomonas, Alcanivorax.

Microorganisms in Air

They are also responsible for degradation of dead cells shed from the skin of humans. If it were not for them, we would have to walk on piles of dead skin cells.

Microorganisms in symbiotic associations

In nature, microorganisms have been found to be associated with higher organisms in a symbiotic relationship with diverse functions. E.g. Lichens, Mycorrhizae.



Microorganisms in Biotechnology

Microorganisms have evolved as a potential alternate source of energy. Microorganisms are used to produce biofuels like biodiesel, bioalcohol and also microbial fuel cell. E.g. Algae.

Microorganisms in evolution

We are all here because of an organism that changed the world. and also paved the way for complex life on earth. That organism is Cyanobacteria. It converted the anaerobic conditions on primitive earth into aerobic conditions by the process of photosynthesis. This lead to the evolution of different organisms and transformation of earth to support life.

Microorganisms in waste treatment

Microorganisms play a crucial role is managing and treating domestic and industrial waste.

Net Direct tax collection crosses Rs.10L-crore mark

The net direct tax collection figure crossed the Rs.10 lakh crore mark on March 16. The net direct tax collection during April-January of this fiscal stood at Rs.7.89 lakh crore as against Rs.12 lakh crore targeted for the entire fiscal of 2018-19. The government had earlier estimated the mop up from direct tax collection at Rs.11.5 lakh crore, which was revised upwards by Rs.50,000 crore in the interim Budget for 2019-20.

The government in the interim Budget revised customs collection target from Rs.1.12 lakh crore to Rs.1.30 lakh crore. The GST collection is estimated to be at Rs.6.43 lakh crore for 2018-19, which is lower than the targeted Rs.7.43 lakh crore.

ADB to provide $926-m infra loan for Mumbai Metro

The Asian Development Bank will provide $926 million (around Rs.6,500 crore) to operationalise two lines totaling 58 km of the Mumbai Metro Rail System which will help provide a cleaner, less congested city. The project will fund 63 six-car trains, signalling and safety systems, and help establish a new dedicated metro operations organisation to manage the entire metro network in Mumbai. The Mumbai Metropolitan Region Development Authority (MMRDA) will implement the project.

The government has developed a plan for 12 metro lines with a total length of 276 km. Line 1, completed in 2014 on a public-private partnership model, carries about 4 lakh passengers a day and has reduced travel time along its east-west route from 71 minutes to 21 minutes. Other new metro lines will ease travel and make the city more livable

and competitive. Since access to the stations is sometimes difficult, ADB is also assisting MMRDA to improve last mile connectivity by piloting electric vehicles and non-motorised transport at select stations.

Core Sector Growth Slows to 1.8% in Jan.

Decline in output of crude oil, refinery products and electricity pulled down the growth of eight core sectors to 1.8 % in January, according to the data released by the commerce and industry ministry. The eight infrastructure sectors—coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity—had expanded 6.2% in January 2018 and 2.7% in December. The core sector has nearly 41% weight in the index of industrial production (IIP), suggesting a moderation in the industrial growth in January. The core sector grew 4.5% between April 2018 and January 2019, compared with 4.1% in the same period of the previous fiscal.

Non-food credit grew 13.1% in January : RBI

Non-food credit demand rose by 13.1 per cent in

January, as against a 9.5 per cent increase during the same period last year. Non-food credit for January stood at Rs.82 trillion, according to data released by the RBI in February. Credit to non-financial banking companies (NBFCs) remains the fastest growing sector for deployment of bank credit, despite the liquidity crisis. Credit to NBFCs saw a 48.3 per cent rise in January, against a growth of 16.1 per cent in the same month in 2018.

Credit growth for the industry increased by 5.1 per cent in January 2019 as compared with 1.1 per cent during the same period last year. Credit to medium enterprises grew the most by 10.9 per cent over the previous year. Credit growth for services remained strong at 23.9 per cent in January 2019. This was against an increase of 13.2 per cent in January 2018. Credit to agriculture and allied activities increased by 7.6 per cent in January, against 9.4 per cent in the year-ago period. Bank credit grew 14.35 per cent to Rs.94.03 trillion, while deposits rose 10.16 per cent to Rs.121.21 lakh crore in the fortnight to February 15, according to the RBI data. In the year-ago fortnight, deposits were at Rs.110.02 trillion and advances at Rs.82.23 trillion.

Trade Deficit $9.6 b in Feb.

India's trade deficit lowered in February due to fall in import of oil, gold and electronics. Exports rose 2.44% from a year ago to $26.7 billion, while a 5.4% contraction in imports led to a decline in the trade deficit to $9.6 billion. The trade deficit was $14.73 billion in January and $12.3 billion in February of the previous year.

"India's overall exports (merchandise and services combined) in April-February 2018-19 are estimated to be $483.98 billion, exhibiting a positive growth of 8.73% over the same period last year" according to the commerce and industry ministry. In the April-February period, the trade deficit widened to $165.52 billion from $148.55 billion in the year-ago period.

Forex reserves increase to $400-bn

The country's foreign exchange reserves increased by $2.59 billion in the week to March 1 to $400 billion, the RBI data showed. In the previous week, the reserves had risen by $944.7 million to $399.21 billion. Foreign currency assets, a major component of the overall reserves, increased by $2.061 billion to $374.060 billion. Expressed in US dollars, foreign currency assets include the effect of appreciation/depreciation of non-US currencies such as the euro, pound and yen held in the nation's reserves. Gold reserves increased by $488.7 million to $23.253 billion.

Export growth slows to 2.4% in Feb, imports down 5.4%

Merchandise export growth slowed in February to 2.4% from 3.7% in the previous month, although trade deficit narrowed to $9.60 billion from $14.73 billion in January, as imports contracted by 5.4%, exports have risen by 0.8-3.7%.

The slowdown in export growth comes at a time when the WTO has warned of a drop in global trade growth to 3.7% this year from 3.9% in 2018, and the US has proposed to withdraw incentives on annual Indian exports of $5.6 billion.

Exports rose to $26.67 billion in February, against $26.03 billion a year before, as a contraction in outbound shipments of products—including petroleum, gems and jewellery and certain farm items—offset a decent increase in those of electronic goods and readymade garments. Imports dropped to $36.26 billion in February from $38.34 billion a year earlier.

Non-petroleum and non-gems and jewellery exports in February grew 5.1% from a year before, while such imports fell 3.7%. Merchandise exports during the April-February period rose 8.9% to $298.47 billion, while imports grew at a 9.8%. At $93.3 billion, overall trade deficit (including services trade) between April and February is estimated to be 13% higher than a year before.

100 MW solar power project atop Narmada canal

Sardar Sarovar Narmada Nigam (SSNNL) will set up a 100 MW canal-top solar power generation project atop the branch canals of river Narmada at an estimated cost of Rs.100 crore. SSNNL, which was formed for the construction of India's third-highest concrete dam, Sardar Sarovar Dam, as well as to develop infrastructure for a mammoth canal network across Gujarat, has approached the Union ministry of new and renewable energy (MNRE) for its approval on the canal-top solar project. Four locations in central Gujarat have already been identified to install solar panels atop Narmada branch canal. Installation of solar panels for 100 MW power generation would cover nearly 40-km canal. As per experts' calculation, an area of 4-km branch canal is required for solar panel in order to generate 10 MW power. Due to solar panel, evaporation of water would be reduced and more water would be available for irrigation purpose.

Narmada Main Canal, a contour canal, is the biggest lined irrigation canal in the world. It is about 458.318 km long up to the Gujarat-Rajasthan border. The complete network of Narmada Canals spans nearly 70,000 km which includes main branch canals, sub-branch canals and smaller canals reaching up to farms across Gujarat. Gujarat was the first state in the country to set up a canal-top solar project in 2014. In November 2014, SSNNL had commissioned a 10 MW canal-top solar photovoltaic grid-connected power plant on Vadodara Branch Canal. The project was dedicated to the nation by the then United Nations secretary-general Ban Ki-moon on January 11, 2015. Later, another 25 MW canal-top solar power generation capacity was installed by SSNNL near Vadodara in 2017. The power being generated through canal-top solar panels are being used to run pumping stations of SSNNL.

Fiscal deficit at 121.5% of RE in April-January

The Centre's fiscal deficit in the first ten months of the current fiscal stood at Rs.7.71 lakh crore or 121.5% of the full-year target (revised estimate), according to data released by the Controller General of Accounts in February. In the corresponding period last year, the deficit was 113.7% of the relevant annual target.

The gross direct tax has grown by 15.7% in April-January this year over the corresponding period of last year as against the required growth rate of 20.1% to meet the RE FY19 of Rs 11.89 lakh crore. As against a RE central GST target of Rs 5.03 lakh crore, the gross CGST collection stood at Rs 3.75 lakh crore or nearly 75% of the target in the first ten months of this year.

While it is widely believed that the Centre may have to apply brakes on the spending pace or delay in release of payments in the later part of the year to keep the promise of sticking to the FY19 RE fiscal deficit target of 3.4% of the GDP, capital spending in the first ten months was rather weak at Rs 2.3 lakh crore, 72.7% of the annual target and down 13% over the year-ago period.

Major subsidies up to Q3FY19 were Rs 2.6 lakh crore compared to Rs 2.18 lakh crore in the year-ago period, as food and fuel subsidy payments reached 99% of the RE. Revenue deficit in April-January of FY19 was at Rs 5.9 lakh crore or 143.4% of the annual target, while in the year-ago period, the revenue deficit was 109.2% of the corresponding target.

Non –food credit grew by 14.43%

Non-food credit, or loans to individuals and companies, grew 14.43% year-on-year (y-o-y) during the fortnight ended February 1, slower than the 14.56% reported in the previous fortnight. During the comparable fortnight a year ago, non-food credit growth stood at a much lower 11.86%. Deposits with the banking system grew 9.63% y-o-y to Rs.121.23 lakh crore as on February 1. During the comparable fortnight of 2018, deposits with banks had grown only 5.69%.

According to provisional data released by the RBI, outstanding loans to companies and individuals stood at Rs.93.62 lakh crore on February 1, up from Rs.92.61 lakh crore on January 18 and Rs.82.09 lakh crore a year ago.

Forex reserves increase by $2.06 bn to $400.24 bn

India's foreign exchange reserves increased by $2.063 billion to $400.24 billion in the week to February 1, on account of rise in foreign currency assets, according to RBI data. In the previous week, the reserves had increased by $1.497 billion to $398.178 billion. In the reporting week, foreign currency assets, a major component of the overall reserves, rose by $1.280 billion to $373.430 billion.

Direct tax of Rs.7.88 trn collected in April-Jan.

The government has collected Rs.7.88 trillion from direct taxes in the first ten months of the current financial year, the Parliament was informed in February. The direct taxes had yielded Rs.10.02 trillion to the exchequer in the entire 2017-18. The government has also collected Rs.2.89 trillion in April-January of FY19 from non-GST indirect taxes. The collection had stood at Rs.4.69 trillion in the entire 2017-18. As the GST was introduced from July 2017 these figures may not be comparable. The government, has also collected Rs.4,172 crore from penalty on late filing of GST returns till February 4, 2019 since GST was introduced.

Council Raises GST Bar for Small Business

The Goods and Services Tax (GST) Council in January, 2019 approved a series of measures which will benefit small businesses, such as a doubling of the exemption threshold to Rs.40 lakh and an increase in the turnover limit for service providers looking to avail of the low-compliance composition scheme. The composition scheme limit was raised to Rs.1.5 crore from Rs.1 crore and will be applicable from April 1, 2019.

While the exemption limit for registration and payment of GST has been raised to Rs.40 lakh from Rs.20 lakh for suppliers of goods, states would have flexibility to decide on one of those. The threshold will be doubled to Rs.20 lakh from Rs.10 lakh in northeastern and hilly states. However, for service providers it will stay at Rs.20 lakh and Rs.10 lakh in special category states. Of the GST filers with a turnover of Rs.20-40 lakh, only those whose cost of compliance is higher than the tax they pay will opt out. Most of them are likely to stay in the system owing to the availability of input tax credit," Revenue Secretary Shri Ajay Bhushan Pandey said. A composition scheme was introduced for small service providers with a turnover of up to Rs.50 lakh per year, with a GST rate of 6 per cent (3 per cent each to the Central and State GST).

ADB to raise India funding to $4.5 billion in 2019

Asian Development Bank (ADB) in January said it will scale up its India funding to $4.5 billion (about Rs.31,500 crore) in 2019. The agency also projected Indian economy to grow at 7.3 per cent in the current fiscal, and will improve further to 7.6 per cent next fiscal as investments pick up and GST stabilisation adds to revenues.

MCA relaxes incorporation norms for SMEs, start-ups

To boost ease of doing business, especially for small and medium enterprises (SMEs) and start-ups, the ministry of corporate affairs (MCA) has exempted incorporation fee for firms having share capital up to Rs.15 lakh from Rs.10 lakh as a step towards making India a start-up hub.

The requirement to publish the notice of shifting of registered office by any firm is now to be in any principal local-language and English newspaper having 'wide' circulation, rather than the earlier requirement of 'widest' circulation.

Exports grow 3.7%, Trade Gap Narrows

Exports rose 3.7% to $26.3 billion in January while imports were stagnant with 0.01% rise to $41.09 billion, leaving a trade deficit of $14.7 billion compared with $15.7 billion in the year-ago period and $13.08 billion in December 2018, data released by the government showed. This is due to slowdown in global growth.

Exports in the April-January period were up 9.5% to $271.8 billion and the government is hopeful of clocking $330 billion in 2018-19. Imports totalled $427.7 billion over this period, a rise of 11.3%. The trade deficit in the first 10 months was $156 billion against $136 billion in the same period last fiscal.

Labour intensive products including carpets, handicraft, ready-made garments, leather, gems and jewellery, man-made yarn, and pharmaceuticals buoyed the overall growth of outward shipments from the country. The major commodity groups of export showing positive growth in January were organic & inorganic chemicals (15.6%), drugs & pharmaceuticals (15.2%) and ready-made textiles (9.3%), the commerce and industry ministry said. As per the official data, 22 out of 30 sectors showed a decline in exports in December. Gold imports increased 38% in the month at $2.3 billion. Oil imports in January were $11.2 billion, 3.6% lower from $11.7 billion a year ago, which helped reduce deficit.

Cheaper credit for merchant exporters

Merchant exporters can now avail of pre-and post-shipment credit at lower rates through the Interest Equalisation Scheme (IES). The proposal will entail benefits of around Rs.600 crore to exporters on interest equalisation, for the remaining period of the scheme, set to end in April 2020. The IES allows small and medium exporters in labour-intensive sectors to avail of loans from banks at a lower rate of 3 per cent. Originally announced as a measure to boost exports for five years, the IES on pre- and post-shipment rupee export credit was revived in 2015 at a rate of 3 per cent for 416 specific goods categories (four-digit tariff).

Merchant exporters account for over 35 per cent of the country's exports. Merchant exporters also play a pivotal role in exports of MSME manufacturers as they export a significant quantity of products through merchant exporters. The high cost of credit equally impacts their competitiveness as they factor in the high interest costs in their export costing.

India's external debt drops 3.6% to $510.4 bn at September end

The country's external debt fell by $19.3 billion, or 3.6 per cent, to $510.4 billion during the six-month period ended September, due to a decrease in commercial borrowings, non-resident Indian (NRI) deposits and valuation effect.

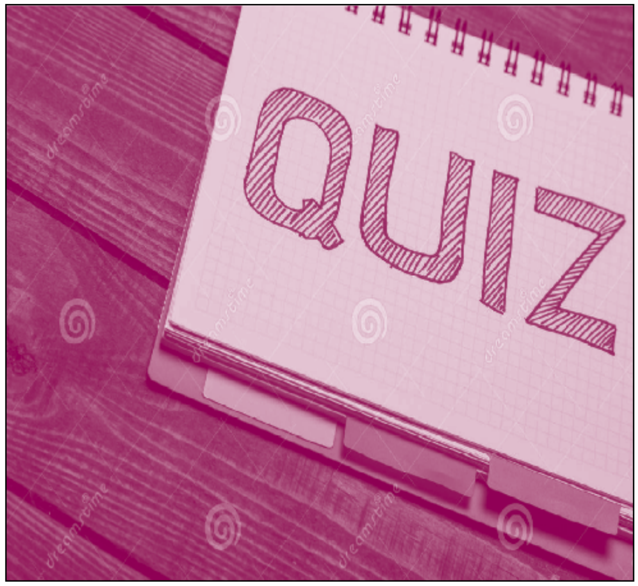
Valuation gains due to the appreciation of the dollar vis-a-vis the rupee and major currencies were placed at $25.4 billion. The debt was $529.7 billion at the end of March 2018. Commercial borrowings continued to be the largest component of external debt with a share of 37.1 per cent, followed by NRI deposits (23.9 per cent) and short-term trade credits (19.9 per cent). At the end of September 2018, long-term debt (with original maturity of above one year) was placed at $406.1 billion, recording a decline of $21.4 billion over its level at the end of March 2018.

Life can be wildly tragic at times.

But whatever happens to you, you have to keep a slightly comic attitude.

In the final analysis, you have got not to forget to laugh.

QUESTIONS OF CYBERQUIZ ~ 74



Qn.1 In Internet jargon, what are interstitials ?

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

Qn.2 Which marketing guru pioneered the concept of "permission marketing" which has become more common in the Web-based businesses ?

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

Qn.3 When an attacker over the Net harasses a victim with threatening messages delivered through e-mail or instant messaging or posted to a Website or a discussion group, it is called:

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

Qn.4 When somebody has been 'gatored' on the Net, she or he has become a victim of What ?

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

Qn.5 What is the informal name of the European Global Navigation Satellite System {GNSS} which is the european equivalent of the United States Global Positioning System {GPS}.

[a] Newton; [b] Eurostar; [c] Galileo; [d] Babbage.

For Answer of Cyberquiz See Page No. 23

One must know oneself. If this does not serve to discover truth, it at least serves as a rule of life, and there is nothing better.

UNION BUDGET AT A GLANCE : 2019 – 2020

The Hon'ble Union Finance Minister, Shri Piyush Goyal, presented the Union Budget for 2019-20 in the Parliament on February 1, 2019. The table below gives estimates and revised figures of revenue and expenditure for the last year i.e. 2018-2019 and the figures proposed for the next 2019-2020 and deficits of revenue, fiscal and primary as percentage of GDP :

S.No.	ITEM	2018-2019	2018-2019	2019-2020
		(BE)	(RE)	(BE)
1.	**Receipts:**			
	(a) Revenue Receipts	1725738	1729682	1977693
	(i) Tax Revenue (Net to Centre)	1480649	1484406	1705046
	(ii) Non-Tax Revenue	245089	245276	272647
	(b) Capital Receipts	716475	727553	806507
	(i) Recoveries of Loans	12199	13155	12508
	(ii) Other Receipts	80000	80000	90000
	(iii) Borrowings and Other Liabilities	624276	634398	703999
	Total Receipts (a) + (b)	**2442213**	**2457235**	**2784200**
2.	**Total Expenditure**	**2442213**	**2457235**	**2784200**
3.	**Revenue Expenditure**	2141772	2140612	2447907
4.	**Capital Expenditure**	300441	316623	336293
5.	**Revenue Deficit**	416034	410930	470214
		(2.2)	(2.2)	(2.2)
6.	**Fiscal Deficit**	624276	634398	703999
		(3.3)	(3.4)	(3.4)
7.	**Primary Deficit**	48481	46828	38938
		(0.3)	(0.2)	(0.2)

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**	**70**	**Revenue Expenditure**	**56**
	Excise Duties	7	Defence	8
	Customs Duties	4	Subsidies	9
	Corporate Tax	21	State Share of Taxes and Duties	23
	Income Tax	17	Finance Commission & Other Transfers	8
	Good and Service Tax & Other Taxes	21	Other Non-Plan Expenditure	8
B.	**Non-Tax Receipts**	**30**	**Capital Expenditure**	**44**
	Borrowing and Other Liabilities	19	Central Plan	12
			Pension	5
	Non-Debt Capital Receipts	3	Centrally Sponsored Scheme	9
	Non Tax Revenue	8	Interest	18
	TOTAL	**100**		**100**

Highlights of the Budget :-

Overview of the Economy

- India attracted Foreign Direct Investment (FDI) amounting to US$ 239b in 2018-19, mainly due to liberalisation of FDI policy; average inflation stood at 4.6%; the fiscal deficit is 3.1%. Rs.3,00,000 crore allocated towards Defence. It has been proposed to gives Capital support of Rs.64,587 crore for Railways. Real Estate (Regulation and Development) Act, 2016 (RERA), Benami Transactions (Prohibition) Act, 1988 and Fugitive Economic Offenders Act introduced to achieve transparency in operations. The ceiling of payment of gratuity has been enhanced from Rs.10 lakhs to Rs.20 lakhs.

Agriculture and Rural Economy

- 12 crore small and marginal farmers to be provided with assured yearly income of Rs. 6000 pa under PM-KISAN; Rs. 75,000 crore for FY 2019-20 set aside
- 2% interest subvention to Farmers for Animal husbandry and Fisheries activities; additional 3% in case of timely repayment.
- Minimum Support Price (MSP) to be at least 50% of the produce.
- Rs.750 crore allocated for the Rashtriya Gokul Mission.
- Under the Kisan Credit Card scheme (KCC), 2 percent interest subversion for farmers pursuing animal husbandry and an additional 3 percent interest subversion for those who repay the loan in time.
- Farmers, affected by severe natural calamities, will be provided the benefit of interest subvention of 2 percent and prompt repayment incentive of 3 percent for the entire period on timely repayment of their loans.

Banking Reforms

- Insolvency and Bankruptcy Code (IBC) introduced.
- Re-capitalisation of PSU banks done.
- The Prompt Corrective Action (PCA) restriction removed from three banks, Bank of India, Maharashtra Bank, and Oriental Bank of Commerce (OBC).

Poor and backward classes

- Rs.60000 crore allocated for the Mahatma Gandhi National Rural Employment Gurantee Act (MGNREGA)
- 10 percent reservation granted to the economically backward among the general category.
- Rs.19000 crore allocated for Pradhan Mantri Gram Sadak Yojana for construction of more rural roads.
- 1.53 crore houses were constructed in the last five years under the Pradhan Mantri Awas Yojana (PMAY) .

Health Sector

- Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana launched to provide medical treatment for 50 crore people. 10 lakh people already benefitted.
- Poor people able to get affordable medicines through the Jan Aushadhi Kendra.

Micro, Small and Medium Enterprises (MSMEs)

- A scheme of sanctioning loans upto 'Rs.1 crore in 59 minutes' launched. GST-registered MSME units to get 2% interest rebate on incremental loan of Rs.1 Crore.
- Renewed Focus on Internal trade ; DIPP renamed Department for Promotion of Industries and Internal trade
- 25% sourcing for government projects to be from the MSME sector, of which 3% to be from women entrepreneurs.

- MSMEs can now sell their products on the Government eMarketplace (GeM).

Infrastructure Sector

- 27 km of highway built daily.
- Around 15.8 lakh out of a total 17.84 lakh habitations have been connected with pucca roads under PMGSY. PMGSY allocated Rs.19,000 crore in 2019-20
- Container freight movement started on inland waterways from Kolkata to Varanasi.
- The allocation for the North Eastern Areas is to be increased by 21 percent to Rs.58,166 crore in 2019-20.

Fiscal Expenditure

- Allocation for National Education Mission increased from Rs.32,334 crore in 2018-19 to Rs.38,572 crore in 2019-20.
- Allocation for Integrated Child Development Scheme (ICDS) increased from Rs.23,357 crore in 2018-19 to Rs.27,584 crore in 2019-20.
- Fiscal deficit pegged at 3.4% of GDP for 2019-20

GST

- ❖ Most items of daily use in the 0% or 5% tax slab
- ❖ Exemptions from GST for small businesses doubled from Rs. 20 lakh to Rs. 40 lakh
- ❖ Small businesses having turnover up to Rs.1.5 crore to pay 1% flat rate and file one annual return only
- ❖ Small service providers with turnover upto Rs.50 lakhs can opt for composition scheme and pay GST at 6% instead of 18%
- ❖ The GST collection for January 2019 is estimated at Rs.1.03 lakh crore.

Direct Tax proposals

- Income upto Rs.5 lakh exempted from Income Tax
- Standard Deduction to be raised to Rs.50,000 from Rs. 40,000
- TDS threshold to be raised from Rs.10,000 to Rs.40,000 on interest earned on bank/post office deposits
- Existing rates of income tax to continue
- Tax exempted on notional rent on a second self-occupied house
- Housing and real estate sector to get boost-
  - TDS threshold for deduction of tax on rent to be increased from Rs.1,80,000 to Rs.2,40,000
  - Benefit of rollover of capital gains increased from investment in one residential house to two residential houses for capital gains up to Rs.2 crore.
  - Tax benefits for affordable housing extended till 31st March, 2020 under Section 80-IBA of Income Tax Act
  - Tax exemption period on notional rent, on unsold inventories, extended from one year to two years

■■■

The greatest discovery of mankind is that man can alter his life by altering his attitude.

ACTIVITIES OF COSIDICI

Executive Committee Meeting of COSIDICI :

The Executive Committee of COSIDICI was held at Bengaluru on January 21, 2019 and was well attended by the Member Corporations. The Executive Committee felt that given the present financial scenario the SFCs should continue to work within the ambit of the SFCs Act.

EDC Ltd., Goa under the Chief Minister Rozgar Yojana (CMRY) is helping entrepreneurs to set up new ventures. The scheme has been very successful and 6000 entrepreneurs have been helped till date. The government of Goa gives 2% subsidy for Goan entrepreneurs and an additional 2% to woman entrepreneurs. Another 5% rebate is given if the unit is set up in a remote taluka and Goa has 6 of them. As EDC lends at 10.5% or 11% the effective rate of interest for anyone fulfilling the above criteria works out to only 2%.

The Executive Committee was advised that KFC has started doing another fee based activity viz. bill discounting. Keeping in view the duration of the bills the Corporation takes 100% collateral, 50% collateral or none. When PWD builds a road its bill to the government takes about one year to be cleared. KFC takes 100% collateral to discount such a bill. When the payment period is less, the collateral is reduced accordingly. Rate of interest charged is 10%. The Corporation is planning to do a business of Rs.500 crore in bill discounting this year. In case of default KFC takes action under the State Revenue Recovery Act.

KSFC has introduced an Interest Subsidy Scheme under which 10% interest subsidy for SC & ST and women entrepreneurs is being provided by the government of Karnataka so the effective rate of interest is 4%. This has now been extended to all the entrepreneurs. The State government gives an interest subsidy of Rs.100 crore in advance. KSFC is expecting to do a business of Rs.400 crore under the scheme this year. The scheme has been very successful with 95% of the accounts in the standard category. If there is a default then the entrepreneur has to pay 14% interest along with a penal interest.

The on-going training programmes arranged by COSIDICI in collaboration with RBI at its college in Pune were much appreciated by the Executive Committee. These training programmes have been found to be very useful and, therefore, many corporations like EDC Ltd. Goa, MPFC, KFC and APSFC have been sending their officers regularly for these training programmes. It was decided a few of the SFCs may collectively send their officers for training to the College.

The Executive Committee appreciated the efforts of SIDCs in bringing about industrial development in their respective states by creating industrial infrastructure and setting up industrial parks, estates, SEZs etc. With a view to improve their financial base the SIDCs have taken up more fee based activities and have set up Venture Capital Funds to invest in start-ups and mid-stage companies operating in high growth areas.

The Executive Committee was happy to note the good response to the 6th COSIDICI National Awards Function 2019. The National Award function was held on January 21, 2019 at Bengaluru wherein 55 Outstanding Entrepreneurs who had been funded by various Member Corporations were felicitated. The Executive Committee appreciated the warm hospitality extended to all the members of COSIDICI as well as to the Awardees by Dr. (Smt.) Ekroop Caur, IAS, M.D., KSFC, Bangalore and her team. The members felt the COSIDICI National Award Function, 2019 had been successful in its twin objectives of felicitating and motivating successful entrepreneurs and of giving visibility to the contribution made by the SLFIs towards the industrialisation and economic progress of the country. The awardees expressed their appreciation for the help given by the SLFIs in not only providing adequate and timely finance but also with the hand holding provided by their officers in marketing, providing technological knowhow and in seeing a project through.

Positive thinking does not mean what will happen, will be the best;

it means whatever will happen, will be accurate for me;

according to my sanskars and my past karmic accounts.

There is overwhelming evidence that

the higher the level of self-esteem,

the more likely one will treat others

with respect, kindness and generosity.

MEMBER CORPORATIONS – THEIR ACTIVITIES

RFC CELEBRATES 65TH FOUNDATION DAY

RFC's contribution to industrial growth commendable : Chief Secretary

Addressing the officers and employees of **Rajasthan Financial Corporation {RFC}** on the occasion of its 65th Foundation Day Celebrations at a function organized on April 10, 2019 the **Chief Secretary of Rajasthan, Shri D. B. Gupta,** commended the arduous but highly fructuous journey of the Corporation.

Shri. Gupta, who has himself chaired RFC briefly in his prior posting, said that the Corporation had pursued its mission of acting as a major catalyst for the growth and development of the industrial sector in Rajasthan which was earlier considered an arid land. RFC has made a huge contribution in putting Rajasthan amongst the leading industrial states of the country in its 65 years of its existence (April 8, 1955).

He said the Corporation has been able to overcome severe obstacles and it speaks volumes for its work culture, values and adaptability to changing industrial environment and entrepreneurial needs. As a special mention he highlighted the Corporation's approach towards start-ups being

Shri. D. B. Gupta, Chief Secretary Rajasthan, (Centre) unveils the updated schematic brochure of RFC on its 65th Foundation Day Celebrations. On his right are Shri Niranjan Kumar Arya, ACS (Fin.) & Chairman RFC and Smt. Urmila Rajoria, M.D. RFC. On his right are Dr. Subodh Agarwal, ASC (Indst.) and Shri Gaurav Goyal, M.D. RIICO.

initiated by the youth, expansion of its existing entrepreneurial base, revival of sick units and one time settlement scheme. The Single Window Scheme, he said, was one area that needs to be strengthened by all organizations, including the government, engaged in the industrialization of the state.

In his key note address, **ACS (Finance) and Chairman RFC, Sh. Niranjan Kumar Arya,** emphasized the need to develop a mechanism that would help in maintaining a balance between the expectations of the industrialists and the limitations of the Corporation such that it translates into security for the financing agency and flexibility for the entrepreneurs thereby resulting in a cascading industrial growth in the state.

Smt. Urmila Rajoria, Managing Director RFC, said in her welcome address that in the past over six decades the Corporation has successfully strived towards an inclusive industrial development, taking in its folds the tiny and small enterprises, the women, the youth, the socio-economically weaker sections of the society as well as the technically sound and experienced entrepreneurs. This has been possible by undertaking simplification of its policies and procedures, delegation of the sanctioning powers, reduction in the processing fees, introduction of the online payment of loan instalments, etc.

As a result of all this, the Managing Director pointed out, the Corporation has been able to increase its portfolio by almost Rs.250 crore to Rs.868.25 crore during 2018-19 from Rs.618.21 crore registered in 2014-15. It has also reduced its NPAs from 34.24% in 2016-17 to 23.14% in 2018-19 and has initiated steps to bring the figure down to 15% in the forthcoming years.

On the occasion of the celebrations, the Chief Guest also unveiled the updated brochure of the schematic highlights of the Corporation – 'Schemes at a Glance', followed by facilitation of the esteemed customers who have turned to RFC again and again for their financial requirements and have revealed a consistently exemplary repayment pattern. Branches that registered the best results in the key areas of operations (sanction, disbursement and recovery) too were awarded with certificates, as were the selected employees.

In the interactive session, RFC loanees shared their experiences, commending the Corporation for its role in helping them. They also requested for a review of its policies where necessary as per the need of the hour in the growing competitive scenario. The Management of RFC appreciated their candid feedback and assured them of bringing about the required changes.

The function was also graced by the **Principal Secretary Industries, Dr. Subodh Agarwal, and Managing Director RIICO, Sh. Gaurav Goyal,** as the guests of honour. Representatives of CII, FICCI and the leading industrial associations of Jaipur were also present.

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SUCCESS STORY OF TIIC ASSISTED UNIT

M/s. Naga Limited, Dindigul

A man with a vision K. Sreenivasan, founded the NAGA Group, named after his wife, Smt. Naga Lakshmi. The first group company Nagalakshmi Flour Mills Ltd., established in 1962 with financial assistance from TIIC has grown into a conglomerate spanning diverse activities wih factories at Dindigul, Vedasandur, Trichy and Chennai.

"Naga" finished products are a popular brand name in South India. Every second biscuit consumed in Tamilnadu is manufactured out of Naga maida. The Naga group has today reached a turnover of over Rs.260 crores having availed 14 loans from TIIC.

Here is what **Mr. K.S. Kamala Kannan**, Chairman & Managing Director has to say - If Naga has to narrate all experiences with TIIC, we have to write a book and not a page. Our 50 year old relationship with TIIC dates back to 1961. We have borrowed numerous times and have promptly repaid the loans. We have adopted green energy for meeting the power requirements of our group with TIIC's support in investing in 10 MW of wind power. Fixed rate of interest, comfortable moratorium period and flexibility in debt equity norms have been major comfort factors with TIIC. TIIC should consider investing in equity of the company it is lending.

We see a sea-change in the attitude of TIIC over the last decade. They are helpful, courteous and prompt in their services. What amazes me, is the record keeping and perfect documentation maintained by TIIC. We are indebted to one and all who have helped us in this long successful journey of 50 years.

M/s. Dhandapani Steel Private Limited, Erode

Our visionary founder director late Mr.C.Vadiappan, established Dhandapani Steel at Perundurai to manufacture Alloy steel castings during the year 1991 with term loan assistance from TIIC Ltd. When he ventured into Steel, TIIC was his natural choice, because of his previous successful association with TIIC in the plastics sector since 1984. Now the unit is operated by his wife viz. Tmt. V. Saraswathi and sons V. Velumani, V. Senthil and V. Saravanan.

In the past two decades, we have grown to become the market leader in our products. The foundry has been recognized as a **Star Category Export house by DGFT, Govt. of India**. The associate concerns of our group viz. VAT Plastics, Siva Industries, Siva Polymers, CVS Industries, Sri C.V.Plastics, Om Plast, V.S.Products, Om Polymer, have also been assisted by TIIC. The group's manufacturing activities include Steel castings, Plastic Moulded Furniture, Technical Textiles (Spun Bond) and Wind electric Turbines. **The group's turnover was Rs.68 crores during 2009-10 and Rs. 74 crores during 2010-11**. Our bond with TIIC continues. This year TIIC financed our expansion programme through speedy sanction of term loan of Rs. 380 lakhs. Not only that, during the entire process, the officials of the Branch and Head office were highly pro-active and helpful.

We wish to place on record our appreciation and gratitude to TIIC for what we are today. We are proud of our almost three decades relationship with TIIC. This is nothing but an acknowledgement and reflection of their services to the Industry.

ANSWERS OF CYBERQUIZ ~ 74

Ans.1[b] An Advertisement that appears between web pages : An interstitial downloads completely before appearing on the screen.

Ans.2[a] Seth Godin : Seth Godin is a popular marketing guru. He advocates no spam, no deceit and a bias for keeping promises. He also advocates the use of viral marketing to spread the word about an idea.

Ans.3[d] Cyber Stalking : Needless to say, it is a crime. The attacker is called a cyber stalker.

Ans.4[c] Hijackware Program : The hijackware program seizes control of an Internet shopping or surfing experience and causes the victim's browser to display advertisements or sites chosen by the hijackware. This tactic gets it name from Gator.com

Ans5[c] Galileo : Galileo, to be operational in 2008, will be interoperable with GPS and Russia's Global Orbiting Navigation Satellite System {GLONASS}. The system will pin-point a geographical position to within a single meter.

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The intention should be reformation not punishment.
Anger gives punishment, depletes the energy of the one who has made a mistake.
Love empowers them and brings about reformation.

RBI Provides 1-Year Loan Restructuring Window for MSMEs

The RBI has opened a loan-restructuring window for micro, small and medium enterprises (MSMEs) for a year. RBI has allowed a one-time restructuring of existing loans to MSMEs that are in default but 'standard' as on January 1, 2019, without an asset classification downgrade. The restructuring has to be implemented by March 31, 2020. RBI has allowed the scheme for restructuring of stressed assets with credit facilities not exceeding Rs.25 crore as on January 1.

Under the scheme, a provision of 5% in addition to the provisions already held will be made in respect of accounts restructured. RBI asked banks and non-banking finance companies to come up with board-approved policies. This will include the framework for viability assessment of the stressed accounts and monitoring of the restructured accounts regularly. The relief is for a borrowing entity that is GST-registered on the date of implementation of the restructuring. However, it will not apply to MSMEs that are exempt from GST-registration. Lenders were looking for relief in restructuring stressed assets of mid-sized and small SMEs to help them tide over a period of tight liquidity. The MSME sector contributes to nearly a third of the gross domestic product and employs 111 million people, accounting for about 45% of manufacturing output and 40% of total exports.

A large number of MSMEs exist outside of the formal space and face difficulty in accessing credit. RBI has taken several steps such as setting up the trade-receivables discounting system and allowing banks to co-originate loans with non-banking finance companies to facilitate flow of credit to the sector.

"MSMEs form an important component of the Indian economy and contribute significantly to the country's GDP, exports, industrial output, employment generation," the central bank said. "Considering the importance of MSMEs in the Indian economy, it is considered necessary at this juncture to take certain measures for creating an enabling environment for the sector," the RBI said.

First Bi-monthly Monetary Policy, 2019-20

The Monetary Policy Committee (MPC) reviewed macroeconomic developments and reduced the policy repo rate by 25 basis points in April. The MPC observed that the Central Statistics Office (CSO) has pegged India's real gross domestic product (GDP) growth at 7.0 per cent in 2018-19, down from 7.2 per cent earlier. More recent high frequency indicators point to manufacturing growth slowing down, while investment demand is subdued. Credit flows to micro and small as well as medium industries remains muted, though they somewhat improved for large industries. Capacity utilisation (CU) in the manufacturing sector is running above its long-term average. There is also some improvement in business sentiment. High frequency indicators of the services sector such as sales of commercial vehicles and freight traffic indicate moderation in activity.

The MPC revised the path of CPI inflation downwards to 2.4 per cent in Q4:2018-19, 2.9-3.0 per cent in H1:2019-20 and 3.5-3.8 per cent in H2:2019-20, with risks broadly balanced. GDP growth for 2019-20 is projected at 7.2 per cent: 6.8-7.1 per cent in H1:2019-20 and 7.3-7.4 per cent in H2, with risks evenly balanced.

Global growth is slowing down, and this is also reflected in three successive downward revisions made by the IMF in its projection of global growth for 2019. Domestic GDP growth is also estimated to slow in 2018-19, with high frequency indicators suggesting slackening of urban and rural demand as well as investment activity. While bank credit is growing at 14.3 per cent, it is not broad-based. Bank credit to micro and small industries, which are critical to employment and exports, was flat (0.6 per cent) as also credit to medium industries (0.7 per cent). Growth projections for 2019-20 have accordingly been revised downwards from 7.4 per cent to 7.2 per cent.

Sidbi's new venture capital fund to back late-stage start-ups

Sidbi plans to invest in late and growth-stage start-ups from its eighth fund, a Rs.7-10 billion New Horizons Fund, said a senior official. Sidbi's earlier funds focused on early-stage bets in start-ups and the micro small & medium enterprises (MSME) space. For instance, it was the first institutional investor in payment gateway Bill Desk; it also backed Carzonrent much before Uber and Ola were conceived.

The new fund will be sector-agnostic but could go high on consumer-focused themes such as financial or health technology and consumer internet in general. The average investment size will range between Rs.70 lakh and Rs.5 crore.

Govt. infused Rs.51,533 cr into PSBs by December

The government infused a total of Rs.51,533 crore into a clutch of public sector banks (PSBs) as of end-December, slightly less than a half of the Rs.1.06-lakh-crore capital proposed to be provided to PSBs in FY19. While the more stressed banks currently under the RBI's corrective regime will be given capital to just meet regulatory requirement, the relatively stronger ones will get growth capital as well.

NPAs of PSBs dropped as much as Rs.23,860 crore in the first half of the current fiscal from a peak of Rs.9.62 lakh crore in March 2018. The government would infuse Rs.41,000 crore more into PSBs in the current fiscal, over and above the budgeted Rs.65,000 crore, according to finance minister Shri Arun Jaitley.

Banks fail to meet priority sector lending targets: RBI

The banking sector failed to meet the priority-sector lending (PSL) targets overall, revealed data released by the RBI. The banks also failed to meet targets of specific sectors such as agriculture and micro, small and medium enterprises (MSMEs). While PSBs met their PSL target for agriculture of

18 per cent, private banks and foreign banks failed to meet the targets at 16.2 per cent and 16.7 per cent, respectively. "Bank credit to agriculture decelerated during 2017-18, partly reflecting the pervasive risk aversion and debt waivers by various state governments, which may have dis-incentivised lending to the sector". The year-on-year growth in agricultural lending stood at 3.8 per cent during 2017-18, against 12.4 per cent during 2016-17.

The share of priority sector NPAs in of the total declined marginally during 2017-18 but it still constituted a fifth of the total NPAs. Agricultural NPAs and MSME NPAs comprise 8.6 per cent and 9.5 per cent of the total NPAs in the banking sector, respectively, as on March 2018. While lending to agriculture and MSMEs comprised 13 per cent and six per cent respectively of the total bank credit outstanding at the end of March 2018. Priority sector credit growth, however, recovered in 2017-18, largely driven by a recovery in credit to MSME, said the central bank.

As banks struggle to meet PSL targets, priority sector lending certificates (PSLCs), which allows sale of PSL obligation, have gained traction. According to central bank data, PSLCs trading volume increased by 270 per cent to Rs 1.8 trillion in 2017-18, up from Rs.49,800 crore in the previous year. In H1 of 2018-19, trading volume more than doubled from the level a year ago.

ARC business set to scale up operations

- The country's banking system, with a huge pile of stressed assets, has provided a huge business opportunity for Asset Reconstruction Companies (ARCs) in India.
- The primary reasons for spurt in stressed assets include aggressive lending practices, wilful default, loan frauds, corruption in some cases, and economic slowdown.
- Private banks have been the most aggressive on asset sales. Public sector banks lagged in asset sales, mainly owing to large haircuts and various management issues.
- During 2017-18, the acquisition cost of ARCs as a proportion to the book value of assets increased, indicating better realisations by banks on sale of stressed assets.
- On the positive side, some PSBs have strengthened in-house expertise for recovery of non-performing assets, spurred by the need for faster resolution.
- The sales of stressed assets to ARCs by both PSBs and PVBs witnessed deceleration during the first six months of the current financial year (2018-19).
- The share of subscriptions by banks to security receipts (SRs) issued by ARCs declined to 79.7 per cent by end-June 2018 from 82.7 per cent a year ago.
- Since April 1, 2017, the provisioning norms have been made progressively stringent in order to reduce their investments in SRs and incentivise ARCs and other financial institutions to bring in more capital.
- According to the association of ARCs in the country, 28-Member asset reconstruction companies are registered with the Reserve Bank of India.

- Banks have reported rise in NPAs in their domestic operations from Rs.3.09 trillion in March 2015 to Rs.9.62 trillion in March 2018 and later, a marginal dip to Rs.9.46 trillion September 2018.

RBI sees banks' gross NPA ratio falling to 10.3%

RBI's macro stress test for banks indicates that under the baseline scenario, gross non-performing assets (GNPAs) may fall to 10.3% by March 2019 from 10.8% in September 2018, the central bank stated in the December 2018 edition of its Financial Stability Report (FSR). Among the bank groups, public-sector banks' (PSB) GNPA ratio may decline to 14.6% by March 2019 from 14.8% in September 2018 under the baseline scenario, whereas that for private banks may decline to 3.3% in March 2019 from 3.8% in September 2018.

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Reflect upon your present blessings,
of which every man has many - not on your past
misfortunes, of which all men have some.

Life is like a tree which has fragrant flowers on every
branch, but never try finding out where this frangrance
comes from.
The moment you pull this tree out of its root to see where
this fragrance comes from, this very fragrance that makes
the tree very special, is gone forever.

NEWS FROM STATES

Gujarat govt presents Rs.1.92-lakh cr interim budget

The Gujarat government in February presented a vote-on-account proposal instead of a full-fledged budget for financial year 2019-20 without changing the current tax structure in the House. The size of the interim budget for April to July, 2019 for the fiscal is Rs.1,91,817 crore against the current financial year's Rs.1,40,531. Tax revenue has been estimated at Rs.1,00,125 crore.

The state government's income from tax has increased from Rs.64,443 crore to Rs.71,549 crore during the fiscal 2017-18.

Kerala govt plans Rs.250-cr fillip to tourism, launches Human by Nature Brand campaign

In a drive to give a boost to the state's tourism industry which is a major contributor to the state's economy — the Kerala government is planning to put almost Rs.250 crore from the state budget for its tourism infrastructure this year, an annual growth of 25%. This expenditure would be over and above the Rs.100 crore it spends annually on tourism marketing. In 2018, the state's tourism sector netted a record revenue of Rs.36,528 crore, clocking an annual rise of 8.5%. More than 167 lakh tourists had visited the state in 2018. Kerala identifies the US, UK, Gulf countries, Germany and France among the key global markets for its tourism industry, which is also a significant source of foreign exchange for the state.

A new brand campaign titled 'Human by Nature', was launched to refurbish the perception of the State's tourism sector. It is expected to appeal to both high spenders and backpackers.

Bengal business summit gets Rs.2.48 lakh crore worth of investment proposals

The 5th edition of the Bengal Global Business Summit has attracted investment proposals worth Rs.2,48,288 crore. There were 86 MOUs signed following 1200 B2B and 45 B2G meetings.

"In the earlier editions of the BGBS, the foreign delegates mainly came to gather some experience about the affairs of West Bengal. This time, 450 foreign delegates, who represented various countries like UK, Italy, Poland, Republic of Korea, Japan, USA, Germany, France, UAE, Luxembourg and many others, actually did some business. They have either signed MoUs for cooperation and collaboration, or have tied up with local partners,

or have been handed over land by the government to start a new unit," Shri Amit Mitra, State Finance, Industry and IT minister said.

Tamil Nadu budget proposes 1 lakh houses in cyclone- hit areas, to cost Rs.1,700cr

The Tamil Nadu budget introduced in February proposed one lakh concrete houses at an estimated Rs.1,700 crore to replace huts damaged in last year's cyclone besides expanding the crop insurance ambit to include more factors that damage the farm produce.

Deputy Chief Minister Shri O Panneerselvam said no new taxes were proposed for the 2019-20 fiscal and assured the revenue deficit will come down in the coming years. The state's revenue deficit was pegged at around Rs.14,300 crore for the coming financial year.

The state's net outstanding debt by March 31, 2020 will be Rs.3,97,495.96 crore with a debt to GSDP ratio of 23.02 per cent, which is within the debt-GSDP norm of 25%. Amongst the proposals, the government will procure 2,000 new electric buses, besides 12,000 new BS-VI vehicles, at an outlay of Rs.5,890 crore.

Assam budget: 1 tola gold to brides, rice at Rs.1/kg

Assam Finance Minister Shri Himanta Biswa Sarma in February presented a Rs.1,193 crore deficit budget for 2019-20 with no fresh taxes and introduced new schemes like providing rice to poor at Rs.1 a kg and 1 tola of gold (11.66 grams) to brides' parents belonging to the economically weaker sections of the society. The budget also proposed to provide financial assistance to students, including girls from the minority community. With an opening balance of minus Rs.1,799.84 crore, the budget proposed to have transactions of Rs.606.80 crore during 2019-20.

For special category states like Assam, companies with turnover of Rs.10 lakh are required to register for Goods and Services Tax (GST). To give succour to small businesses and considering the small base, the government has raised the GST threshold limit to Rs.20 lakh.

Andhra Govt. to develop Data Centre Parks

With a view to boost technology infrastructure and spread the concept of green data centres, the Andhra Pradesh government (GoAP) signed an MoU with the Adani Group to build Data Centre Parks up to 5 GW capacities in and around Visakhapatnam over the next 20 years. This project would be a first-of-its-kind 100% renewable energy powered project in the world. The GoAP along with Adani Group will develop the hyper-scale data center market in the state, positioning Andhra as the east coast data centre hub for India and the Southeast Asia. It will also be integrated with a cable landing station that will take advantage of the state's long coastline to help provide the needed global connectivity and redundancy that the country needs to manage its exponential growth of data.

In line with the AP government's IT policy and focus on promoting data centres, cloud infrastructure, and allied technology industries as well as renewable energy, the Adani Group will support the development of the digital and energy infrastructure in the state by investing over Rs.70, 000 crore, over a period of 20 years, which in turn is expected to create in excess of 100,000 direct and indirect jobs.

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59-minute MSME loan portal is top fintech lending platform

Web portal PSBloansin59minutes.com launched by Prime Minister Shri Narendra Modi has emerged as the country's largest online lending platform, with loan sanctions exceeding over Rs.35,000 crore. The portal was launched in November to provide credit of up to Rs.1 crore to micro, small and medium enterprises (MSMEs) in just 59 minutes or less than an hour in a bid to make banking transparent and hassle free.

The automated loan processing system has not only brought in ease but is also helping in fostering transparency. It has put an end to the discretion at bankers' end as in-principle approval of loans does not require human intervention.

Since the launch, 1.62 lakh MSME units were given in-principle approvals, while 1.12 lakh got final nod with total sanctioned amount of Rs.35,65.46 crore as on February 27. Out of this, 35,517 units got new loans worth Rs.10,047 crore, while 77,369 units received renewal loans of Rs.25,609 crore as per the latest figure. MSME units availing the loans have to submit details such as income tax returns, GST data and bank statements to avail the credit facility through this portal.

Tech scheme for MSMEs gets three-year extension

The government in February approved a three-year extension of the Credit Linked Capital Subsidy and Technology Up-gradation Scheme for MSMEs with total outlay of Rs.2,900 crore. The scheme has been approved for continuation beyond the 12th five-year Plan for three years from 2017-18 to 2019-20.

It will facilitate technology upgradation to MSMEs, improvement in quality of products, enhancement

in productivity, reduction in waste, and it will promote a culture of continuous improvement. The scheme aims at improving competitiveness of MSMEs by integrating various current schematic interventions aimed at up-grading technology through Credit Linked Capital Subsidy, hand holding for zero defect zero effect manufacturing, increasing productivity through waste reduction, design intervention, cloud computing, facilitation of intellectual property and nurturing new ideas.

For MSMEs, s good turn on GST

The 32nd Goods and Services Tax (GST) Council meeting addressed most of the issues outlined by states and Union Territories (UTs) for the micro, small and medium enterprises (MSME) sector. These include a hike in the turnover threshold, introduction of a cess in Kerala to raise funds for flood relief, and extension of the composition scheme (alternative for paying tax rather than GST) to service-sector MSMEs.

Some of the key decisions taken by the GST Council are :

Turnover threshold limit: Over 20 lakh MSMEs will benefit from doubling of the turnover threshold limit for filing GST returns to Rs.40 lakh. Some states/UTs such as Puducherry, which had insisted on the Rs.20 lakh limit, now have an option to choose either. For hill/small states, the exemption limit has been doubled to Rs.20 lakh, with an option of moving up to Rs.40 lakh.

Composition scheme extension: Service providers with a turnover of up to Rs.50 lakh can now avail the composition scheme at a rate of six per cent, compared with nil composition earlier. The services sector comprises 21 million MSMEs, or 33 per cent of India's 63.3 million MSMEs. The existing composition limit of Rs.1 crore for manufacturers, traders and restaurant service providers has been revised to Rs.1.5 crore from April 1, 2019.

State-level benefits: The 3.8 per cent of India's MSMEs located in Kerala will get flood relief through a cess of up to one per cent on intra-state sale for a maximum of two years.

MSMEs want time frame for loan sanctions and relaxed norms

Officials of micro, small and medium enterprises (MSMEs) who met RBI Governor Shri Shaktikanta Das on January 07, 2019 demanded a time period for loan sanctions, limited collateral by banks, and a green light for buyer's credit. MSMEs continue to complain of a chronic lack in working capital that has hampered work flows and led to layoffs. "The turnaround time for requests for sanction/enhancement of limits for working capital or term loans should be on a fixed basis — based on the product and the amount of loans up to a specified amount."

For bank guarantees, MSMEs said the requirement to return such guarantees to close claim period needs to be removed, while charges for bank guarantees for over two years should be debited on an annual basis. Further, annual bank guarantee charges for longer period validity should be lower for subsequent years. Banning of Letters of Undertaking (LoUs) for buyer's credit is having a liquidity impact on industry.

The RBI had allowed lenders to recast loans of stressed MSMEs, provided the total fund and non-fund based exposure to such a borrower does not exceed Rs.25 crore. Such a debt restructuring, the central bank said, would not lead to a downgrade in asset classification. It also recently allowed merchant exporters — most of whom are small players — to avail pre- and post-shipment credit at lower rates through the Interest Equalisation Scheme. MSMEs feel that the central ministries should clear all their dues within a stipulated date.

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You are the master of your universe !

Until there is chaos, you don't appreciate the quiet.

Until there are crowds, you don't appreciate being alone.

Now is the time to reflect and realize what you have.

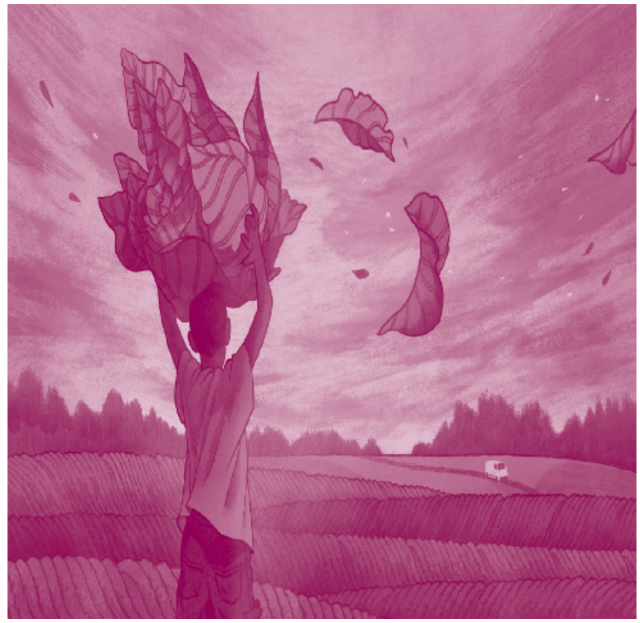
No matter what your lot in life. You are unique.

The Predicament of Wealth Over Health : Case of Tobacco Industry

Dr. A. Jagan Mohan Reddy

Introduction

The **preamble of Constitution of India** states that "We, The People of India, having solemnly resolved to constitute India into a **Sovereign Socialist Secular Democratic** Republic and to secure to all its citizens **Justice**, social, economic and political; **Liberty** of thought, expression, belief, faith and worship; **Equality** of status and of opportunity; and to promote among them allFraternity assuring the dignity of the individual and the unity and integrity of the Nation". But in practice what we are witnessing is, if not totally, different. Let's look at manufacturing of cigarettes, the ill effects of smoking and the government's insincere efforts to ban manufacturing of the same.



Smoking & its Bad Effects

Smoking is the leading cause of premature, preventable death in any country. It harms nearly every bodily organ and organ system in the body and diminishes a person's overall health. Smoking causes cancers of the lung, esophagus, larynx, mouth, throat, kidney, bladder, liver, pancreas, stomach, cervix, colon, and rectum, as well as acute myeloid leukemia.

Smoking also causes heart disease, stroke, aortic aneurysm (a balloon-like bulge in an artery in the chest), chronic obstructive pulmonary disease (COPD) (chronic bronchitis and emphysema), diabetes, osteoporosis, rheumatoid arthritis, age-related macular degeneration, and cataracts, and worsens asthma symptoms in adults. Smokers are at higher risk of developing pneumonia, tuberculosis, and other airway infections. In addition, smoking causes inflammation and impairs immune function. Smoking makes it harder for a woman to get pregnant & a pregnant smoker is at higher risk of miscarriage, having an ectopic pregnancy, having her baby born too early and with an abnormally low birth weight, and having her baby born with a cleft lip and/or cleft palate. A woman who smokes during or after pregnancy increases her infant's risk of death from Sudden Infant Death Syndrome (SIDS).

Why It's a Matter of Concern?

More than one in 10 deaths globally was caused due to smoking in 2015 and over 50 per cent of them took place in just four countries, one of which was India, a new study(14) today said. According to the latest estimates in the **Global Burden of Disease (GBD) study(8)**, published in medical journal The Lancet, in 2015, over 11 per cent of 6.4 million deaths worldwide was caused by smoking and 52.2 per cent of them took place in China, India, USA, and Russia. China, India and

Indonesia, the three leading countries with male smokers, accounted for 51.4% of the world's male smokers in 2015.And India has 11.2% of the world's total smokers.

Further, deaths attributable to smoking increased by 4.7 per cent in 2015 compared with 2005 and smoking was rated as a bigger burden on health. In 2015, 11.5% of global deaths (6.4 million) were attributable to smoking worldwide, of which 52.2% took place in four countries — China, India, the USA, and Russia- the study said. The estimates are based on smoking habits in 195 countries and territories between 1990 and 2015, and illustrate that smoking remains a leading risk factor for death and disability. But a question may arise as to why health of people matters?

Why Health Matters?

According to Nobel Laureate Amartya Sen, health (like education) is among the basic capabilities that gives value to human life. And the wealth of any nation can be measured by the health status of its citizens. According to World Bank (2005) 50% of economic growth differentials between developed and developing nations are attributed to ill-health and low life expectancy. The world's central framework for reducing poverty is expressed in UN's eight Millennium Development Goals. And three of these eight goals pertain to health: reducing child mortality, improving maternal health and combating HIV / AIDS, malaria, and other diseases.

So huge improvements in health are extremely important goals, which serve as instruments for achieving economic growth and reducing poverty. In other words, health is a fundamental driver for economic growth and development. It's widely recognized now that, health &education are the most important sectors where public

attention needs to be focused for ensuring greater human development. Further, given the equal accessibility, affordability & availability of all other resources, it's the only talented human resource which could provide the required cutting edge either for the organization or a country to move forward. Hence, all the more need to care for the health of people and their wellbeing.

Every good health care system aims to prevent human disease, injury, and disability; protect people from environmental health hazards and promote behaviors that lead to good physical and mental health as well as assure availability of high-quality health services. Developed countries spend a high proportion of their Gross Domestic Product (GDP) on public health care because they believe that their people's health acts like a major driver for economic activities and development. On the other hand, societies with a heavy burden of disease as a result of poor health spending tend to experience a multiplicity of severe obstacles to economic development.

Any Proof?

It is widely recognized all over the world that, improvements in health care are the actual instruments for achieving economic growth and poverty reduction. In other words, a better health care does not have to wait for an improved economy and instead measures to reduce the burden of disease and increase life expectancy will in themselves contribute to creating healthier and richer economies. For instance, look at some of the great takeoffs in economic history such as : the rapid growth of Britain during the Industrial Revolution; the takeoff of the US South in the early 20thcentury; the rapid growth of Japan in the early 20thcentury; and the dynamic development of Southern Europe and East Asia beginning in the 1950s and 1960s.

All these were supported by important breakthroughs in public health, disease control and, improved nutritional intake. Special adviser to the United Nations Secretary General, Jeffrey Sachs in his report (2001), commissioned by the World Health Organization, made a milestone link between macroeconomics and health, when he and his co-researchers stated that paying attention to population health was not merely of a selfless value but also in the interest of national and global economic development.

The role of health in economic growth and development has been dealt upon by various researchers. Finlay (2007) elucidates that health does play a role in economic development. He showed that health influences economic growth through education incentive effects. Finlay went further to say that individuals who are healthier live longer and are encouraged to invest more in education, as returns to education can be enjoyed in the form of higher skilled wages. Baldacci (2004) explored the role played by health expenditures and found that spending on health within a period of time affects growth within that same period of time. Bloom et al. (2004) focused on the labour productivity effects of health on economic growth, where improvements in health will lead to an increase in per capita income. Their main result was that health has a positive and significant effect on economic development. Empirically, a high level of public health goes paripassu with a high level of economic development. Given the importance of health to the people in particular & country's economy in general, it's worth looking at the public expenditure on health:

Expenditure on Health

It is said that a sound mind is in a sound body. But given the importance of health, it's distressing & discouraging to note that India currently spends a little over 1% of GDP on health (16). And this is, far below Singapore which has the lowest public spend on health at 2.2% ofGDP among countries with significant universal health coverage (UHC) service. Though India's per capita public expenditure on health increased from Rs 621 in2009-10 to Rs 1,112 in 2015-16 it is nominal compared to other countries.

Efforts to Ban Manufacture of Cigarettes?

Religion, dictatorship and laws in democracies have had a role in persuading, punishing and penalizing smokers, who not only endanger their own heath but also pose serious health hazards to non-smokers. Surprisingly, from available history, no religious head, dictator or government have ever thought of banning cigarettes. Interestingly, the first modern nationwide tobacco ban was imposed by Nazi Party in its own offices, every German university, post offices and military hospitals. Adolf Hitler was the force behind setting up of Karl Astel's Institute of Tobacco Hazards Research in 1941.The interesting thing to note is that while Nazis did not flinch doing the gas chamber experiment on Jews, they were very much concerned about the effect of smoking on the health of the general public.

From 1975, when inscribing of statutory warning cigarette smoking is injurious to health' was made mandatory on each packet, India has come a long way. But, the government has not taken the drastic step of banning manufacture of cigarettes as differentiated from a ban on tobacco, which has many other beneficial uses. And the tobacco economics appears to be the prime reason dissuading governments from signing the death warrant for cigarettes. The Rs 35,000 crore tobacco industry (9) employs a whopping 36 lakh people and contributes 10% of India's total excise revenue, of which nearly 90% is contributed by cigarettes.

The government has negated the theory that economic considerations hold key to policy decisions by writing off crores of farm loans. And this was to bring happiness to lakhs of debt-ridden farmers. Then why not ban manufacturing of cigarettes, which causes ill health and results in unhappiness. Further, why should a non-smoker be afflicted by various diseases - including lung cancer or heart ailments - just because he is required to go to public places? So there is no reason to compel non-smokers to be helpless victims of air pollution. Isn't it?

Report titled 'Economic Burden of Tobacco Related Diseases in India (12) says tobacco-related diseases cost government Rs 1, 04,500 crore in 2011.India has 120 million tobacco users, and one million deaths every year. Nearly 80% of smokers live in low- and middle-income countries. And the tobacco epidemic is kills more than seven million people a year. Kailash Sharma, Director of Academics at the Tata Memorial Hospital, Mumbai, A leading cancer specialist (15) has called on the government to investigate whether a "tobacco lobby" has influenced arms of the government to initiate action against public health organizations engaged in India's tobacco control efforts. His appeal comes against the backdrop of the home ministry's decision to bar three public health institutions working with the health ministry on tobacco control efforts from receiving foreign funds. Public health experts estimate that tobacco-linked illnesses kill about 9 lakh people in India each year.

The government has either revoked or refused to renew the Foreign Contribution (Regulations) Act licenses of the Public Health Foundation of India (PHFI), a Delhi-based education and research think tank, the Institute of Public Health (IPH), Bangalore, and the Voluntary Health Association of Assam. Shri Sharma said NGOs had played "a pivotal role in augmenting the government's efforts to accelerate tobacco control".

Conclusion

Better health is central to human happiness and well-being. It also makes an important contribution to economic progress, as healthy populations live longer and are more productive. Further, ill-health and disease are recognized as barriers to economic growth in developing countries. On the other hand, good health boosts labour productivity, educational attainment & income and reduces poverty. In addition, the achievement of the other MDGs – particularly eradicating poverty and hunger, achieving universal primary education, and empowering women – greatly depends on better health. And to meet this challenge, developing countries, supported by OECD countries and their development agencies, need to take a pro-poor health approach. This must do what it says: promote, protect and improve the health of poor people.

Malnutrition and food insecurity have obvious implications for health. Road fatalities are another public health concern. Because, in developing countries about a million people are killed every year as a result of road crashes. Resolving these problems will require not just the efforts of health ministries, but coordination with departments of agriculture, transport, education, and energy, to name but a few. Over the past decade, India has banned smoking in public places, imposed conditions on the depiction of tobacco products in films and television, prohibited tobacco advertisements at points of sale and raised the size of graphic pictorial warnings to 85 per cent of the surface area of tobacco packets. The latest survey on global adult tobacco use released earlier this year indicated a 17 per cent drop in tobacco consumption in India over the past five years. There are many obstacles to the effective implementation of pro-poor health policies, but inadequate funding of health is major obstacle and inescapable. Hope, all the concerned take note of adverse impact of allowing manufacturing of cigarettes on people's health and do all that they can to either ban manufacturing of cigarettes or restrict its further consumption.

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The Author is Professor in Symbiosis Institute of Business Management.

Every individual life is infinitely precious; everyone of us put on this world has been put here for a reason and has something to offer.