COSIDICI COURIER

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

VOL. LV NO. 4 | JULY–AUGUST, 2017

Contents

CHALLENGES TO FINANCIAL INCLUSION

Charan Singh

There have been some recent reports of malpractices with respect to Jan Dhan accounts. In this context, it may be interesting to know the grass-root level challenges that are impacting financial inclusion.

In India, where nearly one-fourth of population is illiterate and below the poverty line, ensuring financial inclusion is a challenge. The two indicators, poverty and illiteracy, vary widely between different States in India. Rural poverty is above 30 per cent of population in places such as Assam, Bihar, Madhya Pradesh, Uttar Pradesh, Orissa, Jharkhand, Chhattisgarh, and Manipur. Rural poverty can be attributed to lower farm income, lack of sustainable livelihood, lack of skills, under employment and unemployment. Thus, ensuring deposit operations in these accounts is a challenge.

Fraud due to illiteracy

India has a literacy rate of 73 per cent with some States such as Bihar, Uttar Pradesh, Jharkhand, Madhya Pradesh and Rajasthan where the literacy rate ranges between 62 per cent and 70 per cent. The banks have devised ways to address limitations arising out of illiteracy by ensuring biometric access to bank accounts. However, Aadhaar seeding implies that some numericals have still to be punched in the machine to operate an account. As all the numerals are in English, only the banker or the business correspondent (BC) can punch in the Aadhaar number. Similarly, the messages that are received on mobile phones from banks are also in English and therefore the illiterate person has to seek someone's assistance to understand and interpret the message.

In each of the above cases, the privacy of an individual's bank balance is breached. This makes the illiterates, and population confined at home –

females and elderly – vulnerable to malpractices. There are also anecdotes that enterprising BCs, to ensure ease of business, give the same Personal Identification Number (PIN) to all the residents in a single village. This can further compromise privacy and cause embarrassment to the authorities when direct benefit transfers through bank accounts are implemented on a larger scale. Therefore, a financial inclusion strategy sensitive to regional, demographic and gender related factors, needs to be carefully crafted.

Further, it needs to be considered that why despite extensive efforts from authorities, the Prime Minister's Jan Dhan Accounts (PMJDA) have underperformed. This could be, in addition to poverty and illiteracy, due to the type of products being offered to the unbanked population. Illustratively, recurring deposits are products which are more suitable to the salaried income group rather than people in informal sector whose incomes are uncertain, seasonal and unplanned.

Making accounts operational

In the opening of PMJDA, mainly public sector banks (PSBs) rose to the occasion in ensuring that every unbanked household had a bank account. Now that 25 crore PMJDAs have been opened in the last two years, a feat unparalleled in history of financial inclusion, it needs to be considered whether is it also the responsibility of the PSBs to ensure that these are operational.

The opening of PMJDA was a mammoth task, as in March 2014 just before PMJDA, total accounts on books of commercial banks were around 1 lakh crore. As can be imagined, given the limited resources in banking sector, opening of such large number of PMJDA within 24 months in far flung areas diverted the attention of bankers from their principal activity of mobilising resources and lending to reliable borrowers.

The next challenge is monitoring existing borrower accounts. Therefore, to ensure that the banking industry is robust and existing banking assets safe, given that heavy lifting has been done by PSBs, should the newly opened PMJDA in rural areas and some in urban too, in a sequentially planned manner be moved to rural and urban cooperatives?

Further, at present, there are a number of regulatory authorities that have a role to play in financial inclusion – Reserve Bank, National Bank for Agriculture and Rural Development (NABARD), Securities and Exchange Board of India, Small Industries and Development Bank of India, and MUDRA bank. There is a need to fix responsibility on a single regulatory authority to ensure that JDAs are operational. In this context, given that NABARD has an extensive presence across the country and was formed for the purpose of development of agriculture and rural areas, it should be made the nodal and accountable agency for financial inclusion. NABARD may not have the existing capacity, as of now, to accept the challenge but can certainly be prepared in a phased manner in next few years. It has been investing in modernising, and infusing technology in cooperative institutions.

Moneylender's influence

There is also need for further research on why the moneylender despite persistent efforts by institutions in formal sector has continued to flourish in the financial market.

Money lenders continue to account for nearly 30 per cent of total banking business. This then gives rise to an interesting related question: do interest rates matter?

After all, it is a fact that Chanakya's interest rate structure was risk weighted and banking business flourished even then – traders were generally charged 60 per cent per annum, if goods passed through forest then 120 per cent, and sea-borne cargo at 240 per cent.

In modern times, if interest rate matters, why do people prefer to go to moneylenders, despite a network of banks, cooperatives, MFIs and SHGs? Is it simply due to ease of doing business or some other factors? This is one area which requires grass-root level research.

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The views are personal

In a conflict there is an exchange of negative energy so focus on sending pure energy of good wishes. This will heal everyone.

RESOLVING STRESS

*** Mahesh Singhi**

The Insolvency & Bankruptcy Code (IBC) has laid down the way forward for lenders to expedite recovery and resolution of stressed assets while maintaining priority of claims in order. It also gives creditors more headroom to take a call on distressed assets and further strengthen the corporate bond market, which is fundamental to infrastructure financing today. Action is picking up on the stressed assets space and it is gathering momentum. Some of the biggest accounts are going to make their way to National Company Law Tribunal (NCLT) under IBC that have fund/non-fund exposure of above Rs.5,000 crore, where 60% or more has turned bad. It is a welcome sign for India's crisis-ridden banking sector. If banks manage to recover these dud assets, it will give a major boost to the sector. Moreover, bad loan resolution would also help the government arrive at a more appropriate amount required by PSU banks towards their re-capitalisation. Also, I feel, that merging bad bank with a good bank as a way of getting a large good bank is no more a valid way of thinking as the government may end up with a large bad bank.

On paper, the gross bad loans of Indian banks are a little over Rs.7 lakh crore, but in reality the actual amount of bad loans would be far greater, given there is a big chunk of restructured loans - loans that technically remain standard on the books of banks, but are actually bad. As far as provisioning for these bad loans is concerned, almost 40-60% provisions would be needed on steel alone and even larger provisions would be required for other sectors like power and infra. These amounts add up to a little over Rs.2 lakh crore, or about 30% of the Rs.7 lakh crore worth of gross NPAs in the banking system.

The way RBI has directed banks to initiate IBC against high value NPA cases inspires confidence. The central bank committee has taken a common

cut off in terms of loan exposure and portion of loan that have turned bad, and has not named any company in public. This partly addresses the concerns of RBI cherry picking individual companies for punitive action. The tone of the guidelines more or less remains generic. As far as the procedure is concerned, whole process is time bound and offers a decent exit for the promoter and minimum financial losses to lenders. But, the problem is that banks are not experts in businesses to which they lend. Unless the right professionals are involved, a resolution within nine months may not be a workable idea and can lead to bigger disputes.

Before the application (to NCLT) is moved, the banks need to ensure that there is no specific leeway borrower had availed, either on bilateral basis or from the consortium (of lenders), which would be a hurdle during the proceedings. Under the IBC, once a case is admitted by the NCLT, a resolution plan must be in place within 180 days of admission. This is extendable up to 90 days. In case there is no plan or the committee does not agree on one, the company will go into liquidation.

Another problem the banks may face is the extent of haircut or losses they have to book to resolve the bad asset and the subsequent provisioning that will be required once bankruptcy proceedings start. Since the company is pushed for liquidation after severe financial stress; in many of the insolvency cases, banks may have no option but to book substantial losses upfront but atleast they would be able to get rid of the assets at whatever valuations they may get from the market.

NCLT here does not mean that the assets or firms referred to it are going straight into liquidation. The issue is that a resolution exercise has been slow as banks in a consortium are often unable to reach consensus. RBI is pushing the decision forward, since sometimes there being multiple lenders, some banks always are fearful of decision because of the consequences. If you look at the accounts RBI has cherry picked, the large ones, where banks have exposure of more than Rs.5,000 crore and going to NCLT, the rest of the banks have been prodded to try resolve the issues.

If we try to analyse the slippages in NPAs these are partly because of what is happening in sectors largely coming from infrastructure, steel, power/ mining. The biggest hurdle which the law seems to have is the powers available to the lenders who can invoke IBC on Day 1 of default without giving any notification to defaulter. This can actually lead to some companies challenging the move as violation of their constitutional right to freedom. Such a law giving powers to creditors/lenders to decide whether to approve resolution plan or seek order for liquidation will have to undergo test of constitutional validity and other challenges too.

Moreover, if the companies have assets to offload, we don't know who will be willing to buy it. It remains unclear what happens in case they don't have adequate assets. Also, the liquidation value would be computed in accordance with internationally accepted valuation standards, after physical verification of the inventory and fixed assets of the corporate debtor. Further, it will also be a tough call for the investors in the stock of such companies, who will be on tenterhooks since equity shareholders are last in line to be compensated in case a firm gets liquidated.

In view of the current credit condition, it is imperative to strengthen the systems. The code definitely sends a strong signal to borrowers to adhere to credit discipline and also encourages banks to break resolution deadlocks with definite timelines. Believing that a reference under NCLT means liquidation 'only' is not a right thing to believe. Liquidation is the end point when the creditors committee is formed who have all the options available to restructure, to look at the possibility of even the said merger, the change of management, all kind of possibilities are there. But the key part-implementation-still remains more or less un-addressed.

In almost 80% of the cases where companies are in financial distress, change of management or change of ownership will be key to long-term resolution of such stressed accounts. This will not only enable the new stakeholders to price the assets-based on its true earning capacity, but also help them restructure their repayment commitments in line with future cash-flow generation, with some upside being available for the new investor to take the required risk and allocate necessary capital. Under RBI's current guidelines, it's not possible for the accounts to get restructured without them being classified as NPAs and the problem only compounds with time if the change of management route is not taken for such assets to restructure loans & repayment commitments in line with cash flow generations.

In such a scenario, the serious investors would like to commit time and capital only when they are certain about the process outcome and that's where the new IBC code will help serious investors to place their bets thru NCLT on quite a few assets where financial turnaround seems possible. Thus, as of now, it is important that the correct infrastructure should be in place for the action to get going.

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Source : The Financial Express

PROFILE OF MEMBER CORPORATIONS

RAJASTHAN FINANCIAL CORPORATION {RFC}

About Corporation

The Rajasthan Financial Corporation (RFC) was constituted in 1955 by the Rajasthan State Government under the SFCs Act, 1951, for providing long term financial support to tiny, small scale and medium scale industries in the State.

The Corporation is continuing to work as a Catalyst for development of translating into practice the industrial policies and priorities of the Central and the State Governments as also for providing and improving upon immediate assistance in the planned and balanced development of industries in the State, particularly in the small and tiny sectors. Since, its very inception, the Rajasthan Financial Corporation has been striving incessantly towards its Goal - that of extending a helping hand to varied entrepreneurial sections of society for their financial requirements. A goal - ultimately aimed at spurring up the process of industrialization of its parent State. For the fulfillment of its prime objective it operates various loan schemes for the tiny, small and medium scale industries, many of them tailor-made for specific entrepreneurial classes. Ever prepared to adopt as well as to adapt itself to the changing industrial needs, RFC has over the period, widened its network, multiplied its numerous schemes and added multifold to its policies and incentives, liberalising them with the need of the hour.

Loan Schemes of RFC :

General Term of Loan Scheme : Term loan upto Rs. 20 crore for acquisition of land, building and plant & machinery for any eligible industrial activity defined under the SFCs Act for setting up a project in the manufacturing sector including mining, wind farm and individual wind turbine generator.

RAJASTHAN FINANCIAL CORPORATION
Entrepreneur First

Scheme For Service Sector

- Hospital and Nursing Home: Loan to cover investment in land, building, electro-medical equipments, instruments, furniture, air- conditioners, small generators etc. for Hospital l/ Nursing Homes.
- Tourism Sector : Loan for Hotel, Restaurants, Resorts, Amusement Park, Guest Houses, Drive-in-Cinemas, Multiplexes and Tourism related activities in Rajasthan for acquisition of Land, Building, Kitchen equipments, Office equipments, AC, Interior decoration, Furniture & Fixtures, Health Club, Swimming Pool, etc.
- Information Technology : Loan may be sanctioned to promote all type of projects/ activities related to Information Technology. However, Educational/Training Institutes shall be outside the purview.

Scheme For Textile Industry : To provide encouragement to textile industrial units in the small scale/medium scale sector for taking up technology up-gradation. The scheme envisages interest incentive of 5% points on the loans availed by SME. However, for the spinning machinery the reimbursement will be 4% points only.

Saral Scheme For SME Sector : Loan from Rs.2 lacs to Rs.10 crore (upto the extent of 60% of MRV of land and building for FY 2011-12) is available to the existing industrial running units in the micro, small and medium scale sectors and all existing running hotels located at District Head Quarters.

Single Window Scheme : A scheme for small borrowers to ensure adequate finance by providing single window facility for availing of Term Loan for fixed assets and Working Capital finance from one institution only. Project cost should not exceed Rs.200 lacs.

Scheme For Financing Against Assets : Loan upto Rs.10.00 crores to industrial concerns of MSME and CRE Sector for meeting their industrial financial requirements provided the prime security is mortgaged to the Corporation under first charge is free from all encumbrances.

Scheme For CRE Projects :

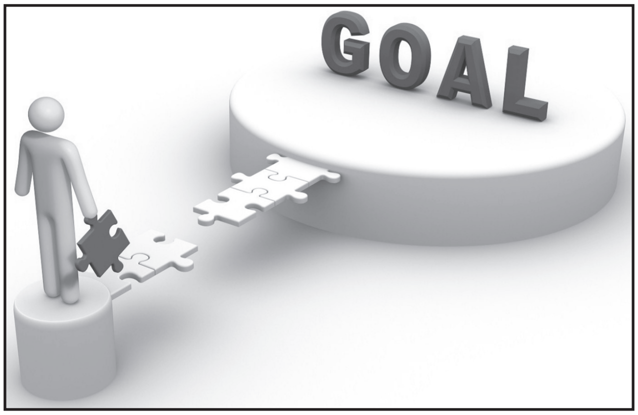
- Loan for construction of commercial complexes, showrooms and sales outlets independent of hotel business.
- Financial assistance may be granted to eligible borrowers for cost of land, construction of building for housing complexes / apartments (commercial cum residential complex), acquisition of required plant and machinery / equipment like lifts, air conditioning plant and fire fighting equipments, other safety devices and also other plants and equipments required for modern type of housing complexes and flats.

Scheme For Qualified Professionals:

Assistance to qualified professionals in the field of management, accountancy, medicine, architecture, engineering, law etc. for setting up professional practice/consultancy ventures for the first time. The cost of the project should be need-based and not exceeding Rs.20.00 Lac.

Top-Up Loan Scheme For Existing Borrowers :

Top-up loan on easy terms and conditions and with simplified procedures, is available for existing



financed and running units (excluding Good Borrowers and Real Estate cases) which are having standard account and have repaid at least 4 quarterly installments regularly.

Loan to Units Intending to Switch Over Their Loan Accounts From Banks and other Financial Institution to RFC :

Loan for repayment of outstanding loan of the other FIs/ Banks and for acquisition of further fixed assets for modernisation, diversification, expansion etc.

Schemes For Good Borrowers :

Attractive loan schemes for existing Good Borrowers of the Corporation and Good Borrowers of other Financial Institutions on very liberal terms and conditions. The main schemes are as under : -

- Short Term Loan : Speedy sanction and disbursement for expansion, modernisation, replacement, diversification and purchase of balancing equipments.
- Unit Promoted by Good Borrowers: Financing for new unit promoted by the existing good borrower on attractive rate of interest.
- Working Capital Term Loan: For providing working capital term loan to meet out the gap in their working capital requirement and the available bank limit.
- Working Capital Term Loan To Non Assisted

Units : For providing working capital term loan to meet out the gap in their working capital requirement and the available bank limit.

- Special Working Capital Term Loan : For acquisition of diamond blades and / or segments, Back-up roll, work-roll and bearings, replacement of card clothing, replacement of machinery part of textile unit and SS rolling mills etc.
- Gold Card: Speedy and easy sanction for acquisition of fixed assets and/ or meet out working capital requirement.
- Platinum Card: Speedy and easy sanction for acquisition of fixed assets and/ or meet out working capital requirement.
- Flexi Loan : A unique scheme for the good borrowers where Corporation shall provide financial assistance totally flexi in nature i.e. the loan sanctioned can be withdrawn and deposited within LDR any number of times to meet immediate requirement either for acquisition of fixed assets, working capital or for both without going into detail appraisal.
- Flexi Loan For New Borrowers : A unique scheme for the non assisted having proven track record, where Corporation shall provide financial assistance totally flexi in nature i.e. the loan sanctioned can be withdrawn and deposited within LDR any number of times to meet immediate requirement either for acquisition of fixed assets, working capital or for both.

Special Loan Scheme for marble Processing Units having import licence

The Government of India has recently issued Import License to selected marble processing units for importing marble blocks. Import of marble blocks requires huge capital involvement in terms of working capital to meet out cost of raw material, transportation, processing, trade credit cycle etc.

Considering the requirements of the existing borrowers having license for importing marble blocks and also the feedback received from the field offices, a new scheme namely Special Loan Scheme for Marble Processing Units having Import License has been launched to provide financial assistance to marble processing units having import license. The purpose of loan shall be for importing marble blocks, for creation of fixed assets (or both), transportation, processing etc., In addition to RFC's our existing borrowers, financial assistance shall also be considered to the units who intend to switch over their loan account from other FIs/Banks and are having Import License. Under this new scheme no detailed appraisal shall be undertaken but adherence of financial norms given in the scheme is to be ensured.

Our is attitude created by our belief systems and thought process create our energy field of vibrations.

Stress is not in the situation. Stress is an internal emotion created by us in response to an external challenge.

DO YOU KNOW !

Top 10 Largest Rivers In The World

Nile : This is the world's longest river. It spans a mammoth journey of 4,132 miles before the mouth meets the Mediterranean Sea in the form of a vast delta in Egypt. The Nile drains about 10 % of the entire Africa. Nile has only two tributaries; White Nile that originates in Rwanda and Blue Nile from Ethiopia. Both tributaries meet at Sudan. From Sudan, the river flows through Sahara desert and discharges into Mediterranean Sea. This river is the lifeblood of most Egyptians and majority of them live on or near the river. Major settlements on this river include Cairo, Luxor, Aswan, and Khartoum.

Amazon : Amazon boasts being the 2nd longest river on earth at 3,976 miles. Apart from being one amongst the biggest rivers on earth, it's also one of the widest rivers in the world measuring seven miles at various places along its course. During the wet season, this river has a width of up to 25 miles at some places. The river has its source in South America and mouth in the Atlantic Ocean. Because of its enormous size, it can count at least 1/5 of the world's complete flow. This river is so powerful and so big that there aren't any points along the river that can be crossed by a bridge. Amazon has a very powerful discharge at the mouth which can release as much as 8 trillion gallons of water every day. This river is about 150 deep!

Yangtze River : Also known as Chang Jiang or Yangzi, this is the longest river in Asia and the third-longest in the world. The river flows for 3,915 miles from Tibet Plateau in eastward across the southwest, central and eastern China before emptying into East China at Shanghai. It is also one amongst the biggest rivers by discharge volume in the world. This river drains 1/5 of the land of the China, and its river basin is home to 1/3 of China's population.

Mississippi : This is the chief of the largest drainage system in North America. The river flows in the US; it rises in the northern Minnesota and Meanders slowly southwards for 2,340 miles to Mississippi River Delta at the Gulf of Mexico. The river has numerous tributaries and ranks as the 4th longest and 10th largest river in the world. This river passes and borders through Minnesota, Iowa, Wisconsin, Illinois, Missouri, Tennessee, Mississippi and Arkansas.

Yenisei : This is largest river system flowing to the Arctic Ocean. It has a length of 3,445 miles. It is the most famous of three great Siberian rivers that flow into the Arctic Ocean. Rising in Mongolia, the river follows a northerly course to the Yenisei Gulf in Kara Sea, draining a huge part of the central Siberia, the longest stream following the Yenisei-Angara-Selenga-Ider River system.

Yellow River : The Yellow River is the 3rd longest river in Asia and world's 6th longest river at the estimated length of 3,395 miles. The river originates in the Bayan Har Mountain in Western China. The river flows through 9 provinces and empties into Bohai Sea near the city of Dongying in Shandong province. The river basin has an east-west extent of about 1,180 miles and north-south extent of about 680 miles. Its total basin area is approximately 742,442 square kilometers.

Ob River : This is a major river in western Siberia, Russia, and the World's 7th longest river. This river is 3,395 miles long, with a drainage area of 2,990,000 square kilometers and an average discharge of 12,475 cubic meters' per-second. The Ob forms 16 miles southwest of Biysk in Altai Krai at the confluence of the Katun and Biya rivers.

Parana River : This is found in south Central South America with a length of 3,030 miles. The river runs through Brazil, Paraguay, and Argentina. It's the second in length only to Amazon River among South American rivers. It's also one of the biggest rivers on earth with a drainage area of 2,582,672 Square kilometers and an average discharge of 17,290 cubic meters per-second.

Congo River : Previously known as Zaire, this is the world's deepest river and its found in Africa. It's the 2nd largest river on earth by volume discharged. It has a length of 2,920 miles making it the 9th longest river on earth. The Congo's drainage basin is about 4,014,500 square kilometers. This river together with its tributaries flow via Congo rainforest, the 2nd biggest rainforest in the world after Amazon Rainforest.

Amur River : The Amur River is the world's 10th longest river. This river is 2,763 miles long. Amur rises in the hills of Western Manchuria at the confluence of its two major affluents, Shilka River and Eugene River, at an elevation of 994 ft. It flows east forming a border between Russia and China, and slowly makes a great arc to the southeast for about 250 miles, receiving several tributaries and passing many small towns.

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Watch your thoughts; they become words.
Watch your words; they become actions.
Watch your actions; they become habits.
Watch your habits; they become character.
Watch your character; it becomes your destiny.

Even if we do not approve of someone's behavior, let us not criticize them in our mind. Even if our sansakars do not match, we can still be in harmony with them, only by taking care that we are not thinking negative about them.

Exports up 3.9%, trade deficit falls to $11.45 billion

India's merchandise export grew 3.9% to 22.54 billion in July, marking an annual increase in shipments for the 10th month, but slower than the 4.4% growth posted in the previous month. The growth of imports, despite continued surge in the influx of gold, slowed in July to an annual 15.4% from 19% in the previous month, precipitating a narrower trade deficit of $11.45 billion. The trade shortfall was $12.96 billion in June. India imported goods worth $33.99 billion last month, as against $36.52 billion in June.

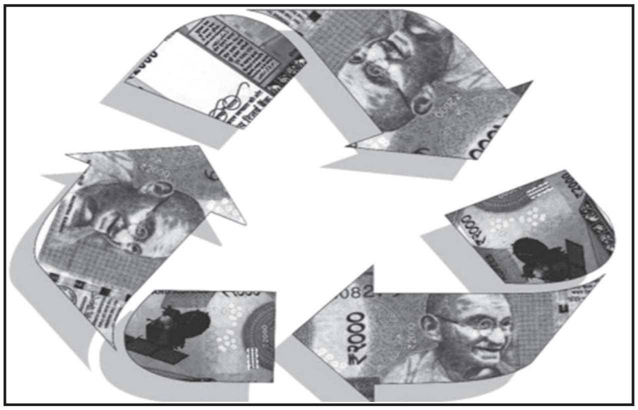
As for exports, engineering goods (up 15.2%), petroleum products (20.3%) and chemicals (20.7%), performed well in July, but several other sectors reported contraction. Pharmaceutical exports declined 5.4% year on year, apparel exports fell 12% and gems and jewellery saw a 22.7% fall. Oil imports were valued at $7.84 billion in July, an increase of 15% over the same month in 2016. Cumulative import during April-July increased by 28.3% to $146.25 billion, leaving a trade deficit of $51.5 billion.

Direct tax collection grows 19%

The government has collected Rs.1.90 lakh crore in direct taxes till July-end this fiscal, a jump of 19.1% compared to the corresponding period in FY'17, according to the central board of direct taxes (CBDT). The collection has increased faster than 15.3%, which is required to achieve the budget estimate of Rs.9.8 lakh crore in FY '18. This collection, which is the net of refunds, is 19.5% of the total budget estimates of direct taxes for FY'18. The CBDT also said corporate income tax (CIT) grew by 7.2% while personal income tax (PIT), including securities transaction tax (SIT), rose by 17.5% in the April-July period. However, after adjusting for refunds, the net growth in CIT collections stood at 23.2% while that in PIT collection was 15.7%, CBDT said in a statement. Separately, refunds amounting to Rs.61,920 crore have been issued during the first quarter of the current fiscal, which is 5.1% lower compared with the same period a year ago.

Eco Survey Lists Growth Pains, Prescribes Pep Pills

The Economic Survey released in August 2017



advised monetary easing and fiscal adjustments, flagging multiple new risks and deflationary impulses that could hinder the country achieving the higher end of the projected growth band of 6.75% to 7.5% for this fiscal year. A structural reform push to growth will come from implementation of the goods and services tax (GST), privatising national carrier Air India and steps to address the twin balance-sheet problem.

The growth outlook was more subdued in the second volume released on 11th August, 2017 than when the first volume was presented just before the Union Budget for 2017-18 in February; the Survey said all indicators pointed to a deceleration in real activity since the first quarter of 2016-17, and a further deceleration since the third quarter. The Survey retained its prediction of GDP growth in 2017-18 coming in at between 6.75 and 7.5 per cent, but said that "outcomes closer to the upper end" were considerably less probable now than they had been earlier. The Survey also warned that current growth would be difficult to sustain given underlying factors. The Survey argued that the deflationary trend was part of a broader paradigm shift towards lower inflation, driven by a structural change in the global oil market and transformation of domestic agriculture.

Oil prices, were permanently lower after 2014, and domestic policy changes in the agricultural sector had embedded lower inflation in the Indian economy. Yet real interest rates, the Survey said, were at 4.7 per cent — higher than in the recent past, and higher than in comparable economies. The Survey calculated that current rates were 25-75 basis points above the "neutral" rate, whereas given deflationary conditions they should in fact be below the neutral rate — so there was ample space for the Reserve Bank of India to cut rates. The Survey also highlighted the dangers of farm loan waivers, which it said could reduce aggregate demand by as much as Rs 1.1 lakh crore or 0.7 per cent of GDP — a significant shock to an economy yet to regain momentum.

The Survey called for including electricity, alcohol, real estate, health and education, in the framework of goods and services tax to expand the base of the newly implemented indirect tax. Bringing electricity into GST framework would improve competitiveness of Indian industry because taxes on power get embedded in manufacturers' costs, and can be claimed back as input tax credit.

The decision to keep health and education completely out of GST, was felt to be inconsistent with equity as these services are consumed disproportionately by the rich. It also called for increasing tax on gold and jewellery from the current 3 per cent, saying it is another segment "disproportionately consumed by the very rich". The survey said there are "early signs of tax base expansion". In June and July, 6.6 lakh new agents previously outside the tax net have sought GST registration. This is expected to rise consistently as the incentives for formalisation increase. "Preliminary estimates point to potentially large increases in the tax base as a consequence. Rolled out on July 1, GST has brought in uniformity or the principle of 'one good, one tax' all over the country. "So relative to the past, there is now uniformity rather than multiplicity as well as considerably less complexity. The survey also made a case for reducing GST compliance burden and asked the government for more centralised procedures.

Industrial output contracts 0.1%

Industrial output entered negative territory in June, contracting by 0.1% mainly due to a decline in manufacturing and capital goods sectors. Also, segments like mining, power generation, infrastructure/construction goods and consumer durables recorded poor performance. Factory output, measured in terms of the Index of Industrial Production (IIP), grew 8% in June 2016, according to the data released by the Central Statistics Office in August. On a quarterly basis, factory output growth during April-June slowed down to 2% from 7.1% in the corresponding period last year. This is the first time in the current fiscal that the industrial output has shown a decline. The IIP grew by 3.4% in April and 2.8% May as per the revised estimates released on August 11, 2017. The manufacturing sector, which constitutes over 77% of the index, showed a decline of 0.4% in June as compared to a growth of 7.5% in the same last year. The output of mining and electricity sectors during the month decelerated to 0.4% and 2.1% from 10.2% and 9.8% respectively in June last year. Capital goods output, which is the barometer of investment, declined by 6.8% from a growth of 14.8% a year ago. Similarly, the output of primary goods and intermediate goods during the month declined by 0.2% and 0.6% as against growth of 8.2% and 6% respectively during June last year. Consumer durables and consumer non-durables have recorded growth of (-) 2.1% and 4.9% respectively. In terms of industries, 15 out of 23 industry groups in the manufacturing sector have shown negative growth during the month of June 2017 as compared to the corresponding month of the previous year.

Forex reserves at $386.53 billion

India's forex reserves touched $386.539 billion after it rose by $4.007 billion in the week to June 30 due to an increase in the foreign currency assets (FCAs), the RBI said. FCAs, a major component of overall reserves, rose $3.724 billion to $362.388 billion in the reporting week.

Expressed in dollar terms, FCAs include the effects of appreciation/depreciation of non-US currencies, such as the euro, pound and the yen, held in the reserves.

Gold reserves also increased $252.8 million to $20.348 billion. The special drawing rights with the International Monetary Fund was up $11.8 million to $1.479 billion.

SIDBI Logs Rs.1,120-crore net profit in FY '17

SIDBI has reported a net profit of Rs.1,120 crore for the 2016-17 fiscal. This was, however, Rs.57 crore less than the profit SIDBI had posted in the previous fiscal. The Deputy Managing Directors Shri Ajay Kumar Kapur and Shri Manoj Mittal said the bank's net worth increased by 19% to Rs.12,905 crore during the period under review.

Amendments to companies law passed

The Lok Sabha in July, 2017 passed a Bill to amend the companies law seeking to strengthen corporate governance standards, initiate strict action against defaulting companies and help improve the ease of doing business in the country.

The Bill, which was passed by a voice vote, provides for more than 40 amendments to the Companies Act, 2013.

The Bill was introduced in the Lok Sabha in March 2016, and then referred to the Standing Committee on Finance. After taking into consideration, the recommendations of the panel, the Cabinet had cleared a revised Bill in March this year.

"The passage of this Bill will help in increasing the size of the country's economy," Minister of State for Corporate Affairs Shri Arjun Ram Meghwal said, adding that investor protection and corporate governance were the two main objectives of the measure. It would also help in simplifying procedures, make compliance easy and take stringent action against defaulting companies.

The amendments would strengthen corporate governance standards and improve transparency. It would also help in improving the country's position in the 'ease of doing business'.

Responding to concerns that the government was not doing enough to ensure that companies comply with Corporate Social Responsibility (CSR) provisions, the minister said it was not right. The ministry has already issued notices to many firms for not complying with CSR provisions under the Companies Act and in some instances they have not responded, Shri Meghwal said.

Under the Act, certain class of profitable companies are required to shell out at least two per cent of their three year annual average net profit towards CSR activities. In case of non-expenditure, such entities are required to provide the reasons for it to the ministry. Listing out various initiatives, including implementation of the goods and services tax (GST), the minister said 2017 would be the year of economic reforms.

QUESTIONS OF CYBERQUIZ ~ 67

Q.1 With respect to NASDAQ, what first is enjoyed by Infosys among the Indian Companies ?

[a] It is the first Indian software company to be listed on it; [b] It is the first Indian company to be honoured for corporate governance; [c] It is the first Indian company to be listed on it; [d] It is first software company to get contracts to write software for NASDAQ.

Q.2 Infosys Technologie Ltd. in the first to be awarded the "National Award for Excellence in Corporate Governance", conferred by the Government of India. It has won this award how many times so far ?

[a] Once; [b] Twice; [c] Thrice; [d] Four times.

Q.3 In his youth, Narayana Murthy was a staunch believer in socialist philosophy. However, after a certain incident, he became disillusioned with it and adopted the best of capitalism and socialism as his guiding philosophy. What was that incident ?

[a] Collapse of USSR; [b] His arrest for talking to a passenger about capitalist ideas while travelling in a train in communist Bulgaria; [c] His chance meeting with Bill Gates; [d] His meeting with economist with Amartya Sen.

Q.4 What first was achieved amont the software companies by Cullinane Corporation in the USA in 1978 ?

[a] It was the first company to launch a word processing software; [b] It was the first software products company to go public; [c] It was the first software products company to earn revenue exceeding $ 1 million.

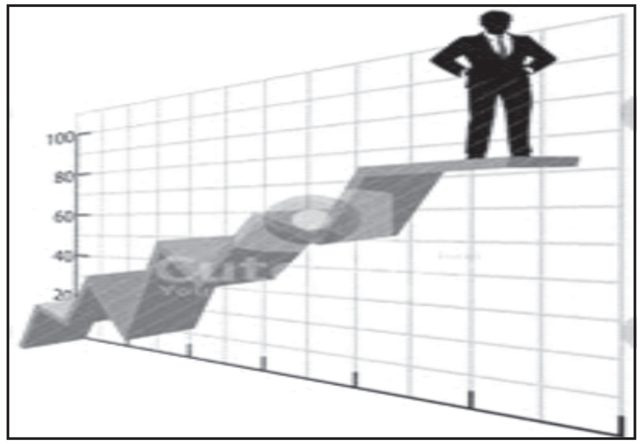
Q.5 Which company jointly owns Bell Labs with AT&T ?

[a] Western Electric Corporation; [b] General Electric; [c] General Dynamics; [d] IBM.

For Answer See Page No. 16

SUCCESS STORIES OF WBFC ASSISTED UNITS

National Plasto Products PL



Mr Ratan Sharma is the chief promoter of the company. The company started manufacturing of plastic household items in 1989 with a term loan of Rs.3.89 Lakh from this Corporation. Subsequently, it availed of several loans from us aggregating Rs.15.71 Cr to undertake expansion schemes on many occasions to cope up with the growing demand for its products. It set up several units in other states also. Now the group is one of the leading manufacturers of moulded plastic furniture and household items. The company's sale was Rs.37.00 Lakh in FY 1987 and with the passage of time it has achieved a turnover of Rs.57.64 Cr in the last FY.

Crown Moulding Co., Crown Polywares Pl And Anand Poly Pack PL.

The promoters of the company are Mr Padip Tahlani, Mr Mahesh Tahlani and others. The group is engaged in manufacturing of plastic moulded furniture and different household items under the brand name of 'Crown'. The brand has secured a comfortable niche in the market. The group has been growing steadily since 1999 with financial assistance from this Corporation. The group availed of several loans from us so far aggregating Rs. 8.64 Cr during last 17 years starting from 1999 when its turnover was below Rs.1.00 Cr, while it is nearing Rs.50.00 Cr now.

■■■

If we are unable to accept the behaviour of one person, and we react, it depletes our energy. Conflict in one relationship depletes our power and this depletion has an adverse effect on other relationships.

RBI cuts policy interest rate

The RBI lowered its policy interest rate by 25 basis points and said the future course of inflation which at present was very low would depend upon a combination of factors, including states implementing farm debt waivers. After the latest policy review, the repo rate, at which the central bank lends to banks, stands at 6 per cent. The RBI maintained its neutral monetary stance. The rate cut was part of its calibrated approach based on the data available, RBI Governor Shri Urjit Patel said in a post-policy conference. "We could have stronger growth by removing infrastructure bottlenecks, finding measures to reinvigorate private investments and providing a thrust to government's affordable housing initiative, which has a potential for very strong multiplier effects.

LS Clears Banking Regulation Bill, 2017

The Lok Sabha has passed the Banking Regulation (Amendment) Bill, 2017 introduced in July 2017 to replace the existing ordinance promulgated in May 2017 to empower the Reserve Bank of India to deal with stressed assets. The RBI had already identified top 12 loan defaulters and more cases will be taken up for resolution. The ordinance had provided for more powers to the RBI to deal with stressed assets. After promulgation of Banking Regulation (Amendment) Ordinance, 2017, RBI identified 12 companies that account for 25% of total NPAs of banks for immediate referral for resolution under the Bankruptcy Law.

RBI increases provisioning requirements

The Reserve Bank of India has asked for a steep increase in provisioning requirements by banks for loans being referred to the bankruptcy courts. This move is likely to take a Rs.50,000-crore toll on their earnings this fiscal. RBI told banks to set aside at least 50% of the loan amount as likely losses for all cases referred to the insolvency process. The regulator also said that provisioning should be 100% in those cases that don't get resolved in the initial mandatory period for loan restructuring and instead are forced into liquidation.

RBI also said the banks will have to make a 100% provision on the unsecured loan as soon as a company is referred to the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code (IBC). The RBI has given banks time of three quarters to spread the provisioning requirement. Banks can spread the provisions across four quarters from June 2017 till March 2018.

When we are in conflict, the one factor which will decide whether we damage the relationship or heal it is OUR ATTITUDE. The people for whom we create beautiful thoughts, our relationship with them will be in harmony.

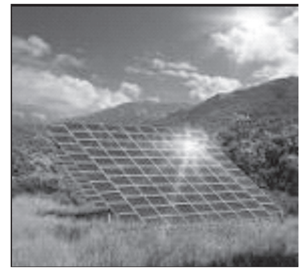
INFRASTRUCTURE

DMICDC begins leasing out land

For the first time, the Delhi-Mumbai Industrial Corridor Development Corporation (DMICDC) has leased out land developed by it to companies to set up units, 10 years after the idea of such a corridor was first mooted and six years after the Cabinet cleared it. 24 plots, covering 11.15 acres, along the DMIC at Shendra-Bidkin in Maharashtra have been offered to companies, mostly small and medium enterprises, which fetched Rs.15 crore to the corporation.

DMICDC chief executive Shri Alkesh Kumar Sharma said that land already developed by the corporation at four cities — Dholera (Gujarat), Shendra-Bidkin, Vikram Udyogpuri (Madhya Pradesh) and Greater Noida (Uttar Pradesh) — is to be leased. While a chunk of land at Shendra-Bidkin has just been leased out, DMICDC is in the process of receiving bids for other cities. The base prices for plots in these cities range from Rs.2,100 per sq metre to Rs.7,800, depending on the location.

The Centre has so far approved Rs.11,405 crore for developing these projects, and states concerned have to match this contribution. The Centre pumps in money for various projects related to the DMIC through the DMIC Trust, while the state's contribution is mainly in the form of land. According to the model adopted by DMICDC, while states offer land, the funds released by the Centre usually go towards its development. Once the land is developed, it will be allotted to willing investors at a price and with those funds, DMICDC will acquire another chunk of land and start developing it.



Sharma had earlier told FE that roughly 60% of all DMIC projects will be devoted to industry and the rest to residential and commercial infrastructure, hospitals, etc. All investments would be project-based.

2 Metro Projects to get funds from JICA

Japan International Cooperation Agency (JICA) — which has committed $4.5 billion for various DMIC projects, to begin with — is studying two metro projects (one in Haryana and the other in Gujarat) for investment. Once it approves any project, it will release funds accordingly. JICA's committed funds will be in the form of soft loans at a low interest rate of less than 1%. With an envisaged investment of $90-100 billion by 2040, the 1,504-km DMIC across six states was intended to be developed as a "global manufacturing and trading hub". The Centre has committed $4.5 billion for the first phase of the DMIC projects. DMIC would help drive the share of manufacturing in the country's GDP to 25% by 2022 from roughly 16% now.

ANSWERS OF CYBERQUIZ ~ 67

1[c] It is the first Indian company to be listed on it : Infosys was listed on NASDAQ in 1999.

2[c] Thrice : It received this award in 1999, 2000 and 2002. Besides this award, it has also won awards in Corporate Governance from many national and international bodies.

3[b] His arrest for talking to a passenger about capitalist ideas while travelling in a train in communist Bulgaria. The incident happened while Murthy was returning home from Paris on land. However, there are different versions of the reason for his arrest which range from espionage charges to talking to the fellow passenger in French.

4[b] It was the first software produces company to go public. The company started with repackaging and marketing software developed by users.

5[a] Western Electric Corporation : This legendary Lab is the birth place of many revolutionary technologies like transistor, laser and the UNIX operating system.