COSIDICI COURIER

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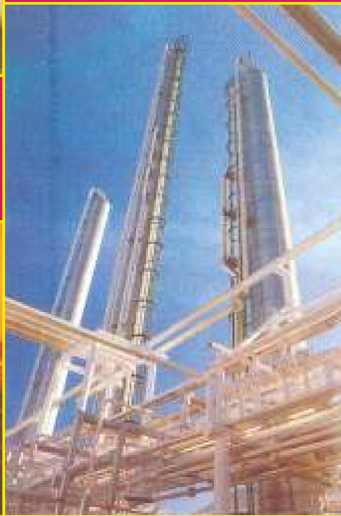

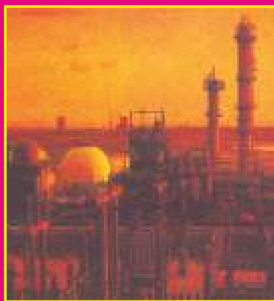

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Companies Act Amendments to promote ease of doing Biz

70% listed firms likely to qualify for MSMEs sops

http://www.cosidici.com

AIMS AND OBJECTIVES OF THE COUNCIL OF STATE INDUSTRIAL DEVELOPMENT & INVESTMENT CORPORATIONS OF INDIA (COSIDICI)

COSIDICI is a national federation of State Level Financial Institutions comprising 18 State Financial Corporations (SFCs), 29 State Industrial Development Corporations (SIDCs) and 9 State Infrastructure & Investment Corporations (SIICs), engaged in promotion, development and financing of industry mainly in the small and medium sector. The objectives of the COSIDICI are to :-

- provide and arrange means and facilities for dissemination of knowledge and information relating to promotion and development of industries, for exchange of views and ideas on subjects of common interest to all Member Corporations.
- promote, protect and develop common interests of the various Member Corporations.
- establish and maintain at the Registered Office a Commercial and Technical Library and Information Centre for use of Member Corporations.
- co-operate with various institutions and organisations in India and abroad in the collection and exchange of information pertaining to industries.
- sponsor professional, technical, management, marketing and other programmes and services for the benefits of the Member Corporations.
- sponsor studies, surveys, research and development projects pertaining to industries.
- promote co-ordination, collaboration, joint participation and general understanding among the Member Corporations.
- organise common service facilities, courses, seminars, meetings and study tours for the benefit of the Member Corporations.
- institute awards for outstanding and meritorious performance in the activities connected with development of industries.
- seek representation for the Member Corporations on Government sponsored committees, councils, bodies, term lending institutions, teams etc. connected with the development of industries.
- render assistance to Member Corporations in their efforts to improve efficiency of operations of their assisted and sponsored units.
- establish contacts, relations with trade organisations, associations, Chambers of Industries or Commerce of India and abroad in furtherance of the objectives of the COSIDICI.
- liaise with and to represent to the Central and State Governments, the term lending and other financial institutions on the common problems and issues of the Member Corporations.
- co-operate and affiliate, if necessary, with other similar bodies, institutions associations in India and abroad with the intention of furthering the objectives of the COSIDICI.
- do all such other things as may be incidental or conducive to the attainment of the above objectives.

COSIDICI provides a common platform to the aforesaid State Level Financial Institutions (SLFIs) for ventilating their problems and grievances to the Government and All-India Financial Institutions and serves as a mouthpiece of the sector for influencing the policies of the Government/National Financial Institutions. Ever since its inception in 1976, COSIDICI has been playing its role commendably and has significantly produced the desired impact on the growth of the SLFI sector by providing training programmes for senior executives of its Member Corporations as well as offering and conducting consultancy/advisory services, studies in specific areas with a view to bringing about enhancement in managerial and organizational skill of the Member Corporations.

The Website launched by COSIDICI (URL No. http://www.cosidici.com) in the year 2000 contains comprehensive information regarding promotional and developmental schemes of the State Corporations for setting up of industries and is aimed to serve as a useful guide to the potential investors from inside and outside the country which also indicates state-wise investment opportunities and incentives available to the prospective entrepreneurs.

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COSIDICI COURIER

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

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The views expressed in the journal are those of the contributors and not necessarily of the Council of State Industrial Development and Investment Corporations of India.

RESCUING THE ECONOMY

*Nitin Desai

The national accounts for the first quarter of this financial year suggest that the fall in gross domestic product (GDP) this year will probably be of the order of 10 per cent or even more if the current surge in Covid infections is not contained soon. The revival of the growth process will not take place until the second half of the next financial year and this delay can lead to social unrest caused by unemployment and rising poverty and a significant erosion of domestic and foreign investor sentiment.

Here is an area where the government needs to articulate a credible policy focused on measures for economic revival that can have an immediate impact. What we have had so far are spectacular announcements about long-term development issues without recognising that these issues will languish unless the immediate short-term challenge of rehabilitating the economy and restoring the growth process is taken in hand.

The macro-economic policy required for this has been extensively discussed and there is a general consensus that we need a fiscal stimulus amounting to at least 5 per cent of GDP. But what we have had so far amounts to less than 1 per cent of GDP. It is true that a much larger fiscal deficit will mean backtracking to automatic monetisation and the associated risk of inflation. But that is less of a problem than the risks of persistent stagnation and decline in the economy.

The Government's fiscal conservatism seems to be directed at keeping rating agencies satisfied, in the belief that this is necessary to attract foreign investment. It must understand that foreign investors are interested in the Indian market and the decline and stagnation in growth will put them off far more than any fiscal profligacy.

The Finance Ministry must be ready to run a much larger deficit and provide money for what is necessary to rescue the economy and workers from the impending threat of a deep recession. The fiscal largesse must be directed at the sectors which hold out the promise of immediately stimulating the

investment and growth process and at the same time helping sectors facing the prospect of collapse.

The first quarter GVA figures at current prices give some signals on what these could be. Trade, transport, hotels and communication, which are labour intensive service sectors, with a large proportion of employment being informal, account for about 41.4 per cent of the decline in GVA in the first quarter of 2020-21, manufacturing and mining accounts for about 34.3 percent and construction for 19.5 per cent. The remaining part of the decline is accounted for by sectors with a larger proportion of formal employment, with a 8.5 per cent decline in financial, professional, real estate, public administration, defence and other services and a modest 0.7 per cent decline in electricity and utilities.

The agricultural sector departed from the trend and grew by 4.4 per cent in current prices and the prospects for this year look even better. The end-August estimate from the Ministry of Agriculture shows that the area under kharif crops has increased by 7.2 per cent, with an increase of 10 per cent in the area under rice, 13 per cent in the area under oilseeds and 4.6 per cent in the area under pulses. There have been newspaper stories suggesting that one reason for this is that urban workers who lost their job and returned to their village decided to cultivate their land which had been lying fallow while they were away.

The crop output will be determined not just by the acreage but also by the weather. As of mid-

September the number of districts with normal rainfall (49%) is better than at the equivalent time in four of the previous five years and more or less equal to that in 2016. However the percentage of districts with excess rainfall (28%) is higher than in any of the previous five years. Some agricultural experts have argued that the combination of low rainfall in July and very heavy rainfall in August is not good for many khalif crop. But, even allowing for this we are going to see bumper crops coming to the market soon in October/November.

Bumper crops do not necessarily mean bumper incomes if agricultural prices crash. The Government has announced a major initiative to reform agricultural marketing. But that will take time to take effect and is already attracting farmer protests. Hence the government must deploy substantial resources to procure and provide price support not just for rice but for other crops for which MSPs have been announced. If this is done, judging by the acreage increase and the good monsoon, we could see an increase in nominal rural incomes of the order of 10 per cent. This will give a demand boost that will be a godsend for local MSMEs and for larger corporates in sectors like consumer goods, agricultural machinery, construction materials and so on.

Now to turn to the severely affected sectors like trade, hotels, etc. They have been hit by the lockdown which now needs to be phased out. But that by itself will not be enough. A more vigorous effort to provide quick short term stimulus to urban incomes is required.

A study done by some researchers at LSE, drawing on a survey carried out between May and July 2020, shows that 21.7 per cent of young urban workers were made unemployed or had worked zero hours in the week before they were surveyed. Altogether, 52 per cent of urban workers went without work, pay or financial assistance in the three months following the start of the lockdown. Labour incomes fell by 48 per cent between January-February and April-May 2020. The Government should make up for this loss by picking up a large part of the wage tab of urban MSMEs for, say, six months. This will revive urban demand and add to the stimulus from the rural revival. More than that it will rescue MSMEs from the risk of closure and thus provide a further demand boost.

Once there is a demand boost, organised manufacturing, mining and services will pick up. The construction sector may need support in the form of an accelerated programme of road construction and other construction intensive public investments.

Thus the answer for a quicker boost to growth is simple - run a much larger deficit, use the resulting public resources to ensure adequate price support for agriculture, subsidise wage costs of MSMEs and accelerate public sector construction intensive activities. The resulting demand boost will lead to a growth and investment revival and rescue the economy.

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Courtesy : The Business Standard

"Respect is the key determinant of high-performance leadership. How much people respect you determines how well they perform."

Déjà vu on DFIs

* K.P. Krishnan *

It is reported that the government is working towards reviving Development Finance Institutions (DFIs) for funding infrastructure projects, in order to address the rising challenges of infrastructure financing. In the past, DFIs have not worked well; it is hence useful to place and assess this move in historical context.

It is important to diagnose why previous attempts worked out poorly, and bring that institutional memory into the next take on the problem. Some argue that solving deeper problems, and making the Indian financial system work, is a long-term project, while the benefit of building a DFI right now will be obtained rapidly. However, a little "aarthikam chintanam" shows that for a new DFI to build up a meaningful balance sheet size will also require time. So if a DFI is being created, alongside careful steps in building it, the government should, in parallel, address the long-standing policy difficulties of Indian finance.

Let us briefly look at how we got here. In the 1950s, finance in India was primarily debt financing, as the bulk of the risk-taking was done by government and public sector units (PSUs). The intellectual framework involved banks that would deliver working capital and short-term finance, and a new class of financial firms termed as the Development Financial Institutions to produce long-term finance.

The first DFI was the Industrial Finance Corporation of India (IFCI) established in 1948. This was followed by the setting up of State Finance Corporations (SFCs) at the state level after the enactment of the SFCs Act, 1951. Some other DFIs set up during the early phase of planned economic development were ICICI Ltd in 1955, and UTI and IDBI in 1964. A second generation of DFIs were set up as sector specific FIs or financial institutions in the 1970s and 1980s, including NABARD, EXIM Bank, NHB and IRFC. Among the third generation DFIs are IDFC and IIFCL that were established in the liberalisation phase of the 1990s.

At many points in this journey, when policymakers saw an infirmity in the working of the financial system, their response was not to solve the underlying deeper failures of financial policy, but to start one more DFI.

But we must ask: Why can a DFI do useful things that a private financial firm cannot? A little examination shows that DFIs have been subsidised by the exchequer. There was concessional financing from the Reserve Bank of India or RBI (which thereby drifted into a fiscal function). They also had access to cheap funds from multilateral and bilateral agencies intermediated by the Government of India which absorbed the foreign exchange risk of these loans. The bonds issued by DFIs qualified as statutory liquidity ratio investments by banks, so channelling bank resources to DFIs was one part of the Indian system of financial repression.

When financial reforms began, these elements of special treatment of DFIs were partly wound down, and the viability of many of these organisations came under threat. There is a risk management problem when a balance sheet is constructed using short-dated borrowings and long-dated risky assets. The difficulties of a weak business model, poor incentives, moral hazard associated with government involvement, and weak regulation translated into business failure. Multiple committees of the RBI have concluded there are structural problems in the concept of a DFI, and have recommended conversion into banks (e.g. IDBI and ICICI) or non-banking financial companies (NBFCs).

Attempts at building a DFI today need to draw on this institutional memory, of the challenges experienced from the 1990s onwards, where organisations like IFCI, IDBI and ICICI experienced difficulties. That knowledge will be useful in evolving better structures.

In the 1990s, with an increasing role for the private sector in the economy, it came to be understood that Indian finance required capabilities in both equity

and debt. With the establishment of the securities market regulator Sebi, and other institutions like non-conflicted stock exchanges, depositories and clearing corporations, revolutionary gains were achieved in equity market development and market regulation. However, on the debt side, paradoxically, the progress was much less; the foundations of the debt market have yet to be laid. This constrains infrastructure financing and also constraints the possibilities of what DFI-like organisations can do.

The dissatisfaction in the minds of policymakers about the state of infrastructure financing is well placed. The bank-led model of infrastructure financing, which played a leading role in the economic boom of 2002-2011, was fraught with difficulties. The uncertainty and maturity profile of cash flows from infrastructure projects are not well suited for bank balance sheets. A solution to this problem is essential, given that over Rs 100 trillion of infrastructure financing is estimated as the requirement in the coming decade.

The attraction of building a DFI today lies in the sense that it can help in the short run. While setting up a new organisation with a balance sheet of Rs 0.1 trillion is not hard, there are considerable challenges in scaling up. The new DFI will not make a material impact upon the economy until its balance sheet is a couple of trillion rupees. But building up to a balance sheet of a couple of trillion rupees, safely, is a slow process.

While setting up a DFI seems like a quick fix, it is actually a slow fix. Deeper reforms are slow, but have the highest influence, because changing laws and regulation harnesses the energy and balance sheets of private persons.

When faced with the opportunities in Indian software/ ITES in the late 1980s, policymakers could have started an “Indian High Technology Finance Corporation”. But instead, the path towards deeper reforms was established through the G S Patel Committee report of 1984, which set the stage for the reforms of the early 1990s, that led to trillions of rupees of capital that have gone into software/ITES companies in the recent decades.

The complete understanding of the problems of financial policy, debt markets and infrastructure financing is in hand, with committee reports and draft laws. Alongside the long range project of building a DFI, it is worth also undertaking the long range project of financial reform.

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Courtesy : The Business Standard. The writer is retired as a Secretary to GoI and is now a professor at the National Council of Applied Economic Research.

Develop success from failures. Discouragement and failure are two of the surest stepping stones to success.

- Dale Carnegie

APPOINTMENTS

- Shri Sanjay Kaul, IAS has been appointed as Chairman & Managing Director, Kerala Financial Corporation {KFC}, Thiruvananthapuram vice Shri Tomin J. Thachankar, IPS.
- Shri P. Ramesh, IAS has been appointed as Managing Director, Rajasthan Financial Corporation {RFC}, Jaipur vice Shri K.C. Verma.
- Dr. Rahul Gupta, IAS has been appointed as Managing Director, Gujarat State Financial Corporation {GSFC}, Gandhinagar vice Smt. Mamta Verma, IAS.
- Ms. Sigy Thomas Vaidhyan, IAS has been appointed as Managing Director, Tamilnadu Industrial Investment Corporation Ltd. {TIIC}, Chennai vice Ms. E. Sundaravalli, IAS.
- Shri Abhishek Dev, IAS has been appointed as Managing Director, Andaman & Nicobar Islands Integrated Development Corporation Ltd. {ANIIDCO}, Port Blairt vice Shri Kulanand Joshi, IAS.
- Shri Mayur Maheshwari, IAS has been appointed as Managing Director, Uttar Pradesh Financial Corporation {UPFC}, Kanpur vice Shri N.S. Govindaraju, IAS.

- Shri Oinam Saran Kumar Singh, IAS has been appointed as Managing Director, Assam Industrial Development Corporation Ltd. {AIDC}, Guwahati vice Shri Virendra Mittal, IAS.
- Shri Mohd. Harun Malik, KAS, has been appointed as Managing Director, J&K State Industrial Development Corporation Ltd. {J&K SIDCO), Jammu vice Shri Ravinder Kumar, KAS.
- Shri Nitu Tsering Glow has been appointed as Managing Director, Arunachal Pradesh Industrial Development & Financial Corporation Ltd. {APIDFC}, Itanagar vice Shri Takhe Tamo.

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"Thousands of candles can be lit from a single candle, and the life of the candle will not be shortened. Happiness never decreases by being shared."

- Buddha

LETTER TO THE EDITOR

November 14, 2020

Dear Editor,

It is heartening to learn that in order to propogate their endeavours and initiatives, COSIDICI is publishing its Journal titled ~ "COSIDICI COURIER", which contiains comprehensive information pertaining to the various promotional and development schemes of various State Corporations for the benefit of existing and potential entrepreneurs. The publication of COSIDICI Courier is, therefore, a significant aspect to coordinate with member corporations and keep them abreast of the developments taking place in the industrial sector. Further, COSIDICI' National Awards instituted by the Council for encouraging the 'Outstanding Entrepreneurs' is a laudable initiative.

I convey my best wishes to COSIDICI for the successful publication of the Journal for the readers.

With kind regards,

Sincerely

(Qavi Raman Sharma)
M/s Medimax Solutions,
Plot No.62, D-Block,
Major Bholaram Enclave,
Dwarka, Sector-23,
New Delhi-110075

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Do not wait; the time will never be 'just right.' Start where you stand, and work with whatever tools you may have at your command, and better tools will be found as you go along.

- George Herbert

PROFILE OF MEMBER CORPORATIONS

Rajasthan State Industrial Development and Investment Corporation Ltd. (RIICO)

Rajasthan State Industrial Development & Investment Corporation Limited (RIICO), a Government of Rajasthan undertaking, was set up on 28th March 1969 and has completed its Golden Jubilee last year. It is a pioneer in nation-wide industrial development efforts. The Corporation was incorporated on 28th March 1969 as RSIMDC and got its present name "RIICO" on 1st January 1980. It has 30 offices in Rajasthan and has manpower strength of 650.

RIICO has been promoting industrialization in the State of Rajasthan and contributing in the GDP of State as well as Nation. The objectives of the organization are to develop industrial infrastructure, to provide financial assistance to enterprises, policy framework, escort services to investors.

With a land bank of 84,441 acres, RIICO has developed 362 industrial areas wherein about 42,174 industrial units are in production in these industrial areas. RIICO constantly acquires new lands and launches new industrial areas. In FY 2021-22, around 70 new industrial areas would be established.

RIICO - Catalytic Role

RIICO has been playing a catalytic role in the industrial development of Rajasthan. Being an industrial catalyst the activities of RIICO are :

Site selection and Acquisition of land; Development of Industrial Areas; Financial assistance to small, medium and large scale projects; Equity participation in projects on merit; Technical consultancy for project identification and technical tie up; Facilitation to Prospective investors; Facilitation of government clearances; Extending incentives and concessions according to the policy of State Government

The Infrastructure Enabler:

RIICO is the sole government agency in the State engaged in development of industrial areas, product / sector specific zones. Large, medium and small scale projects get an easy access to a ready-to-use base with supportive infrastructure facilities in the industrial areas, developed and managed by RIICO.

Shri Ashutosh A.T. Pednekar, IAS
Managing Director

RIICO has so far developed 362 industrial areas spread over 49,000 acres of land. Further, new industrial areas, spread over 17,250 acres, are upcoming across the State. With a total acquisition of 84,441 acres of land, RIICO has a robust land bank in its holdings to regularly provide high quality infrastructure in future as well. New Industrial areas are planned in line with environmental and ecological stipulations and requirements and adequate provisions are made for woodlands, solid waste disposal, common effluent treatment plants (CETP) etc.

RIICO has also earmarked upon creation of sector specific industrial parks and zones. Few of such prominent parks are : Multi Sector SEZs at Sitapura, Jaipur; Gems and Jewellery zone at Sitapura Jaipur; IT Parks at Jaipur, Jodhpur, Kota and Udaipur; Apparel Park at Jaipur; Agro Food Parks at Kota, Jodhpur, Sriganganagar and Alwar; Auto zone, Cable zone, Garment zone at Pathredi (Bhiwadi); Leather complex in Jaipur; EPIPs at Jaipur, Jodhpur and Neemrana.

RIICO is a pioneer in developing India's first country-specific zone –viz. Japanese Zones at Neemrana (Alwar) wherein 45 units are currently in production. Second Japanese Zone has been developed at Ghiloth, near to Neemrana.

Land in industrial areas is allotted through transparent and efficient system of e-auction. Normally, e- auction is planned every month.

Major Ongoing Projects

Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR)

Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) in vicinity of 9 MMTPA Petroleum Reûnery cum Petrochemical Complex (establishing by HPCL Rajasthan Refinery Limited) is being developed by RIICO. To begin with, land area over 32.489 hectare out of a total 243.46 hectare land at Borawas-Kalawa has been planned into 93 plots. 422.34 hectare land for PCPIR at Ramnagar (Thob), Barmer is being procured. Besides the above, 2300 hectare land at 16 places in Jodhpur and Barmer Districts has also been identified.

Potential opportunity for downstream players and other industries to set up units in PCPIR taking advantages of benefits provided in a planned PCPIR and feedstock available from refinery cum petrochemical complex.

Lucrative incentives are also available under Rajasthan Investment Promotion Scheme (RIPS)-2019 to units being set up in PCPIR.

FinTech Park, Jaipur

In order to leverage the strength of Jaipur as a counter-magnet to the National Capital Region; RIICO is pitching Jaipur as destination par-excellence for corporates and start-ups of the Financial, Information Technology & Technology world.

RIICO is developing a world-class FinTech Park in the heart of Jaipur city spread over 100 Acres land which would accommodate companies from IT & ITeS, Finance & Financial Services, Technology and other service sectors. The Design of the Park is under finalisation.

Regional Development Authority for Delhi-Mumbai Industrial Corridor (DMIC)

RIICO has been appointed as Regional Development Authority (RDA) for Delhi Mumbai Industrial Corridor

(DMIC) in Rajasthan. With nearly 39% of DFC passing through Rajasthan, opportunities for industrial establishment along the route are eminent as the corridor will make Rajasthan easily accessible to western and northern markets. About 60% of the State's area (in 22 districts including major districts such as Jaipur, Alwar, Kota and Bhilwara) falls within the project influence area. With this, the State will become an attractive destination for setting up industrial and support infrastructure units.

Type of Land Available

RIICO allots following types of lands on 99 years' lease basis in its industrial areas :

- Industrial plots for setting up industrial projects;
- Plots for setting up support facility of commercial nature, like shops, showrooms, malls, nursing homes & hospitals, hotels & motels, restaurants, petrol pumps, weigh-bridges, etc.;
- Plots for social infra such as schools, colleges, institutes, universities, vocational training institutes etc.

RIICO also provides financial assistance to enterprises through various term loan schemes for purchase of RIICO plots and project loan.

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You've got to get up every morning with determination if you're going to go to bed with satisfaction.

- George Lorimer

DO YOU KNOW !
BENEFITS OF DRINKING LIME WATER

Promotes consumption of water :

The Centers for Disease Control and Prevention (CDC) suggests that people who do not drink enough water could add a squeeze of lime to enhance the flavor, which may encourage them to drink more water.

Helps improve diet :

A recent study in Nutritional Epidemiology Trusted Source showed that people who drank more water instead of sugary drinks, such as soda or juice, improved their diet.

People who drank water instead of sweetened drinks reduced the amount of sugar and fat they consumed on a daily basis.

May aid digestion :

Adding lime to water can help aid digestion. Limes contain compounds that help stimulate digestive secretions in the stomach. Also, the acid in the lime juice helps the saliva break down food.

Reduces cancer chances :

Several studies show a link between citrus fruit and a reduced risk of some types of cancer. A 2015 studyTrusted Source in Medicine (Baltimore) showed a possible link between increased citrus fruit consumption and a diminished risk of Osophageal cancer. However, more research is required.

Improves skin quality :

Limes contain vitamin C and antioxidants, both of which are ingredients in many commercial skin products. When consumed with water, the natural ingredients in the lime juice can help improve the appearance of aging skin.

Promotes weight loss :

Nutritionists often recommend drinking a glass of water with a meal to help prevent overeating. Lime water has an additional benefit. The citric acid found in lime juice helps boost a person's metabolism, helping them burn more calories and store less fat.

Improves immune system :

The vitamin C combined with the antioxidants contained in limes provide support to the body's immune system. When drunk regularly, lime water might help prevent and shorten the lifespan of colds and cases of flu.

Reduces risk of heart disease :

Limes contain high levels of magnesium and potassium. Both of these elements help support the overall health of the heart. In particular, potassium can improve blood flow and reduce blood pressure.

Lowers blood sugar :

According to some research, Vitamin C can help lower morning and post-meal blood sugar changes. Though the study focused on people taking supplements of vitamin C, the conclusion indicated that vitamin C offers excellent potential for improving a person's sugar levels.

Prevents the growth of micro-organisms :

According to some research, the limonins found in limes can help prevent the accumulation of Streptococcus bacteria. Streptococcus is a type of bacteria responsible for a variety of infections and health conditions, including respiratory and mouth infections.

Drinking lime water may help stop these harmful organisms from developing and prevent bacterial illnesses.

Has anti-inflammatory properties :

Limes provide a good source of vitamin C. Among many other potential benefits, vitamin C acts as an anti-inflammatory agent in the body.

Oregon State University conducted a review of research that focused on the positive effect vitamin C has on reducing inflammation.

They concluded that the majority of studies indicated that the use of vitamin C showed favorable results in reducing inflammation.

Helps prevent kidney stones :

Limes contain both citric acid and vitamin C. A 2014 studyTrusted Source showed that both vitamin C and citric acid helped break up or prevent the formation of some types of kidney stones.

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QUESTIONS OF CYBERQUIZ - 79

Qn.1 What is a "backronym" ?

[a] The expanded form of an acronym; [b] A word interpreted as an acronym that was originally not intended to be an acronym; [c] An acronym that humorously refers to another acronym; [d] A term which is not an acronym, but written in uppercase letters, as a result looks like an acronym.

Qn.2 The testing method which does not require the knowledge of the internal structure or processing of a system is called :

[a] Black-box testing; [b] Glass-box testing; [c] Beta testing; [d] Alpha testing.

Qn.3 What name is given to a form of marketing where a company developed product or offering or promotional message passes from user to user ?

[a] Viral Marketing; [b] Guerrilla marketing; [c] Direct marketings; [d] Below the line marketing.

Qn.4 What do "mobsters" do ?

[a] Send a large number of hate email messages to a common target; [b] Spread rumours over the Net; [c] Send threatening messages to their victims hiding their own identity; [d] Gather in a public place, behave in a predetermined, often somewhat silly, manner for some seconds and then quickly disperse leaving people surprised and, possibly, shocked.

Qn.5 Which computer term has been taken Jonathan Swift's Gulliver's Travels ?

[a] Active star; [b] Big endian; [c] Capstan; [d] Daisy wheel.

For Answers See Page No. 23

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Superior leaders are willing to admit a mistake and cut their losses. Be willing to admit that you've changed your mind. Don't persist when the original decision turns out to be a poor one."

ECONOMIC SCENE

Forex reserves up $5.4 bn to $560 bn

The country's foreign exchange reserves increased by $5.412 billion to $560.532 billion in the week ended October 23, 2020 RBI data showed. In the previous week ended October 16, 2020 the reserves stood at $ 555.12 billion after increasing by $3.615 billion.

Trade deficit widens in Oct, exports dip 5.4%

India's merchandise exports fell 5.4 per cent in October, while imports declined at a faster pace of 11.5 per cent than a year ago according to the data released in November. However, trade deficit was 25 per cent lower than the previous year at $8.78 billion. Month-on-month, trade deficit widened from $2.72 billion in September, when exports rose six per cent. The fall in imports was moderate compared to previous months, but still substantial.

Exports, other than oil and jewellery, rose 6.3 per cent in October. It was 12 per cent in September. Oil prices were about 33 per cent lower in October than a year ago. Essential non-volatile imports (excluding oil, gold, and jewellery) declined by 8.3 per cent, indicating persistent weak demand. Pharma exports grew 22 per cent, rice exports doubled year-on-year, and chemicals exports rose 74 per cent. Gems and jewellery exports, on the other hand, declined 21 per cent, while leather and leather products fell 3.8 per cent.

Excise duty collections grew 34% in H1

Excise duty collections posted 34 per cent growth in April-September compared with the same period last year, and was the only revenue segment seeing an expansion. The collection in the first half was Rs.1.29 trillion. The collections had declined by 5 per cent in the first half of 2019-20, 23 per cent in 2018-19, and 15 per cent in 2017-18. The overall revenue collections meanwhile, contracted by 21.6 per cent during this period. In absolute terms, gross revenue stood at Rs.7.2 trillion, which is a three-year low.

Govt gives Rs.1.45-trn incentive for 10 manufacturing sectors

The Union Cabinet in November approved a Rs.1.45-trillion package by extending the production-linked incentive (PLI) scheme to 10 more sectors. The

policy for what the government calls the champion sectors has been tailored to attract investments, boost domestic manufacturing, enable companies to become part of the global supply chain and generate employment opportunities. The latest approval is in addition to the already announced Rs.51,311-crore PLI for three sectors. With this, the total incentives under the PLI schemes come to Rs.2 trillion. The government hopes that the PLI schemes would provide 200,000-300,000 direct employment over five years, according to sources in the know. Among the 10 sectors approved the largest chunk of the incentives, at over Rs.57,000 crore, would go to automobile and automobile components businesses followed by ACC battery at over Rs.18,000 crore.

Govt looks to attract Rs.50k cr investments in pharma

The Union Cabinet in November gave in-principle approval to a Rs.15,000 crore production-linked incentive (PLI) scheme for pharmaceutical products. The government expects to attract investments worth Rs.50,000 crore from domestic and multinational drugmakers through the scheme. The incentive will be in the range of 5-10 per cent of production value, sources said. The idea is two-pronged — to reduce imports of high-value products like patented drugs, cell-based or gene therapy products, and also boost local manufacturing to a level where India becomes a net exporter of these products. "A lot of patented products are made in countries like Ireland. Our aim is to encourage production in India through incentive schemes to attract MNCs to make these drugs here and use India as the manufacturing base for exporting to other countries," said a senior government official directly involved in drafting the scheme.

Earlier, the government had announced a Rs.6,940 crore PLI scheme to boost local manufacturing of bulk drugs (raw material to make medicines) as India imports almost 70 per cent of its requirement. According to sources, around 125 expressions of interest have been received. Shri BR Sikri, chairman of the Federation of Pharma Entrepreneurs, said the scheme will encourage MSMEs and about 80 per cent of chemical synthesis products would now be made here. In addition, a Rs.3,420 crore PLI scheme for medical devices has also been approved.

Rs.1.2 trn boost for growth

Union Finance Minister Ms. Nirmala Sitharaman on November 12, 2020 announced 12 measures as the Atmanirbhar Bharat 3.0 stimulus package to boost the economy. She announced a package worth Rs.1.2 trillion. If production -linked incentive package announced on November 11, 2020 is added, the stimulus comes to Rs.2.65 trillion. Some measures include a credit guarantee support scheme for medium and small businesses across 26 stressed sectors with a specific call-out for the health care sector; employment generation in both formal and informal segments; tax relief for real estate developers and home buyers; ease of doing business by relaxing criteria of locking up capital in infrastructure contracts; and fertiliser subsidy to farmers. This stimulus comprises production-linked incentives approved by the Cabinet for 10 sectors, which will be operational for five years with an estimated outlay of Rs.1.45 trillion. The measures are an extension of the relief package announced in May, under Atmanirbhar Bharat, although the earlier measures could not help much in boosting demand because they focused more on providing liquidity and credit-free collaterals.

On the additional stimulus expenditure, the Finance Minister said a "total of Rs.29.87 trillion or 15 per cent of gross domestic product (GDP) is what has been given as a stimulus till today out of which the government's share was 9 per cent." Under the fresh booster shot, the finance ministry has extended the timelines of credit support schemes for micro, small, and medium enterprises, considering that many companies are still looking for funds.

Additionally, the finance ministry included the 26 stressed sectors within the ambit of the emergency credit line guarantee scheme, as identified by the K V Kamath panel. The Kamath Committee, appointed by the RBI, had identified 26 sectors that were directly impacted by Covid, like power, construction, iron and steel, roads, real estate, wholesale trading, textiles, consumer durables, aviation, logistics, hotels, and restaurants and tourism. These sectors have been reeling from the pandemic-induced lockdown. These entities can avail of the scheme with outstanding credit of Rs.50-500 crore.

15th Finance Commission recommends tax devolution to states at 41%

The 15th Finance Commission (FC) has recommended that the states be given 41 per cent of the divisible tax pool of the Centre during the period 2021-22 to 2025-26, sources said. The 15th FC, led by former revenue secretary and parliamentarian Shri N K Singh, had recommended the same percentage of devolution in its interim report for 2020-21. The 14th FC had recommended 42 per cent tax devolution to the states. This was 10 percentage points higher than what was suggested by the previous FC.

The 15th FC recommended 41 per cent devolution to accommodate the funds for Jammu and Kashmir and Ladakh, which were carved out as Union Territories by Parliament last year. While the 14th FC recommended transferring 42 per cent for the period 2015-16 to 2019-20, the percentage transferred has been much less if cess and surcharges are also included. Cess and surcharges do not form part of the divisible tax pool and the Centre is using these two heads to garner resources in recent years.

Securitisation activity doubles to Rs.15K cr

Domestic securitisation volumes, doubled in Q2 at Rs.15,200 crore. The improvement in volumes was supported by both reduced investor wariness and an increase in disbursements by financial sector firms leading to higher financing needs, according to rating agency ICRA.

Forex reserves surge $7.78 bn to $568.4 bn

The country's foreign exchange reserves increased by $7.779 billion to $568.494 billion in the week ended November 6, RBI data showed on November 13, 2020. In the previous week ended October 30, 2020 the reserves had increased by $183 million to $560.715 billion. In the reporting week, the increase in reserves was mainly on account of an increase in foreign current assets (FCAs), a major component

of the overall reserves. FCAs increased by $6.403 billion to $524.742 billion, the Central Bank's weekly data showed.

GST was Rs. 1 trillion for second month

Reinforcing the economic recovery trend, goods and services tax collection surpassed the Rs 1-trillion mark for the second consecutive month in November, according to the official data. Although slightly lower than the previous month, this increase could be attributed to the festival season demand, experts said, cautioning that this might not be sustainable in the coming months.

Exports fall 9% in Nov, imports contract by 13%

India's merchandise exports fell for the second consecutive month in November by 9.07 per cent. The outbound shipment stood at $23.43 billion in the month, against $25.77 billion in November, 2019, official data showed on December 02, 2020. Exports had declined 5.1 per cent in October after a rise of around six per cent in September after declining for six consecutive months.

Imports, on the other hand, contracted 13.33 per cent at $33.39 billion, against $38.52 billion in the same month of the last year. They had declined 11.53 per cent the previous month. The trade deficit stood at $9.96 billion, which was lower than the $11.75 billion seen in October. It was 21.93 per cent lower than the $12.75 billion seen in November 2019.

Non-oil non-gold and related imports declined by 0.84 per cent, in November. The decline was less than 4.9 per cent in October. This category of imports indicates demand for industrial products. The index of industrial production (IIP) rose by 0.2 per cent in September after months of decline. Major exchange earners such as pharmaceutical exports rose 11.3 per cent, gems and jewellery by 4.11 per cent and electronic goods by 0.95 per cent.

Govt allows 20 states to borrow Rs.69,000 cr more

The Centre in October 20 allowed 20 states to borrow an additional Rs.68,825 crore through the market to make up for the Goods and Services Tax (GST) compensation shortfall amid inadequate cess collection. The 20 states had picked the finance ministry's first option of raising up to Rs.1.1 trillion to make up for the revenue loss estimated on account of GST implementation alone, but not for losses due to the pandemic. Under this option, the entire principle and the interest will be repaid through compensation cess collection, which has been extended beyond June 2022.

India's GDP may contract 10.3% in FY21, says IMF

The International Monetary Fund (IMF) in October revised its projection of contraction in India's gross domestic product (GDP) for 2020-21 – from 4.5 per cent earlier to 10.3 per cent – citing the rise in Covid-19 cases. The organisation, however, added that the country's economy might rebound with an 8.8 per cent growth rate in 2021-22, higher than the 6 per cent it forecast earlier. The IMF, on the other hand, expected the world economy to fall less severely, by 4.4 per cent as against 5.2 per cent it projected earlier, in 2020.

Forex reserves increase by $3.6 bn to record $545.63 bn

The country's foreign exchange reserves rose by $3.61 billion to reach a high of $545.63 billion in the week ended October 2, 2020, the RBI data showed. In the previous week ended September 25, the reserves had declined by $3 billion to $542 billion. During the week, the increase in forex kitty was on account of rise in foreign currency assets (FCA), a major component of the overall reserves.

India nearly halves trade deficit with China

India's robust double-digit growth in exports to China, coupled with sharp contraction in imports, nearly halved the trade gap between the two partners in the first five months of the current fiscal year (2020-21, or FY21) over the same period of 2019-20 (FY20). The restriction on imports from China, along with the Atmanirbhar Bharat campaign, has shrunk India's trade deficit with the neighbouring country to $12.6 billion between April and August of FY21, from $22.6 billion in the year-ago period. India's trade deficit with China stood at $23.5 billion in the corresponding period of 2018-19 and at $26.33 billion in 2017-18. India's exports basket to China mainly accounted for iron and steel, which rose 833 per cent to $1.8 billion till August this year, compared with $192 million last year.

Credit growth down to 5.14%

The bank credit growth (year-on-year basis) slowed further to 5.14 per cent in the fortnight ended

September 25, from 5.3 per cent in previous fortnight ended September 11. However, sequentially the credit showed signs of pick up. According to RBI data, bank credit rose by Rs.44,210 crore to Rs.102.71 trillion during reporting fortnight (September 25). The credit had expanded by Rs.13,198 crore in the previous fortnight (September 11, 2020). The credit of commercial banks stood at Rs.97.68 trillion as on September 27, 2019.

Bank executives said the increase in activity in last fortnight of second quarter is due to rise in retail credit, some of which is pent-up demand. Also corporates have drawn limits before closing books for quarter ended September.

The severe disruption in the economic activity due to the stringent lockdown imposed to contain spread of Covid-19 pandemic, impacted credit demand. The deposit of commercial banks in India rose by 10.51 per cent in the reporting fortnight (September 25), slower pace than 12 per cent reported for previous fortnight. The deposits pool rose by Rs.15,632 crore to Rs.142.63 trillion on September 25, from Rs.142.48 trillion at end of previous fortnight.

Companies Act amendments to promote ease of doing biz: Centre

The Companies Bill which was passed in the Lok Sabha in September, 2020 has decriminalised 48 sections by removing or reducing penal provisions and omitting imprisonment for various offences that were considered procedural and technical in nature, a move that will help corporates in ease of doing business. Finance and Corporate Affairs Minister Ms. Nirmala Sitharaman said decriminalisation of various provisions under the companies law will also help small firms by reducing the litigation burden on them.

The Bill has proposed doing away with imprisonment for nine offences, which relate to non-compliance with orders of the national company law tribunal (NCLT). These include matters relating to winding-up of companies, default in publication of NCLT order relating to reduction of share capital, rectification of registers of security holders, variation of rights of shareholders, and payment of interest and redemption of debentures.

In case of corporate social responsibility (CSR), if a company fails to transfer the amount to a specified fund, it shall be liable to a penalty twice the amount required to be transferred or Rs.1 crore, whichever is less. Also, every officer of the company, which is in default, will have to pay a penalty of one-tenth of the amount required to be transferred by the firm, instead of the earlier provision of three years imprisonment and maximum fine of Rs.5 lakh.

The Bill has also omitted the punishment of imprisonment prescribed under Sections 26(9) and 40(5) of the Act relating to the provision of public offering of securities by a company such as matters to be stated in the prospectus. However, the quantum of the monetary penalty under each of these provisions remains unchanged. Imprisonment for non-compliance with procedure for buyback prescribed under Section 68 of the Act and also for various lapses in financial statements of the company are also to be done away with, according to the Bill. The government has also rationalised several penalties under the Act such as for delay in filing the financial statement with the registrar of companies. The corporate affairs ministry has decriminalised sections where the complainant can enter into a compromise, and agree to have the charges dropped against the accused.

Such offences include, for instance, default with respect to the section 8 (11), which deals with formation of companies with charitable objects, section 26 (9) regarding matters to be stated in the prospectus. The punishment in these cases includes a fine as well as provision for imprisonment for the company's directors or other individuals involved. According to the new penal provision, if any person fails to make a declaration of significant beneficial ownership, the minimum penalty has been reduced by half to Rs.50,000 and in case of continuing failure Rs.1,000 each day up to a maximum level of Rs.200,000.

MEIS benefits capped at Rs.2 cr till Dec

The government has capped benefits under its biggest exports promotion scheme at Rs.2 crore for each business on trade done between September 1 and December 31, 2020. A notification issued by the Commerce Department also said benefits under the Merchandise Exports of India Scheme (MEIS) would be stopped from January 1, 2021, effectively confirming the end date of the scheme. The department has argued that the advance notice of four months provides certainty for future pricing decisions.

The MEIS was introduced in 2015 under the Foreign Trade Policy, the MEIS is India's largest export incentive scheme rewarding exporters with duty credits at fixed rates, depending upon the product and country. Govt spending on MEIS has continued to go up, but it hasn't boosted exports enough.

Cutting Benefits

- No MEIS benefits for exporters who have not made exports in last one year (Sept 2019-Aug 2020)
- Benefits stop for new applications with effect from September 1.
- No change in the coverage of MEIS and applicable rates
- Scheme to be withdrawn on Jan 1, 2021

August exports contract by 12.6%

After reducing for three months, the pace of contraction of India's exports rose in August. Export earnings in the month declined by 12.6 per cent year on year, higher than July's 10.2 per cent fall, as trade in major foreign exchange earners such as petroleum, gems, electronics, and textiles continued to take a hit. Outbound trade was $22.7 billion, which was six months of contraction. The data for August, released by the commerce department in September, shows cumulative exports in the first five months of the financial year fell 26.65 per cent compared to the same period in the previous year. Imports fell by 26.04 per cent to $29.47 billion, after July's 28.4 per cent fall. The rate of contraction of imports has continued to reduce over the past five months.

India falls to 105th place from 79 in global economic freedom index

India's ranking in economic freedom went down 105th among 162 countries in 2018 from 79th in the previous year, according to a report released by the Centre for Civil Society in conjunction with Canada's Fraser Institute. This was despite the fact that the report did not take into account the Covid impact which would be available in 2020. On the parameter "freedom to trade internationally" India ranked 139th compared to 137 in 2017, showed the Economic Freedom of the World: 2020 Annual Report. India's ranking on "regulation" was 122nd in 2018 against 114th in the previous year.

However, the country gained one place to 88th on "sound money" in the latest report, against 89 in the previous one. This parameter focuses on the importance of money and relative price stability. It retained its position at 79th on "legal systems and property rights."

India reported decrease in each of the components of economic freedom. A score closer to 10 indicates a higher level of economic freedom. Its score fell to 7.16 from 8.22 on size of the government, to 5.07 from 5.17 on legal system and property rights and to 8.34 from 8.37 on sound money. Also, the score fell to 5.71 from 6.08 on freedom to trade internationally and to 6.53 from 6.69 on regulation of credit, labour and business.

Start-up loans up to Rs.50 crore now under priority sector

The RBI in September, 2020 said loans of up to Rs.50 crore towards start-ups would qualify for the priority sector, alongside renewable energy used for agriculture. The Central Bank also doubled the overall limit for such renewable energy and health care as part of its revision to priority sector guidelines.

The revised guidelines are aimed at aligning them with "emerging national priorities and bring sharper focus on inclusive development", said the RBI. These will enable better credit penetration to credit-deficient areas, increase lending to small and marginal farmers and weaker sections, and boost credit to renewable energy and health infrastructure.

Once lending is done under priority sector, the rates are subsidised and in some cases, the government also chips in with subvention. The RBI did the last such priority sector revision in 2015. In the latest revision, banks have been told to earmark 10 per cent of their loan book for advances towards small and marginal farmers, as against 8 per cent now. The central bank has also told banks to ensure that districts or sectors that don't get adequate credit should witness more lending activities.

The start-up introduction is part of the government's move to include the sector in micro, small and medium enterprises (MSMEs). The RBI said in its master circular that starts-ups engaged in agriculture and allied activities, as well as those which qualify to be called MSMEs, would get loans under the priority sector target.

GDP shrinks 23.9%

India's economy contracted by 23.9 per cent in April-June — the worst performance since quarterly measurement began in 1996 and probably the first contraction since 1980. The lockdown and the consequent suspension in economic activities due to the pandemic were so massive that among a mix of advanced and emerging economies, India's GDP contraction in Q1 FY21 was the worst. Nominal GDP growth, too, contracted by 20.9 per cent in the quarter. The damage visible across all areas of the economy was somewhat cushioned by two indicators. Gross value added (GVA) in agriculture grew by 3.4 per cent over the first quarter of the previous year. On the demand side, while consumer spending and investment declined massively, government spending grew by 16 per cent, the data released by the National Statistical Office shows.

Growth could have plummeted by 27-30 per cent in the absence of a good monsoon and enhanced borrowing by the Centre and states to spend on food security, public health care, employment schemes, and cash transfers, a preliminary analysis. Economic recovery, which would help incomes grow and generate more jobs, appears to be longer than expected.

Private consumer spending, the bedrock that contributes more than half the Indian economy, got chipped by 27 per cent in Q1. But investment, represented by gross fixed capital formation (GFCF), contracted by 47 per cent, their worst fall to date. GFCF, a key indicator of long-term growth in developing economies, has now contracted for four successive quarters. The Central and state governments tried to stem the collapse by spending more, and, as a result, government expenditure grew 16 per cent.

Need FTA review to begin this year: India to Asean

India has pitched for stronger provisions in the rules of origin, removal of non-tariff barriers and better market access in the existing Free-Trade agreement (FTA) with the Association of Southeast Asian Nations (ASEAN), arguing the changes should kick off sooner rather than later.

At the 17th Asean-India Economic Ministers Consultations held virtually in August, 2020, Commerce and Industry Minister Shri Piyush Goyal reiterated India's consistent position that the review of the current FTA, in effect since 2010 has, has been inordinately delayed. Shri Goyal batted for closer engagement towards finalisation of the scoping exercise, before the ASEAN-India Leaders' Summit scheduled in November 2020, and to start the full review before the end of this year. He said the review should make the Free Trade Agreement more user-friendly, simple, and trade facilitative for businesses.

India becomes net exporter after nearly 2 decades

The country saw a minor trade surplus in June 2020 for the first time in 18 years even as merchandise exports continued to shrink for the fourth month in a row, though at much lower rate than the preceding three months. Exports of $21.91 billion and imports of $21.11 billion resulted in a surplus of around $800 million in June 2020. India is generally a net importer, and it had a trade surplus last in January 2002, when it stood at $10 million. However, India is a net exporter in services. If one sees estimated services figures, there was a surplus of $6.84 billion, with exports standing at $16.48 billion and imports at $9.64 billion.

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There is only one motivation, and that is desire. No reasons or principle contain it or stand against it.

- Jane Smiley

Member Corporations ~ Their Activities

Corporate Social Responsibility Initiative by EDC Limited

EDC Limited is a premier financial institution of Government of Goa incorporated on 12th March 1975. The EDC Limited provides financial assistance to all types of industrial enterprises, real estates, hotel industries and other associate concerns in the State of Goa. The EDC Limited also has been engaged in the development of Patto Plaza which is the prime commercial hub of the State of Goa, by way of land development, creating infrastructure in scientific manner and to make a revenue source for the State of Goa. The EDC Limited operates its flagship scheme, the Chief Minister's Rozgar Yojana under which financial assistance is provided to the unemployed youth of the state of Goa to start their own business and to other professionals of the State of Goa. The EDC Limited is one of the profit making organization and role model to other Corporations in the state of Goa.

The Corporation having made net profits and having net worth more than Rs.500.00 Crore, is required to implement CSR Projects as per objectives and requirements set in Section 135 of the Companies Act, 2013. It therefore started funding under CSR projects since the year 2015 to actively support the state's development and to ensure sustainable change in the areas of Health, Education, Promoting equality, Heritage conversion, Rural development and for disaster management. To reflect the commitments of EDC Limited, the focus areas targeted are social issues like upliftment of the marginalized and under-privileged sections of the Society, to promote inclusive socio-economic growth, empowerment of communities, environment protection and development of backward regions.

The EDC Ltd. has so far sanctioned an amount of Rs.645.00 lakh for various projects under different sectors. It has contributed Rs.50.00 lakh under Chief Minister's Relief Fund for providing financial help to the needy people affected by the floods in various parts of the State of Goa in the year 2019 and has contributed an amount of Rs.100.00 lakh under Chief Ministers Relief fund to fight COVID-19 situation in the State. Till date, the EDC Ltd. has disbursed/ spent total amount of about Rs.600.00 lakh under the CSR activity.

Certificate of Appreciation

This Certificate recognizes and honours
EDC Ltd.
for being the Role Model in the field of
Corporate Social Responsibility and being
one of the few companies to partner with
Government of Goa
with proactive approach to fight COVID-19 situation
in the State.

Their role in this difficult time was much
beyond Appreciation.
EDC Ltd.
is a true CSR partner for all-round sustainable
development in the State for bringing change
for the better in the lives of People.

Panaji, Goa
Date :19/12/2020

(Dr. Pramod Sawant)
Chief Minister
Govt. of Goa

The Hon'ble Chief Minister of Goa has recognized and honoured the efforts of EDC Limited under the guidance and leadership of Chairman-EDC Ltd., all the Board of Directors and the Managing Director-EDC Ltd., for being the role model in the field of Corporate Social Responsibility and awarded the certificate of appreciation on the day of 60 years of Goa Liberation Day i.e on 19th December, 2020.

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ACTIVITIES OF COSIDICI

Executive Committee Meeting :

The Executive Committee Meeting and Annual General Body Meeting of COSIDICI were held virtually on December 08, 2020.

Financial Restructuring & Revitalisation of SFCs :

Certain recommendations were made by the members to amend the SFCs Act in addition to the amendments proposed by the Government of India for more operational flexibility. The SFCs need low cost funds to service the MSME sector effectively. Some of the state governments have supported the SFCs in their respective States. The State Government of Kerala had provided a budgetary support of Rs.200 crore this year. A high level committee under the chairmanship of the former RBI Governor, Dr. C. Rangarajan had recommended the State Government of Tamilnadu to give a budgetary support of Rs.1000 crore to TIIC in the next three years to enable it to continue to support the MSMEs adversely affected by the pandemic. KSFC had received budgetary support of Rs.100 crore from the State Government of Karnataka in addition to the interest subsidy of 10% for the loans to the MSME sector so the effective rate for loans by the Corporation is 4%. APSFC had received Rs.200 crore from the SBI @ 9.5% without guarantee which was reduced 7.95% during the ongoing pandemic.

Activities of State Industrial & Infrastructure Development Corporations {SIIDCs}

SIIDCs have diversified their activities and have started generating income by going in for business other than core lending. They have also been undertaking fee based activities, treasury operations and fund management activities. For most of them industrial infrastructure development is one of their main activities for which they have been declared nodal agencies by their respective state governments. HSIIDC has offered land to the foreign investors to make Haryana as an investment destination specially for the investors who want to shift base from China.

Annual General Body Meeting :

The Annual General Body Meeting of COSIDICI was held virtually on December 08, 2020. At the Annual General Meeting of COSIDICI, the following were elected unanimously for the Year 2020-2021 :-

Smt. Smita Bharadwaj, IAS, MD, MPFC, Indore as the President of COSIDICI for the year 2020-2021. Shri Chetan B. Sanghi, IAS, CMD, DFC, New Delhi; Shri Sanjay Kaul, IAS, CMD, KFC, Thiruvananthapuram; Shri Anurag Agarwal, IAS, MD, HSIIDC, Chandigarh; Dr. (Smt.) Ekroop Caur, IAS, MD, KSFC, Bengaluru; Shri Kartikeya Misra, IAS, MD, APSFC, Vijaywada; Shri G. Sathiyamurthy, IFS, MD, PIPDIC, Pondicherry, were elected as Vice-Presidents. Dr. Rajat Bhargava, IAS, CMD, APIDC, Hyderabad; Shri Shakti Singh Rathore, IAS, MD, RFC, Jaipur; Shri Hans Raj Verma, IAS, MD, TIIC, Chennai; Smt. Mousumi Chattaraj Chaudhuri, IAS, MD, WBFC, Kolkata; Ms. Aastha Luthra, (IA&AS), MD, MSFC, Mumbai; Shri Rahul Sharma, KAS, MD, J&K SFC, Jammu; Shri K. V. Ballikar, MD, EDC Ltd., Goa and Shri Ksh. Santakumar Singh, MD, MANIDCO, Imphal were elected as Executive Committee Members. Besides, Shri Ashutosh A. T. Pednekar, IAS, MD, RIICO, Jaipur and Shri Mohd. Harun Malik, KAS, MD, J&K SIDCO, Jammu were co-opted as Executive Committee Members for the year 2020- 2021. The contents of the Annual Report of the Executive Committee meeting of COSIDICI for the year 2019-2020 were noted and approved by the General which also approved the audited statements of accounts for the year 2019-2020.

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SUCCESS STORY OF MPFC ASSISTED UNITS

M/s. Krishna Phoschem Limited, Meghnagar

Krishana Phoschem Limited (KPL), an ISO 9001:2008 company, was incorporated in 2004. KPL is first private sector producer of Beneficiated Rock Phosphate through floatation process with the crushing capacity of 200000 MTPA. During the year 2013, the company implemented a forward expansion for manufacture of single super phosphate fertilizer having capacity of 120000 MTPA, which is marketed under the brand name of Shri Ram Fertilizers & Chemicals in the states of Madhya Pradesh, Chhattisgarh, Odisha, Gujarat and Maharashtra.

It is one of the best emerging private sector fertilizer producers in India. Its hi-tech rock beneficiation plant and chemical fertilizer (SSP) plant is located at AKVN Industrial Area, Meghnagar in Jhabua district of Madhya Pradesh. The company manufactures quality BRP & SSP products matching to the standard required by the industry. Krishana Phoschem limited is the flagship company of Ostwal Group of Industries which is involved in activities like Fertilizers, Mineral Beneficiation, Bio-Fertilizers, Seeds and Pesticides, Textile, Import and Export of agro commodities, Real Estate etc. having group turnover of Rs.200 Crore. The group is led by Mr. Mahendra Kumar Ostwal, Mr. Pankaj Ostwal and Mr. Praveen Ostwal.

Praveen Ostwal

Mr. Praveen Ostwal, Chartered Accountant, aged 32, the visionary leader of KPL, is an experienced technocrat who spearheads the group with his inspirational leadership. Over the years, he has identified and inducted around him dedicated teams of agrospecialists, soil scientists, market professionals, processing plant technologists, management veterans and other experts – all bonded by collective goals of quality based market leadership and maximum customer satisfaction. This inclusive approach has built for the group an incomparable level of loyalty from the customer, and an uncommon level of trust from the industry at large. The company has been financed by Madhya Pradesh Financial Corporation since 2004 to the total amount of Rs. 1950.00 lacs. The company has won one of the most prestigious “BHAMASHAH Award” awarded by “Government of Madhya Pradesh” for highest deposit of VAT & Entry Tax in private sector during 2007-08 to 2011-12 continuously. The company is regular in payment of all its statutory dues timely. It provides direct employment to 250 people and approx 2000 people indirectly.

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To accomplish great things, we must not only act,
but also dream, not only plan, but also believe.
-Anatole France

NEWS FROM STATES

States paying more to borrow as oversupply concerns take hold

States are seeing their cost of borrowing rise becouse they have to do borrow from the market. The spreads between state development loans (SDLs) and equivalent-maturity government papers have started widening. In auction, held in September the spread between the 10-year SDL and 10-year government security (G-Sec) was 72 basis points (bps), against 64 bps in the previous auction, rating agency ICRA noted. The spreads generally stay at 50-60 bps. One basis point is a hundredth of a percentage point. The rise in spreads is a direct measure of market displeasure than a rise in yields. This is because if the spreads widen, SDL yields could still rise even when G-Sec yields remain where they are.

Twenty one states have agreed to raise their share of the Rs.97,000-crore GST due from the markets, which would be guaranteed by the government. Maharashtra, the worst Covid-hit state, has seen yields rising 88 bps since August. 11 states raised Rs.14,298 cr at an auction in September 2020 which was Rs.1,500 cr more than the notified amount.

States' fiscal deficit likely to hit 4.2-5.5% of GSDP this fiscal year

Economists expect states' fiscal deficit to touch anywhere in the range of 4.2 per cent to 5.5 per cent of their respective gross state domestic products (GSDPs) in this fiscal year. This may take the general deficit of the country – both the Centre's and states' – to 11-14 per cent of GDP in FY21. Even the Centre did not give a broad relaxation in terms of the ceiling for fiscal responsibility and budget management (FRBM) limit to states. It provided them an extra Rs.97,000 crore window if they choose the first option. Also, states have been given additional unconditional leeway by up to 0.5 per cent of their GSDP compared to what was provided to them under the Atmanirbhar Bharat package.

DPIIT start-up rankings: Gujarat retains top spot

Gujarat has occupied the top spot in Department for Promotion of Industry and Internal Trade's (DPIIT's) State Startup Rankings 2019 for the second year in a row. Karnataka and Kerala were the other top performers. A proactive mechanism to identify regulatory issues from disruptive sectors, conceptualising iCreate (one of the largest start-up incubators in the country), and its student start-up and innovation policy helped Gujarat bag the Best Performer tag, according to a presentation released by DPIIT on September 11, 2020. Andaman & Nicobar bagged the top spot among Union Territories (UTs). A total of 22 states and three UTs participated in the exercise.

The 2019 ranking was compiled based on seven broad reform areas consisting of 30 action points ranging from institutional support, easing compliances, relaxation in public procurement norms, incubation support, seed funding support, venture funding support, and awareness and outreach.

India has become the third-largest start-up ecosystem in the world with over 36,000 start-ups recognised under the Startup India initiative.

In order to promote Aatmanirbar Bharat, three recommendations need to be focused on. First, reimagining products through innovation and disruptive technologies, second, redesign and re-engineer processes that result in reforming regulatory and age-old practices, and, lastly, work on people-centric ideas.

50-year loan may strengthen Centre's grip over states' debt

The Central Government announced a "special interest-free 50-year loan to states" worth Rs.12,000 crore in October, 2020. The long term appears to have sown the seeds for the Centre's near-perpetual control of states' financial borrowing from markets, courtesy a provision in the Constitution. Article 293 (3) of the Constitution mandates a state to seek Centre's approval for any borrowing from the market — and here's the important part — so long as the state has outstanding debt towards the Centre. All states are currently indebted to the Centre, so would be able to borrow without the Centre's permission. However, data shows that states' outstanding towards the Centre is in decline.

But the proposed 50-year loans, in a way, ensure that states remain indebted to the Centre till 2070. This is based on the assumption that states do not pre-pay the loan principal before the 50-year period. Shri Pinaki Chakraborty, Director at the National Institute of Public Finance and policy said "These hard Budget constraints, such as the one enshrined in the Constitution, are extremely necessary, as the onus of macroeconomics stability lies with the Centre, and states are relatively free from that responsibility." States needed to borrow more to survive the revenue shock arising from the pandemic.

The extra borrowing needed to bridge the revenue shortfall arising out of the implementation of the goods and service tax (GST) implementation, will also now be borrowed by the Centre and given as back to back to states. This will further increase the states' outstanding towards the Center.

Gujarat tops NITI's exports preparedness index

Industrially developed states like Gujarat, Maharashtra and Tamil Nadu have ranked at the top in the government's new Export Preparedness Index, 2020. The index maps the export scenario in each state and 'will help identify strategic recommendations for improving export competitiveness,' according to the NITI Aayog. The central public think-tank has bet on the index heavily to provide critical insights into the challenges of the export process. Created over the past 12-15 months, the index will guide policy making in the export segment with an eye on achieving a $5- trillion economy within 2024, senior NITI Aayog officials said.

The index is based on a combination of four key pillars necessary for improving regional exports which were finalized after extensive discussions between the Centre and states, and carries individual weightages. Broadly, these are the trade policy of a state, assessment of ease of doing business and core infrastructure facilities along with specific export ecosystem, including the availability of trade support, and historical export performance that maps both growth and diversification. It classifies states based or their geography, placing them under few major categories—coastal, landlocked, Himalayan and union territories, city states. Overall, coastal states scored much higher than other categories in almost all sub-pillars such as export promotion policy, institutional framework, infrastructure, business environment, access to finance and export infrastructure. Only in research and development infrastructure did the union territories fare better.

States' borrowings increaase by 76% to almost Rs.2 trillion this year

States due to revenue losses because of lockdowns, have borrowed almost 76 per cent so far this fiscal to Rs.1.93 trillion. The Centre had relaxed the ways and means advances norms to manage cash-flow mismatches because of the pandemic. The fiscal deficit has also been relaxed from 3 to 5 per cent.

The aggressive borrowings will further shoot up the outstanding debt of all the states which has more than doubled to Rs.52.6 trillion in FY20, growing at an annual rate of 14.3 per cent between FY15 and FY20, notes the report. 72 per cent of the total debt is of the top 10 states. The list is led by Uttar Pradesh, with an outstanding debt of Rs.6 trillion.

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ANSWERS OF CYBERQUIZ - 79

Ans.1[b] A word interpreted as an acronym that was originally not intended to be an acronym : In other words, a full form of the term is coined later on to make it look like an acronym. The word has been coined from 'back' and ; acronym'.

Ans.2[a] Black-box testing : As the testing does not require knowledge of the internal structure or processing, it is termed black-box testing. On the other hand, the testing method which requires the knowledge of the internal structure or processing is called glass-box or white-box testing.

Ans.3[a] Viral Marketing : When started, Hotmail was a classic case of viral marketing. It offered free email accounts to anyone who wanted to sign up by filling out a detailed demographic profile. Each message sent from a Hotmail account included a link which would enable others also to sign up. This way, the offer passed from user to user.

Ans.4[d] Gather in a public place, behave in a predetermined, often somewhat silly, manner for some seconds and then quickly disperse leaving people surprised and, possibly, shocked : A group of mobsters is called a flash mob. Strangers to each other, they organize themselves through chain emails, posting on blogs or SMS.

Ans.5[b] Big endian : Big endian is the practice of storing numbers in such a way that the most significant byte is placed first as opposed to the little endian practice. In Swift's book, Big-Endians were a group of people who opposed the emperor's decree telling people to break eggs at the small end to eat. In 1980, a famous paper written by Danny Cohen entitled "On Holy Wars and a Plea for Peace" used the terms big-endian and little-endian to refer to the two techniques for storing data.

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If you don't value your time, neither will others. Stop giving away your time and talents- start charging for it.

- Kim Garst

ALL INDIA INSTITUTIONS

RBI leans towards growth

The RBI on 4th December, 2020 kept its policy rates unchanged and promised to continue its accommodative stance this fiscal year and into the next, while sharply revising its inflation forecast upward and retaining its earlier stand that the economy could start recording growth from the third quarter itself. The repo rate stays at 4 per cent and the stance "accommodative".

The Central Bank will continue to support easy liquidity, RBI Governor Shri Shaktikanta Das said. "The Reserve Bank, on its part, stands ready to undertake further measures as necessary to assure market participants of access to liquidity and easy financing conditions". The Central Bank will continue to employ instruments such as open market operations (OMO), purchasing secondary market bonds, operation twists, and reverse repos at appropriate times and calibrate them to ensure ample liquidity. "Our paramount objective is to support growth while ensuring that financial stability is maintained and preserved at all times," the RBI governor said.

Securitisation deals dip 80% in 1st half of FY21: CRISIL

The covid-19 pandemic and the moratorium granted on repayment by the RBI has led to 80 per cent drop in securitisation transactions by value, rating agency Crisil said in October 2020.

In first half of the current financial year, securitisation transactions plunged to Rs.20,000 crore against Rs.96,000 crore in the same period year ago. During the first half of FY19, securitisation transactions were Rs.68,000 crore. However, there are signs of recovery as September saw a rebound in securitisation transactions to Rs.10,000 crore. "Overall volume continues to be well below the levels seen in the past few years, when securitization had become one of the preferred fundraising tool for non-banking financial corporations (NBFCs)," said the rating agency.

RBI injected Rs.11.1 trillion in the banking system since February

The RBI's measures during the Covid-19 crisis were

driven by the need to expand liquidity in the system to ensure that financial markets and institutions function normally. The liquidity measures were taken according to the revised liquidity management framework introduced on February 14, this year. The Central Bank reduced the policy repo rate by 40 bps on May 22, on top of a 75 bps reduction on March 27, and introduced a number of liquidity enhancing measures that stabillised the bond yields even on the face of a Rs.12-trillion borrowing programme. "In order to make it relatively unattractive for banks to passively park funds with the Reserve Bank and to encourage their deployment for on-lending to productive sectors of the economy, the policy interest rate corridor was widened to 90 bps through a reduction of 25 bps in the reverse repo rate on April 17, 2020," said the RBI.

The liquidity measures were further reinforced during the first half of fiscal 2020-21, including those targeted at specific sectors and entities to alleviate liquidity and funding stress. This was mainly done in the form of long-term repo operations (LTRO), or through Targeted LTRO. The money given under LTROs has started coming back to the Central Bank and the RBI has stepped up its bond purchasing activities from the secondary markets. Till September in this fiscal, the RBI purchased about Rs.1.9 trillion of bonds from the markets. Overall, till September 30, the RBI's net liquidity injection in the banking system stood at Rs.11.11 trillion.

Demand gain without fiscal pain

Finance Minister Ms. Nirmala Sitharaman on October 12, 2020 announced a two-pronged stimulus

package aimed at bolstering capital expenditure and stimulating consumer demand during the festive season, estimating a Rs.73,000-crore boost by the end of this financial year as under :

To Stimulate Consumer Demand

- Central govt employees to get cash, tax exemption in lieu of leave travel concession, provided they buy goods and services (with tax rate above 12%) that cost 3 times the travel fare and equivalent to leave encashment sum before March 31
- Interest-free advance of Rs.10,000 to govt employees for electronic spending via pre-loaded RuPay cards
- IMPACT: to boost demand for consumer durables such as refrigerators, TV, water coolers, mixers, vacuum cleaners, hair dryers, etc
- Demand generation to the tune of Rs.36,000 crore: govt estimates

CAPITAL EXPENDITURE

- Special interest-free 50-year loan to states for capital expenditure worth Rs.12,000 crore
- Rs.25,000-crore additional central govt. budget for infra projects
- IMPACT: Will lead to additional capital expenditure of Rs.37,000 crore from states and central govt
- States can use money to fund new or ongoing projects and settle pending bills

Construction, micro finance to get a push

The RBI is set to provide banks on-tap funds up to Rs.1 trillion to give loans to sectors having multiplier effects on growth. The sectors, which could benefit from this move, include construction, real estate, and micro finance. RBI will provide these funds under on-tap targeted long-term repo operations (TLTRO) at floating rate linked to the policy rate for up to three years. At present, the repo rate is 4 per cent. For the time being, the scheme will be available till March 31, 2021. However, the RBI has retained flexibility to enhance the amount and period after review of the response to the scheme.

RBI Governor Shri Shaktikanta Das said the focus would include revival of activity in specific sectors that have both backward and forward linkages, and multiplier effects on growth. This is expected to enhance funding availability for companies as economic activity picks up in the second half of the year. The last TLTRO scheme had enabled “BBB” and “A” rated entities to access funding through bonds, which was otherwise challenging for them.

The RBI has said, under the scheme, banks can also extend loans and advances to these sectors. Experts believe this move will bring liquidity to small and medium-sized non-banking financial companies (NBFCs) and housing finance companies (HFCs). This facility is useful to financial sector firms that may not have been able to get funds under the special liquidity scheme or the previous TLTROs.

RBI to get more powers to supervise co-op banks

Bill to amend the Banking Regulations Act to enhance the power to supervise cooperative banks was passed in Lok Sabha in September 2020. It will help protect the interest of depositors and strengthen banking entities.

Co-operative banks are exempted from several provisions of the Banking Regulations Act, 1949. The Bill applies some of these provisions to them, making their regulation under the Act similar to that of commercial banks. The Bill intends to empower co-operative banks to raise equity or unsecured debt capital from the public subject to RBI approval. It empowers the RBI to prescribe conditions on and qualifications for employment of chairman of co-operative banks. The RBI may remove a chairman not meeting the ‘fit and proper’ criteria and appoint a suitable person. The apex bank may supersede the board of directors of a co-operative bank after consultation with the state government. The bill allows the RBI to undertake reconstruction or amalgamation of a bank without imposing a moratorium. UCBs now have to report large exposures to the Central Repository of Information on Large Credits (CRILC). Commercial banks already feed information on large corporate exposures to CRILC.

Credit-to-deposit ratio fell to 73.1% in Q1, from 76% in Q4 FY20

The credit to deposit ratio fell to 73.1 per cent in the June quarter, from 76 per cent in the preceding quarter due to the lockdown. While for private banks, credit growth moderated to 7.2 per cent in Q1FY21, from 9.3 per cent in Q4FY20, public sector banks (PSBs)

and regional rural banks saw a rise. For PSBs credit growth moved up to 5.7 per cent, from 4.2 per cent, while for RRBs it rose from 6.1 per cent to 6.7 per cent. Entering into the second quarter, credit offtake is inching up gradually with schemes like government guaranteed emergency credit for MSMEs. Yet, the credit to deposit ratio moved down to 72.58 by middle of August 2020.

26 sectors identified for restructuring

The RBI-appointed expert committee headed by Shri K. V. Kamath on a resolution framework for bank loans stressed on account of the pandemic has outlined parameters to deal with 26 sectors buffeted by Covid-19. The findings of the committee have been accepted by the RBI, which issued a circular in September, 2020 detailing the financial parameters to be followed by lending institutions.

According to the much-awaited report, the pandemic affected retail and wholesale trade, roads, textiles, and engineering the hardest, while sectors that were already under stress, such as non- banking financial companies (NBFC), power, steel, and real estate, piled up more misery due to the crisis.

The committee identified almost all major sectors including auto, real estate, and aviation. It also found areas such as agriculture, food, pharma, and IT, among a few others, that remained mostly unaffected. The panel did not specify the amount that would need restructuring, but gave its recommendations basing itself on parameters after discussion with stakeholders and rating agencies, and going through financial reports of companies as well as some of those of the RBI.

Bank credit grows by 5.49%, deposits by 10.92%; RBI data

Bank credit grew 5.49 per cent to Rs.102.11 trillion, while deposits increased 10.92 per cent to Rs.141.76 trillion in the fortnight ended August 28, according to the RBI data. In the fortnight ended August 30, 2019, banks' advances were at Rs.96.80 trillion and deposits stood at Rs. 127.80 trillion.

CAG asks for banks' status post-recap

The Comptroller and Auditor General of India (CAG) has asked RBI for details of the performance of state-run banks after their recapitalisation (recap) over the past five years. "This (development) should be seen in the context of the opportunity cost of state-run banks' recap, given the limited fiscal space available." "It's probably part of the steps towards sizing the true value of these banks ahead of privatisation and bringing uniformity in the standards for recap.

RBI Monetary Policy

The Monetary Policy Committee (MPC) unanimously decided to keep policy rates unchanged with repo rate at 4 per cent in the bi-monthly policy meet for October. The RBI said real gross domestic product (GDP) growth rate in 2020-21 could decline by 9.5 per cent, with "risks tilted to the downside".

RBI's delivers new curve ball to NBFCs

Reserve Bank of India (RBI) Deputy Governor M Rajeshwar Rao has called for aligning the regulatory framework for non-banking financial companies (NBFC) with the "principle of proportionality" and scaling down their "network externalities within the financial system".

Talking about incentives to convert into banks and scaling down on network externalities could mean several things. It could either be reducing the acceptance of public deposits and substituting them with external commercial borrowing (ECB). Or it could be cutting down their connections with sections of the financial system so that any possible contagion arising out of the failure of one big NBFC does not bring down the whole system, experts says.

NBFCs don't have to maintain cash reserves and statutory liquidity ratios in the way banks do although their capital adequacy ratio should be at least 15 per cent as against the banks' 12 per cent. NBFCs so far also did not need to maintain high-quality liquid assets the way banks have to. But from December 2020 that will change. NBFCs also do not have priority- sector lending obligations.

Between March 31, 2009, and March 31, 2019, the assets of NBFCs grew at a compound annual growth rate (CAGR) of 18.6 per cent, while the balance sheets of scheduled commercial banks (SCBs) grew at a CAGR of 10.7 per cent. The aggregate balance sheet of NBFCs increased from 9.3 per cent to 18.6 per cent of that of banks during the corresponding period. The asset size of NBFCs (including housing finance companies) as of March 31, 2020, was Rs.51.47 trillion. In terms of interconnectedness, at the end of 2019-20, NBFCs have been the largest net borrowers from the financial system, of which more than half was from banks, followed by asset

management companies mutual funds (AMC-MFs), and insurance companies, the deputy governor said in his speech.

SBI sanctions Rs.20k- cr loans to MSMEs

State Bank of India (SBI) has sanctioned loans worth Rs.20,000 crore to over 400,000 micro, small and medium enterprise (MSME) accounts under the Emergency Credit Line Guarantee Scheme (ECLGS), according to its Chairman Shri Rajnish Kumar. The scheme, funded by the Centre, provides guarantee for 20 per cent additional credit to the bank's existing eligible borrowers from the MSME segment. It is part of the Rs.20 trillion package crafted to revive the economy disrupted by the lockdown imposed to contain the coronavirus (Covid-19) pandemic.

According to SBI it had 800,000 eligible borrowers under the credit guarantee scheme. The eligible amount was estimated at Rs.29,000-30,000 crore, which is 20 per cent of the Rs.1.5 trillion portfolio. SBI's SME loan portfolio shrunk by 7.27 per cent to Rs.2.67 trillion in March 2020 from Rs.2.88 trillion in March 2019. The new definition of MSMEs, which includes both turnover and investment limits, has made things simpler. It will lead to improved flow of credit to the sector, Shri Kumar said.

Extreme risk aversion is self-defeating: RBI guv

Banks must shed their extreme risk aversion and focus more on risk management and the quality of decision making to remain resilient in a challenging financial environment, RBI Governor Shri Shaktikanta Das said.

Among the causes of weakness in banks are an inappropriate business model, given the business environment; quality or the lack of governance and decision making; and misaligning internal incentive structures with external shareholder stakeholder interests. "Accordingly, the core of resilient banks is made up of good governance, effective risk management, and robust internal controls." The measures taken by the RBI to mitigate Covid stress cannot be permanent, Das alerted. Those initiatives – in the form of liquidity, monetary, regulatory, and supervisory measures; interest rate cuts; a moratorium on debt servicing; asset classification standstill; and special resolution window – have to be wound down in an orderly fashion.

RBI to gain control on co-op banks in a phased manner

The Union government is set to notify the recently-promulgated Ordinance to give more teeth to the RBI over co-operative banks in a phased manner. For now, the new Ordinance has been made effective from June 29, 2020 to cover multi-state co-operative banks, according to a notification issued by the finance ministry in July 2020. However, a large majority of co-operative banks that operate only in one state, or state co-operative banks, will be covered under the new law from a later date, said a government official.

The Banking Regulation (Amendment) Ordinance, 2020 was approved on June 26 to give more powers to RBI to restructure co-operative banks, give it more say in the management and allow the regulator to frame a revival plan for such struggling lenders without putting restrictions on depositors.

The new Ordinance enables the RBI to get "control over management" of co-operative banks registered with a state government, too, apart from multi-state co-operative banks. The amendments however, do not apply to Primary Agricultural Credit Societies (PACS) or co-operative societies whose primary object and principal business is long-term finance for agricultural development.

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> *"The pessimist sees difficulty in every opportunity. The optimist sees opportunity in every difficulty."*
>
> *– Winston Churchill*

MICRO, SMALL & MEDIUM ENTERPRISES

MSMES get Rs.21k-cr dues in 7 months

Over Rs.21,000 crore of dues have been paid to micro, small and medium enterprises (MSMEs) in the past seven months by the Union government agencies and Central Public Sector Enterprises for procurement made from these firms. The highest level of procurement was achieved in October (over Rs.5,100 crore) and payment of over Rs.4,100 crore was made. This is likely to be surpassed in November as procurement of about Rs 4,700 crore has been made and about Rs 4,000 crore paid, according to reports received in the first ten days for November. The FM had announced the Atmanirbhar Bharat package in May, saying MSME dues should be paid in 45 days.

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

Nine out of every 10 of India's 63.3 million small businesses (MSMEs) have restarted operations after the lockdown necessitated by Covid-19, but only one in four is producing at least half its capacity — largely on account of poor demand, logistical issues, and their own financial troubles (at least half said they faced a liquidity crunch as of August 1). "85% of MSME units operate from households and as their exposure to formal banking is almost zero, they are not able to take the benefit of the Centre's liquidity package, which is linked to outstanding bank credit.

As of August 6, four million MSMEs had been sanctioned around Rs.140,000 crore under the Emergency Credit Line Guarantee Scheme announced as part of the government's Rs.20 lakh crore relief package, of which around Rs.95,000 crore had been disbursed.

The numbers highlight the toll the pandemic and the lockdown imposed to slow its spread (while the national lockdown ended on May 31, localised lockdowns continue across many parts of India as cases continue to rise) has taken on what is popularly described as the backbone of Indian industry — MSMEs. The numbers are part of a presentation made by the ministry of MSMEs this week, and based on a survey conducted by National Small Industries Corporation. India's small businesses employ around 110 million people and accounted for almost half of India's exports in 2019-20 and for around 30% of GDP.

MSMEs can restart business with no pressure to quickly repay loans, say experts

The RBI approved restructuring of loans for Micro, Small And Medium Enterprises (MSMEs) in August 2020. MSMEs that didn´t slip into the nonperforming asset (NPA) category till March 1, 2020, and were treated as ´standard´ accounts will benefit from the scheme, set to be implemented by March 1, 2021. This is an extension of a continuing scheme—in place till December 31, 2020—which was meant for ´standard´ accounts till January 1, 2020.

Only MSMEs registered under the GST regime, with aggregate borrowings up to Rs.25 crore up to March 1, 2020, will be eligible for this scheme. "Asset classification of borrowers classified as ´standard´ may be retained as such, whereas accounts that may have slipped into the NPA category between March 2, 2020, and the date of implementation may be upgraded as ´standard assets´," RBI circular dated August 6 said.

The existing restructuring scheme was applicable to 900,000 MSMEs. Till January 31, 2020, more than 600,000 MSME accounts were restructured by public sector banks, amounting to Rs.22,650 crore.

A recent RBI analysis revealed that MSMEs (in terms of amount) were way ahead of other sectors in availing the moratorium. Close to 65 per cent of loans outstanding for MSMEs were under moratorium till April 30.

"The restructuring expected to provide the necessary relief to the MSME sector, which has experienced a severe impact resulting from the lockdown, containment, reverse migration, supply chain, and trade choking etc."

70% listed firms likely to qualify for MSMEs sops

Nearly 70 per cent of the listed universe could now

be part of the micro, small and medium enterprises category after the Union Cabinet approved the revised MSME definition, showed an analysis of their sales data. With this, they could become eligible for government benefits. The Cabinet in June 2020 had cleared reclassification of medium-scale companies as those with Rs.50 crore investment and Rs.250 crore of turnover, up from Rs.20 crore and Rs.100 crore, respectively. There are 4,643 listed companies for which data is available with corporate data provider Capitaline. Around 20 per cent would fall within the definition under the turnover limit for medium enterprises. Another 19 per cent would fall under small, and 30 per cent under micro enterprises. Companies which fall under the definition of an MSME have the advantage of requiring payments within a fixed time period, besides government support.

The Cabinet had approved Rs.20,000 crore in capital for stressed MSMEs. It expects the move to help 200,000 enterprises. Preference to MSMEs will be given by disallowing global tenders in procurements of up to Rs.200 crore. The government and public sector units have to clear their dues in 45 days. Steps to assist the segment had been announced previously as well.

Banks disburse over Rs.50k cr to MSMEs under credit scheme

The Finance Ministry in July said banks have disbursed Rs.52,255.53 crore loans under the Rs.3-trillion Emergency Credit Line Guarantee Scheme (ECLGS) for the MSME sector reeling under economic slowdown caused by the COVID-19 pandemic. This is against the sanction of Rs.1.10 lakh crore under the 100 per cent ECLGS for micro, small and medium enterprises (MSMEs) till July 1, 2020. The scheme is the biggest fiscal component of the Rs.20-trillion Aatmanirbhar Bharat Abhiyan package announced by Finance Minister Ms. Nirmala Sitharaman in May 2020. The latest number on ECLGS, as released by the finance ministry, comprises disbursements by all 12 public sector banks (PSBs), 20 private sector banks and 9 non-banking financial companies (NBFCs).

MSMEs must be protected from closure

Micro, small and medium enterprises (MSME) must be saved from being closed down, otherwise the country's industrial capacity will shrink and lead to more imports and eventually inflation for years to come, top economists in July 2020. Shri V Anantha Nageswaran, Member, Prime Minister's Economic Advisory Council, Pronab Sen, former Chief Statistician of India, Rathin Roy, Director and Chief Executive National Institute of Public Finance and Policy (NIPFP) and Ananth Narayan, Associate Professor at SP Jain Institute of Management Research (SPJIMR) took part in the discussion to revive the economy.

They requested the Government to work on a well communicated medium term strategy so that the vision is clear and measurable. If demand contraction is extended then the economy will suffer. "Next will be supply constraint, because the capacities have closed down, which may lead to inflation. They called for immediate demand stimulus.

Covid-hit MSMEs to get $750-mn World Bank loan

The World Bank is set to extend $750 million in credit to micro, small and medium enterprises (MSMEs) in India that have been severely impacted by Covid-19. This will address immediate liquidity and funding needs of around 1.5 million viable MSMEs. The emergency cash flow is expected to help such entities withstand the shock and protect millions of jobs, World Bank said in a statement. It added that it would help the government channel this liquidity to the MSME sector by de-risking lending from banks and non-banking financial companies (NBFCs) to MSMEs through a range of instruments, including credit guarantees.

This will also improve funding capacity of NBFCs and small finance banks (SFBs) and enable them to respond to the MSME sector's needs. This will cover support for the government's refinance facility for NBFCs

In a parallel move, the International Finance Corporation is also providing direct support to SFBs through loans and equity. Early and decisive measures by the RBI and Centre, to infuse liquidity into the market, gave a fillip to the financial system. Given the uncertainties, lenders remain concerned over borrowers' ability to repay—resulting in limited flow of credit, even to viable enterprises in the sector. Covid-19 has put the MSME sector under severe stress. It is the backbone of India's economy, contributing 30 per cent to India's GDP and 40 per cent to exports. Employing 150-180 million people, the sector is now burdened with cancelled orders, loss of customers, and supply chain disruptions—causing a sharp fall in revenues.

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POLICY POINTERS

Bill to amend FCRA passed in Lok Sabha

The Foreign Contribution (Regulation) Amendment Bill, 2020, was passed by the Lok Sabha in September, 2020. Amid concerns raised by various Opposition members about the Bill, Minister of State for Home Shri Nityanand Rai said the legislation was not against any religion or NGO. It was felt that legislation is necessary for an Atmanirbhar Bharat (self-reliant India) and that it will help curb misuse of foreign funds. The Bill seeks to make it mandatory for office bearers of any non-governmental organisation (NGO) to provide their Aadhaar numbers at the time of registration.

Among other provisions, the Bill proposes to enable the Centre to allow an NGO or association to surrender its FCRA certificate, capping administrative expenses at 20 per cent, from the current 50 per cent. It also seeks to mandate civil society organisations to have SBI accounts at a Delhi branch (to be notified later) to receive foreign funds, and prohibits one FCRA-registered society to transfer funds to another which is also recognised by the Act.

Companies to step up direct procurement from farmers

Food processing and commodities firms are looking at stepping up direct procurement from farmers and setting up front end infrastructure after the government passes through two farm Bills in Parliament.

The two Bills — Farmers Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020, and the Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill, 2020 — allow farm trade outside mandis and contract farming. Alongwith the Essential Commodities Act amendment, these Bills are expected to pave the way for investment and increase farmer engagement.

Forex reserves can be used for infra investment

The RBI could be nearing the end of its reserves accumulation as costs may slowly be beginning to outweigh the benefits. To reap these benefits, some reserves could be used for local purposes. As of September 18, India's foreign exchange (forex) reserves stood at $541.67 billion.

Experts feel :

- RBI's forex reserves could be 50 per cent more than needed
- Most of the reserves accumulated due to portfolio flows
- The excess reserves could be used for domestic infrastructure purposes
- RBI could be nearing the end of its reserves accumulation
- The cost of holding reserves could be outweighing the benefits
- As the oil prices rise in the coming days, the reserves may not look so high

New rule for importers to get FTA concessions

Importers need to furnish proof of 35 per cent value addition in goods from the country of origin to claim duty concession under free trade agreements (FTAs) from September 2020. Without that, they will not get benefits, said a finance ministry official. It will be the importer's responsibility to ensure value addition has been done. While the move is aimed at plugging duty evasion through routing exports to India under FTAs, industry fears it will result in a compliance burden.

Single-window clearance to start in April

The Central Government proposal to launch a single-window clearance is attracting foreign investors even before the scheme's launch. These investors will get to identify lands or sites for setting up manufacturing units across 20 states. Government officials say the scheme will become operational from early 2021-22.

The salient features of the scheme are as under : -

- Single point of contact for potential investors to promote investments

- Application under different departments to be consolidated into one, for grants
- Eight states on board, another six be added by November 15.
- Finance Minister, commerce ministry, state collaborating on a portal
- Scheme to be operational from early 2021-22, with land banks' consent of at least 20 states
- Land portal will have details of state- and district- wise industrial land details and maps
- So far, information of 3,000 industrial parks is available spread across 475,000 hectares of land.

Easy foreign listing for start- ups, MSMEs soon

The Ministry of Corporate Affairs (MCA) is set to finalise the rules for the listing of unlisted companies in foreign jurisdictions, so that it becomes possible for start-ups and small and medium enterprises to raise capital abroad.

The MCA wants to keep the threshold for direct foreign listing at a level that is attractive and feasible for companies. The plan is to allow such listing in eight jurisdictions viz. the US, the UK, South Korea, Japan, France, Germany, and Canada. The eighth is the International Financial Services Centres Authority's (IFSCA's) Gujarat International Finance Tec (GIFT) City near Ahmedabad in Gujarat, which functions like a foreign territory within India's geography. The smart city is designed to compete with financial services centres like Hong Kong, Singapore, Dubai and others.

Experts say that every start-up wanting to get listed internationally has been externalising or setting up a company in a foreign country, and this has been the practice for several years. "It's a formalisation of an industry practice, rather than a game changer. It is an efficiency measure and will reduce costs of transaction in terms of legal fees, taxation, and other structural costs of operating in two countries".

The criteria for allowing companies to avail of this provision will include profitability, networth, paid-up capital, and turnover. Anyone with a negative networth will not be allowed to list. And the thresholds will be reduced by at least half if a company wants to list in the IFSC GIFT City to incentivise listing in the GIFT City.

Pre-packaged scheme, special rules for MSMEs in amendments to IBC

The insolvency law committee and a group of ministers are considering various amendments to the four-year-old Insolvency and Bankruptcy Code (IBC). The issues being taken up on priority by the committee, set up by the Ministry of Corporate Affairs (MCA), include introducing a pre-packaged scheme for corporate insolvencies, a special framework for micro, small and medium enterprises (MSMEs), and steps to reduce the delay in admission and disposal of cases.

Various sub-committees have also been set up by the MCA to look into framing rules to make the insolvency process of MSMEs smooth, and flesh out finer details of the pre-packaged scheme. Both the schemes have been finalised by the IBBI. The pre-packaged schemes — popular in the United States and the United Kingdom — involve an agreement by the stressed company and its creditors with a buyer before initiating insolvency proceedings. The special insolvency framework for MSMEs is likely to allow the insolvent debtor to retain possession of the company till a resolution is reached. All important decisions, however, will have to be finalised by the committee of creditors.

One of the proposals to avoid frivolous litigations such as those filed by disgruntled promoters or operational creditors is to increase the fee for filing an application in the NCLT. The last amendment to the IBC was done through an Ordinance in June this year to suspend sections 7, 9 and of the Code that allow lenders, operational creditors and promoters to trigger insolvency against a company.

IIP contraction slows to 16.6%

The index of industrial production (IIP) contracted by 16.6 per cent in June compared to 33.8 per cent in May and a record 57.6 per cent slide in April. The conditional relaxation in industrial activity leading to a graded pick-up was evident from the numbers. Contraction in industrial production slowed further in June, with industrial production growing 23.9 per cent compared to May.

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MISCELLANY

What the subordinate debt scheme means for MSMEs

On August 19, the government operationalised the Credit Guarantee Scheme for Subordinate Debt for stressed Micro, Small & Medium Enterprises (MSMEs). It had announced this scheme as part of the Aatma Nirbhar Bharat Package. This is what the scheme involves and what it means for MSMEs.

What is subordinate debt?

Subordinate debt is a type of debt that an individual or a company can take on and which has a lower priority of repayment. In other words, in the event of liquidation or bankruptcy, the borrower would first pay off other "senior" debt and obligations and only then get to subordinate debt. Subordinate debt is, therefore, riskier than senior debt because there is a much higher chance of it not being repaid.

What does the scheme involve?

The Credit Guarantee Scheme for subordinate Debt for stressed MSMEs being operated by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) is designed to provide subordinate debt to MSMEs that have stressed accounts or that are already non-performing asset (NPAs). Under the scheme, Scheduled Commercial Banks will provide personal loans to the promoters of stressed MSMEs amounting to 15 per cent of their stake (equity plus debt) or Rs.75 lakh, whichever is lower.

Those MSMEs that have been in regular operations, either as standard accounts or as NPA accounts, during financial years 2018-19 and 2019-20 will be eligible for the scheme. The scheme is valid for MSME units that are stressed and NPA accounts as on April 30, 2020 and that are eligible for restructuring according to RBI guidelines.

The idea behind the scheme is to provide the promoters of these MSMEs enough capital to invest as equity or quasi-equity into the company to aid and smoothen the restructuring process.

Why subordinate debt in such a situation?

Following the announcement of the scheme, questions and criticism arose from various quarters about whether there would be any takers for the subordinate debt since MSMEs that are already stressed would likely not want to take on more debt. This is where the subordinate part of the debt plays its part.

Given its nature, subordinate debt is a more attractive option for borrowers than taking on more conventional debt. The lower priority of subordinate debt in the repayment process eases the pressure on the borrower somewhat. It's only after all other loans are paid that the subordinate debt needs to be repaid.

At a time when cash flows have dried up, revenue is anaemic and demand subdued, MSMEs starved of liquidity will likely look to the subordinate debt scheme as a lifeline.

The other criticism raised against the subordinate debt scheme is that it would further increase the banks' NPAs at a time when these are already expected to balloon, thanks to Covid-19 and the lockdown. The scheme seems to take care of this aspect as well.

While the focus has been on the subordinate debt aspect of the scheme, it's important to remember the "credit guarantee" part as well. According to the scheme's guidelines, the CGTMSE will guarantee 90 per cent of the subordinate debt given by the banks, with the remaining 10 per cent being covered through a collateral put up by the borrower.

The Ministry of MSMEs has created a fund called the "Distressed Asset Fund – Subordinated Debt for Stressed MSMEs" for the purpose. So far, it has put in Rs.4,000 crore into the fund, with a stipulation that the guarantee amount can go up to Rs.20,000 crore. In other words, there's no risk for the banks.

So, to recap, the scheme provides liquidity to stressed MSMEs without really burdening them with heavy debt obligations and the banks are guaranteed the loan amount so they don't have to worry about repayment.

Much like the Emergency Credit Line Guarantee Scheme, which, incidentally, crossed Rs.1 trillion of disbursals recently, the subordinate debt scheme too seems like a way for the government to hand out cash to MSMEs that need it, with no strings attached

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HEALTH CARE !

Adopting A Healthy Lifestyle With Intermittent Fasting

The term "Intermittent Fasting" (IF) may have been heard by almost all people around the world. Nevertheless, many of us tend to ignore this awesome method because we think that IF was designed for obese or those who want to lose their weight. If only we know the incredible benefits of IF, we will never miss the chance to adopt this method.

What is Intermittent Fasting? IF is an eating pattern that regulates the cycle of eating and fasting. There is no specific food that we need to consume, how much calories intake and all. Basically, we can eat anything during that eating period but once we start fasting, we can consume only a small calories food or nothing at all. Not to worry, we can still drink water or zero calorie water like a black coffee or green tea during the fasting period to avoid hunger.

There are so many ways to practice intermittent fasting. For example,16:8 method, alternate day fasting, 5:2 diet and so on. But, the most prominent practice is 16:8 method, where we need to fast for 16 hours and eat for the next 8 hours. For example, if we start fasting at 8 p.m. today, then we can have our very first meal at 12 noon of the following day and the cycle repeats. You may think that 16 hours fasting period is too long but bear in mind that these 16 hours period is also comprised of 6-8 sleeping hours. Hence, we are fasting for around 8-10 hours only.

There are too many reasons on why most people love intermittent fasting. Firstly, it comes with several method. As mentioned earlier, IF can be done in various ways. We can choose any type of IF method that perfectly suit us. Most people love 16:8 method because it is simpler and easier to practice daily, as compared to alternate day fasting also known as every-other-day diet. This approach requires a-day-fasting for several days per week while eating what we want on non-fast days, which might be harder to follow. Thus, we can choose any method we prefer.

Furthermore, IF is flexible and not restricted to a fixed method. For instance, while practicing 16:8 method, but there is a family party or dinner invitation by

friends, we can happily join them without worrying our IF schedule. This is because we can cover it back with 24 hours fasting on the following day to keep us back on track.

In comparison to other diet type such as high protein diet, we may need to spend a lot of money to buy those high protein foods which normally quite pricey. With IF, we can just eat anything that we have in the kitchen. It does not matter what kind of meal or dishes i.e., our mother cooks, our own DIY recipe or food given by others. We can just eat them all.

After all, what are the benefits and good purposes of intermittent fasting? As a normal human being, we always do something to gain back something better. We will never sacrifice ourselves for something useless right? So first and foremost, of course IF has been acknowledged to have successfully contributed to losing one's weight.

Moreover, intermittent fasting also plays a role in reducing risk of diseases. Intermittent fasting will keep us away from many diseases for example diabetes mellitus and any heart problem. These are among the top chronic diseases in Malaysia. Back to our eating and fasting cycle, noticed it or not, we are reducing our calories intake. In contrast to our normal daily life, we may consume an excess carbohydrate, fat, protein, salt and so on.

Excessive carbohydrate will cause a condition named as 'insulin resistance' which may lead to the diabetes

mellitus. Insulin is a hormone that regulates the action of carbohydrate in our body in the form of glucose. If we have excess glucose, insulin will convert them into a molecule named glycogen to be stored in the body cells hence reducing our blood glucose level. Thus, reduced the risk of diabetes mellitus. If we consume a lot of carbohydrates or sugar, the insulin cells would become resist and they might become inactive and cannot do their work properly, causing high glucose levels in blood. Hence, we will be diagnosed with diabetes mellitus. Moreover, fasting will reduce the bad cholesterol level in the body and as a result will not cause any harm to the heart.

Besides, there are several studies that run experiments on rat or mice to observe their brain performances while getting IF practice. They found that intermittent fasting will keep the brain active and healthy because IF will increase brain hormone, namely Brain-derived neurotrophic factor (BDNF) that is vital to the survival, growth, and maintenance of neurons in the brain. Hence, IF will keep the brain healthy and reduce the risk of Alzheimer's disease.

In similar setting experiments, the results also showed that the fasting mice or rat survived a bit longer than the other mice. Hence, we could say that IF may extend our lifespan if we practiced IF from early age.

As a concluding remark, always keep in mind that intermittent fasting is just another way to live a healthy life. It works differently on different people. Above all, there is no harm in trying. Initially, we may face some difficulties to adopt a new lifestyle, but just keep it going and train our mind to see the best and beauty of it. If the method suits us well, then embrace it. Otherwise, do not push too hard. Just remember that everything is going to be fine. All the best for your journey in finding a healthy lifestyle that suits you!

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INFRASTRUCTURE

Abu Dhabi sovereign fund first to get 100% tax exemption in infra

Keeping in view the Budget announcement, the government has allowed income-tax exemption to Abu Dhabi's sovereign wealth fund (SWF), MIC Redwood 1 RSC, for making long-term investments in India in specified priority sectors of infrastructure. It is the first foreign SWF to get 100 per cent tax exemption in the case of income from interest, dividend, and long-term capital gains for its investment in infrastructure.

Key sectors for tax exemption are :

- Transport (roads and bridges, port, airports, railway track, etc.)
- Energy (electricity generation, transmission and distribution; oil and gas pipeline, storage)
- Social and commercial infra (education institutions, hospitals, cold chain, convention centre, hotels, agri markets)
- Water and Sanitation (solid waste management; water supply pipelines)
- Communication (telecommunication, telecom towers)

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