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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.

WHAT MAKES NBFCS A BETTER CHOICE FOR LENDING TO MSME SECTOR

*** Bama Balakrishnan & Satya Srinivasan**

It is well-acknowledged that micro, small, and medium enterprises (MSMEs) play an important role in the overall growth of the Indian economy and particularly, in equitable growth. According to data cited by SIDBI in its FY2018 annual report, MSMEs have contributed approximately 29 per cent to gross domestic product (GDP) in FY2017.

In a recent survey by the Confederation of Indian Industry (CII), MSMEs have reportedly created additional jobs ranging between 13.5 million to 14.9 million per annum over the last four years. Despite these positive growth-indicators however, there remains a substantial underserved market — of the 6.34 crore MSMEs in the country, only about 8 per cent are served by formal credit channels. ICRA has estimated the unmet credit demand from the sector in FY 2017 at Rs.25 lakh crore.

Credit growth to micro (exposure less than Rs 1 crore), SME (exposure of Rs 1 crore – Rs 25 crore), and Mid (exposure of Rs 25 crore to Rs 100 crore) segments has increased year on year, and aggregate MSME lending as a proportion of GDP has grown by roughly 4 per cent over a 5-year period. However, the market share of public sector bank lending to MSMEs has shrunk over a 5-year period with private sector banks, non-bank finance Companies (NBFCs), and other players gaining market share.

Providing reliable access to efficient formal credit to MSMEs has long been challenging due to (a) inadequate formal data for credit assessment in case of informal, micro SMEs, (b) the lack of tailormade products to suit the borrower and lender risk profiles / appetite, (c) long turn-around times for granting loans, and (d) the requirement of collateral, guarantees, etc. required by most traditional lenders. Regulatory restrictions on banks on-lending for unsecured lending has also constrained the flow of credit.

Over the last decade, we have worked with a number of NBFCs lending to MSMEs. Our market insights show, that over the last decade, NBFCs have been significant credit providers to MSMEs especially at the lower end. Well established regional players with in-depth knowledge of micro markets and low-cost distribution provide access to credit to MSMEs beyond the tier I cities, while focusing on credit underwriting tailored to informal and smaller MSMEs.

These NBFCs have attracted deep pools of equity capital, given the promise in the sector and have accessed debt capital from investors recognising the opportunity for superior risk-adjusted returns.

Given the complementary strengths, we are seeing the evolution of partnership models between NBFCs leveraging their distribution strength and superior customer underwriting with larger NBFCs and banks who are able to efficiently aggregate and further distribute the risk.

The MSME lending segment has seen the maximum disruption through new business models including the evolution of fintech lenders seeking to use innovative approaches to credit underwriting and offering innovative products with a lower turn-around time.

These NBFCs serve MSMEs through (i) differentiated credit underwriting that takes into account multiple sources of data (formal and informal) in the absence of credit ratings/formal data, seasonality of cashflows, industry and cluster risk, as well as a 360-degree view of the borrower; (ii) designing product offerings that are best suited to their target segment (for example, flexible collateral structures, customised products tailored to their working capital cycles); (iii) risk-pricing exposures; and (iv) reduced turn-around times from credit appraisal to disbursement through standardised processes and use of technology.

The NBFCs' difference in approach to underwriting MSME credit has been made possible by their focus or specialisation in MSME-lending by sector, geography, client segment, or a combination of these features and their calibrated operations and distribution designed to best serve their clients.

Lending models that cater to the MSME segment can be broadly classified under three heads : (i) lenders to informal / small businesses — offering unsecured business loans that are short-term in nature, employing cash-flow based underwriting and customised income-assessment techniques; (ii) lenders focussed on asset financing — offering business loans towards capital expenditure against hypothecated assets, also employing cash-flow based underwriting; and (iii) lenders focussed on secured lending — offering typically longer tenor loans, reliant on traditional security in addition to cash-flow based underwriting, for larger ticket loans.

Northern Arc works with many specialised NBFCs offering credit to identified client constituents ranging from micro enterprise loans, loans against property, unsecured business loans, school finance, and supply chain financing.

In addition to the steady growth of specialised lenders described above, technology-enabled lending (fintech) has emerged as a major trend in recent times. Fintech lenders have capitalised on emerging sources of digital data as well as surrogates to evaluate credit-worthiness of borrowers and have combined this with technology-enabled analytics for more efficient underwriting. The large databases of borrower information with policy initiatives such as GST offer additional data sources. Simultaneously, some fintech underwriters have also recognised the need for a hybrid brick-and mortar presence to supplement technology-enabled sourcing, for high-quality origination and client servicing.

These innovative approaches in lending to the MSME segment help in creating greater outreach and more reliable, efficient access to credit to borrowers who may otherwise be excluded from the formal system. Differentiated lending models have also been highly successful in enabling access to credit to the MSME borrower evident in their expanding asset and client bases. The impact of such models has been validated by the inflow of capital from both mainstream private equity investors and impact investors over the years. Northern Arc has successfully enabled financing against portfolios of loans originated by such NBFCs from mainstream investors such as banks and larger NBFCs with superior relative performance and attractive risk adjusted returns.

With the emergence and growth of differentiated lending models, evolving co-lending partnerships and increased banking system and policy interventions, the MSME segment is poised to receive a shot in the arm — a much needed stimulus for not only the growth of the MSME sector but also for the ideal of sustainable and inclusive growth.

■■■

Courtesy: The Economic Times. The writer Shri Bama Balakrishnan is CFO, and Shri Satya Srinivasan is director-origination at Northern Arc Capital.

APPOINTMENTS

¨ Shri Praveen Kumar Gupta, IAS has been appointed as Chairman & Managing Director, Delhi Financial Corporation {DFC}, New Delhi vice Smt. Rinku Dhugga.

¨ Smt. Mousumi Chattaraj Chaudhuri, IAS has been appointed as Managing Director, West Bengal Financial Corporation {WBFC}, Kolkata vice Dr. Sudip Kumar Sinha.

¨ Shri Udyan Hzarika, IAS has been appointed as Managing Director, Assam Financial Corporation {AFC}, Guwahati vice Shri Nitin Kumar Shivdas Khade, IAS.

¨ Shri Ravinder Kumar, IAS has been appointed as Managing Director, J&K State Industrial Development Corporation {J&K SIDCO}, Jammu vice Shri Jasvinder Singh.

¨ Shri H.P. Kharel, has been appointed as Managing Director, Sikkim Industrial Development & Investment Corporation Ltd. {SIDICO}, Gangtok vice Shri Roger R. Rai.

¨ The Government has designated Financial Services Secretary, Shri Rajiv Kumar as Finance Secretary. Shri Kumar succeds Shri Subhas Chandra Garg, who was shifted to the position of Power Secretary.

■■■

The way a team plays as a whole determines its success. You may have the greatest bunch of individual stars in the world, but if they don't play together, the club won't be worth a dime

LETTER TO THE EDITOR

September 25, 2019

Dear Editor,

Shri Nitin Gupta

Micro, Small & Medium Enterprises (MSMEs) sector is an important pillar of the Indian Economy as it contributes significantly to industrial production and exports. The possibility of entrepreneurship development, decentralization of the economic activity etc. are the strengths of this Sector. It gives me immense pleasure to know that COSIDICI has historically played an important role in the development of this sector.

As the country strives for a higher and inclusive growth, the MSME sector assumes a greater importance owing to its inherent nature. This sector has been witnessing structural progression with paradigm shifts – viz. from regulatory to enabling environment; economic enterprise growth to sustainable inclusive growth and subsidy oriented supports to participative. I do hope that the efforts of COSIDICI' Team would go a long way in achieving the overall objective of economic growth of the country.

I extend my best wishes to COSIDICI for the successful publication of its Tri-monthly Journal titled - **"COSIDICI COURIER"**.

With kind regards,

Sincerely,

Sd/-

(NITIN GUPTA)
Director
Delhi & District Cricket Association
Ferozeshah Kotla Cricket Ground,
Kotla Road, Near Delhi Gate,
New Delhi-110002

KARNATAKA STATE FINANCIAL CORPORATION {KSFC}

Karnataka State Financial Corporation {KSFC}

Dr. Ekroop Caur, IAS
Managing Director

KSFC is completed 60 years remarkable service for socio economic development of the state of Karnataka. KSFC was established in 1959 with main motto to support entrepreneurs for development and establishment of MSMEs in the state of Karnataka. During the 60 years of tremendous service to the state, KSFC takes pride to support 1,73,507 enterprises by extending Rs.17,216.91 crore. Out of this sanction loan amount, Rs.4029.64 crore women entrepreneurs, Rs. 146 7.04 crore towards Scheduled Caste entrepreneurs, Rs. 437.24 crore towards Scheduled Tribes entrepreneurs, Rs. 1691.35 crore for support of Minority and Backward community entrepreneurs and remaining Rs.9591. 65 crore for support of general category entrepreneurs. At present **Dr. (Smt.) Ekroop Caur, IAS** is the Managing Director of KSFC. Under her leadership KSFC is scaling new heights of achievements.

KSFC has made special scheme support to scheduled caste, scheduled tribes, women and all category of entrepreneurs by extending financial support at 4% interest rate with the support of the State Government. Under this scheme, KSFC has given Rs. 264.60 crore to Women entrepreneurs, Rs.211.58 crore to Scheduled Caste entrepreneurs, Rs.53.06 crore to Scheduled Tribes and Rs. 303 karod under 4% interest subvention scheme during it 'Diamond Jubilee' financial year 2018-19.

Hospitality sector generates revenues for local economies directly when tourists spend money in hotels, restaurant and entertainment venues. In addition, tourism can stimulate the building of infrastructure such as roads and public transportation. All these directly and indirectly create employment in the state.

Karnataka boasts of a diverse flora and fauna and a 320 km natural coast line, which makes it a nature tourist paradise. The state is ranked fourth in terms of the number of tourist arrivals in India. The Palace of Wheels of South India - the Golden Chariot Train Tour has been rated by Vanity Fair, UK, as among the top seven train journeys in the World. Karnataka has World Heritage Sites at Hampi and Pattadakal. Good infrastructure in the form of better road and rail connectivity as well as improving hospitality is also adding tourism. The state attracted 129.8 million domestic tourist and 0.46 million international tourist in 2016. During 2005-2016, tourist arrival in the state increased at a CAGR of 16.1 1 per cent. According to research conducted by the Associated Chambers of Commerce and Industry of India (ASSOCHAM), Karnataka could attract over 150 million domestic tourists and about 1 million foreign tourist by 2019. The sector contributes 14.8% the GSDP of Karnataka; plans are afoot to increase it to 26% by 2020. To strengthening and boosting private investments across the tourism sector, Government of Karnataka has adopted Tourism Policy 2015-20. To provide new experience to tourists, the State Government has proposed introduction of floating restaurants through KSTDC. Karnataka government has taken the initiative to imitate New York's famous Time Square in Bengaluru by constructing Bengaluru's Time Square to attract more tourists to the state.

KSFC successfully completed its Annual General Body Meeting of Diamond Jubilee FY 2018-19. Annual General Body meeting highlights, KSFC contribution to hospitality sector during April 2015 - March 2019 and special report on Tourism Industry of Karnataka have been made available in the special edition. Kalburgi Branch office organised a business meet to create awareness about KSFC's special schemes in June 2019. KSFC participation in FPO's 2nd Karnataka meet and KASSIA organised Agro Food Expo 2019.

Infrastructure Development

With a view to further diversify its activities, KSFC has decided to take up infrastructure development projects with public / private participation. Accordingly, a separate Infrastructure Development Department (IDD) has been created by the Corporation and necessary approval from SIDBI has also been obtained. The department will identify valuable vacant land in the prime localities in and around Bangalore city owned by various Government Departments / Governmental Agencies / Registered Societies/ Trusts, etc., and explore for joint development. The Corporation would take care of all the financial tie ups for development of these properties. The expected income out of different revenue models, will be shared with the owners

of the properties in appropriate ratio on mutually agreeable terms, after studying economics / viability. The joint venture infrastructure will be of world class and state of art technology. It could be IT park, Shopping Mall, Commercial complex, SEZ, etc., depending upon the location of the property and potentiality. This new activity will ensure sustained cash flow for the concerned owner of the property as well as KSFC by way of rentals and other earnings. Once the land is finalised, the Corporation will have a financial tie-up with ILFS/HUDCO / HFIs/ Commercial Banks and take lead in property development and share the commercial space / revenue on mutually acceptable terms. The department will also explore the possibilities of joint infrastructure development ventures for development of SEZs, IT / BT Parks / Commercial Malls etc. as well as the possibilities of joining hands with BMP / BDA / KEONICS / KIADB / KSSIDC in their existing infrastructure development ventures. The overall response is quite encouraging and many joint venture proposals are in active stage.¨

DO YOU KNOW !

List Of Intelligence/ Detective Agencies Of The World

Global Intelligence Agencies

• International Criminal Police Organization - INTERPOL

• North Atlantic Treaty Organization- NATO

USA Intelligence Agencies

• Dept. of Homeland Security

• National Counter Intelligence Executive

• Central Intelligence Agency (CIA)

• National Security Agency (NSA)

• National Reconnaissance Office (NRO)

• National Geospatial-Intelligence Agency

• Defense Intelligence Agency (DIA)

• Federal Bureau of Investigation (FBI)

Australia/Oceania

• Australian Secret Intelligence Service

• Australian Secret Intelligence Organization

• Australian Protective Service (APS)

• Indonesia - State Intelligence Agency (BIN)

• New Zealand Security Intelligence Service

Canada

• Security Intelligence Review Committee

• Canadian Security Intelligence Service (CSIS)

• Royal Canadian Mounted Police (RCMP)

• Criminal Intelligence Service Canada (CSIC)

United Kingdom

• Secret Intelligence Service (SIS)

• National Criminal Intelligence Service

• Metropolitan Police [Scotland Yard]

• Office of Surveillance Commissioners

• GCHQ- Government Communications Headquarters

European Intelligence Agencies

• Belgium Military Intelligence and Security Service

• Danish Intelligence Service Politiets Efterretningstjeneste (PET)

• France DAS - Délégation aux Affaires Stratégiques (Delegation of Strategic Affairs)

• German - The Federal Intelligence Service (BND)

• German - Office for the Protection of the Constitution (BFV)

• Hungarian National Security Office

• Italy - Italian Intelligence Community

• Netherlands - General Intelligence and Security Service (AIVD)

• Netherlands - Military Intelligence and Security

Service (MIVD)

- Norway - National Police Security Service
- Poland - Government Intelligence Community
- Portugal - Security Intelligence Service
- Romanian - Intelligence Service (SRI)
- Sweden - Military Intelligence and Security Service (MUST)
- Swedish Security Police (SAPO)
- Switzerland - Federal Office of Police
- Ukraine - National Security Services

African Intelligence Agencies

- South Africa - South African Secret Service
- South Africa - Department of Defense
- South Africa - National Intelligence Agency

China

- Central External Liaison Department

Japan

- Public Security Intelligence Agency
- Defense Facilities Administration Agency
- Ground Self Defense Force
- Air Self Defense Force
- National Police Agency
- National Public Safety Commission

South Korea

- Ministry of National Defense
- Defense Security Command
- Central Intelligence Agency
- National Police Agency
- Presidential Security Services
- National Intelligence Services

Taiwan

- National Security Bureau
- National Police Administration
- Investigation Bureau

India

- Research & Analysis Wing (RAW)
- Intelligence Bureau (IB)
- Central Bureau of Investigation (CBI)

Pakistan

- National Accountability Bureau
- Inter-Services Intelligence (ISI)

Russia

- Foreign Intelligence Services (SVR)
- Federal Security Services (FSB)
- Interlinked System for Recognizing Enemies (SOUD)

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QUESTIONS OF CYBERQUIZ ~ 76

Qn.1. IC chips used in computers are usually made of :

(A) Lead; (B) Silicon; (C) Chromium; (D) Gold

Qn.2. Which of the following is not an example of an Operating System?

(A) Windows 98; (B) BSD Unix; (C) Microsoft Office XP; (D) Red Hat Linux

Qn.3. What type of process creates a smaller file that is faster to transfer over the internet ?

(A) Compression; (B) Fragmentation; (C) Encapsulation; (D) None of the above

Qn.4. A microprocessor unit, a memory unit, and an input/output unit form a:

(A) CPU; (B) compiler; (C) microcomputer; (D) ALU

Qn.5. Function of running and loading programs by use of peripherals is function of

(A) operating system; (B) inquiry system; (C) dump programs; (D) function system

Qn.6. Which amongst the following is not an advantage of Distributed systems?

(A) Reliability; (B) Incremental growth; (C) Resource sharing; (D) None of the above

Qn.7. The term 'page traffic' describes :

(A) Number of pages in memory at a given instant; (B) Number of papers required to be brought in at a given page request; (C) The movement of pages in and out of memory; (D) Number of pages of executing programs loaded in memory.

Qn.8. An interpreter is

(A) A program that places programs into memory an prepares them for execution; (B) A program that appears to execute a source program as if it were machine language; (C) A program that automates the translation of assembly language into machine language; (D) A program that accepts a program written in high-level language and produces an object program

Qn.9. Which supercomputer is developed by the Indian Scientists?

(A) Param; (B) Super 301; (C) Compaq Presario; (D) CRAY YMP

Qn.10. Which of the following loader is executed when a system is first turned on or restarted

(A) Bootloader; (B) Compile and Go loader; (C) Bootstrap loader; (D) Relating loader

"For Answers of Cyberquiz See Page No. 25"

A meeting of some select SFCs to discuss the Business Plan at Kovalam (Kerala) on July 09, 2019

The members are aware that a study of the MSME financial ecosystem in India is being done to understand and assess the State Level MSME financing ecosystem and to provide recommendations to NITI Aayog regarding the potential role of State Level Financial Institutions (SLFIs). In this connection, M/s PricewaterhouseCoopers Pvt. Ltd., (PwC) had collected necessary data and conducted discussions with COSIDICI, APSFC, TIIC, KFC, KSFC, MPFC, EDC Goa and RFC. Based on these discussions PwC had made certain recommendations. With a view to discuss the matter in detail a meeting of these SLFIs was held at Kovalam, Kerala on July 09, 2019. The members discussed the recommendations made by Pricewaterhouse Coopers (PwC) for the SFCs some of which are as under :-

Low-cost foreign funds :-

At present SFCs are getting funds from secondary sources viz. commercial banks and higher interest rate. Hence there is an urgent need to explore sources / channels who can provide funds at competitive rates. Banks have access to low cost deposits which could be accessed by the SLFIs. If the SLFI is regular in its payments then the state government could be asked to give 4-5% subsidy reducing the cost of funds from 8-9% to only 5%.

To encourage banks to lend more to SFCs and at a cheaper rate the risk weight to SFCs can be brought down 50% or 75% which makes it attractive for the banks to lend even without State Government Guarantee - This is because SFCs strictly follow the norms on Capital adequacy equivalent to banks.

Change in risk weight for SFCs

Capital adequacy norms and NPA norms for SFCs are on par with the banks. Since SFCs exclusively deal with MSME sector and also follow all prudential norms guidelines risk weights to certain category of loans granted by SFcs may be relaxed from 100% to below 100% so as more capital is available for SFCs and shareholders (State Govt) need not infuse more and more funds in SFCs to meet the capital adequacy norms prescribed by SIDBI.

The government of India had set up National Credit Guarantee Trustee Co. Ltd. (NCGTC) which manages 5 dedicated Credit Guarantee Fund trusts for educational loans, skill development, Factoring, Micro units and Stand up India. Since the SFCs are working in these areas they could be declared 'eligible institutions' under it for the loans being sanctioned by them.

Categorization of advances of banks to SFCs as Priority Sector Lending :-

The SFCs have been borrowing from various Commercial Banks. These borrowings were utilized for MSME lending and the SFCs submitted the list of such units to the Banks. Banks considered such advances under Priority Sector Lending – Indirect finance to Micro and Small Enterprises. The RBI vide its circular dated July 05, 2011 had stopped such classification. But MFIs continue to enjoy this status. RBI could be requested to continue to treat lending by Banks to SFCs as priority sector lending.

The RBI needs to relax the NPA norms for the SFCs. The commercial banks have a wide asset base and access to multiple sources for their resources. The SFCs are Development Financial Institutions lending to the high risk areas of financing i.e. to first generation entrepreneurs and backward areas. The banks finance all the sectors and are, therefore, better able to hedge against risks in some of the sectors. The SFCs, however, promote priority areas for their respective state government and assist in industrial development. Changes in the policies of the different governments adversely affect the SFCs leading to NPAs even if its in the short run and thus wiping out their operating profits affecting their ability to raise funds from the market. The applicability of the NPA norms as applicable to the Banks may, therefore, be withdrawn. Since SFCs have only industrial loans they are not able to hedge against uncertainties in this sector in the short run. It is, therefore, requested the stipulation that the NPAs continued to be identified as such for one more year even after their upgradation may not be enforced.

Removal of Guarantee Commission by the State Government :-

The guarantee commission charged by the States may be lowered to 0.1 -0.5% instead of the present 0.75-1% of the loan amount.

Capital infusion from government and other FIs:-

♦ Infusion of Capital to SFCs could be done based on their performance by the

Central government. The SFCs are pioneers in entrepreneurship development and in creation of jobs enabling their governments to achieve their targets under the Make-in India and Start UP India programme.

♦ The State government could contribute toward the equity of the SFCs which would be matched by equity from MoMSME.

Modification in the SFCs Act :

In addition to the recommendations the members suggested that under modification in approval process for exceeding limits of accommodation:

♦ A committee of at least 5 Managing Directors or Executive Directors/General Managers of the SFCs and 2 Independent Directors may be formed by the Executive Committee of COSIDICI. All cases which exceed the limit of accommodation may be referred to this committee instead of to SIDBI.

♦ A suitable provision or enabling clause to allow financial assistance by SFCs to the concerns engaged in educational and other activities may be added.

Changes in the role of the Regulator :

♦ With the discounting of refinance from SIDBI there is no linkage of central government with SFCs for MSME development. Therefore, SFCs should be supported by MSME Department, Government of India.

♦ Members felt the ex officio chairman of the SLFIs could be the Secretary Finance or Secretary Industry. This would avoid delays and maintain continuity in the operations of the SFCs.

Change in Composition of Board of Directors :

In addition to the changes suggested by the PwC the following recommendations were made:-

♦ That the board of SFCs could have one director from the SIDC in its State and vice versa. This would enable each to know the latest developments being done by both the entities e.g. If SIDC develops a land bank the SFC could sell or lease the plots to the unit being funded by it.

♦ One director from SIDBI to be on the board of the SLFIs.

Explore new sectors, introduce new products:-

Start ups :

SFC can set up Venture Capital Fund with Board and Investment Committee under common guidelines. As this funding is without collateral SFCs need to take adequate precautions.

♦ The MSME units assisted by SFCs have generated significant employment opportunities. The 6 operating SFCs have assisted 7.33 lakh units which provided employment to 47.98 lakhs persons during last 50 years. This includes both skilled and un-skilled labour.

♦ It is further estimated that these 6 SLFIs will be able to generate employment opportunities for 4.55 lakh persons [Direct – 1.75 lakhs & Indirect – 2.80 lakhs] in the next three years as per their projected business plan.

■■■

Would you like me to give you a formula for success? It's quite simple, really: Double your rate of failure. You are thinking of failure as the enemy of success. But it isn't at all. You can be discouraged by failure or you can learn from it, so go ahead and make mistakes. Make all you can. Because remember that's where you will find success."

— Thomas J. Watson

Slowdown hits states' GST revenue harder

The slowdown in the economy, which has already resulted in poor growth in the collection of the goods and services tax (GST), is affecting states disproportionately more than the Centre, the data shows. As states have been guaranteed a 14 per cent revenue growth till 2022 under the GST law, the Centre has to bear the entire shortfall in revenue. Experts said if the slowdown, and subsequent weakness in GST mobilisation, continued, it would curtail the Centre's resources to a considerable extent in the current financial year.

Nearly Rs. 46,000 crore has been transferred to states from the compensation cess fund in the first four months of FY20 (April-July), registering a growth rate of 140 per cent over the previous year. In the same period of FY19, the Centre transferred Rs.19,000 crore. The government collects compensation cess on certain items to fund any shortfall in the states' GST revenues.

ADB to provide $200m for Maha road upgrade

The Asian Development Bank (ADB) will provide $200 million (about Rs.1,400 crore) to upgrade rural roads to all-weather standards in 34 districts of Maharashtra with an aim to improve road safety and better connectivity with markets. An agreement in this regard was signed between the government and the ADB.

Tax collection misses target, inches up 4.7% in April-Sept

Against a steep 17.5% higher tax collection budgeted for the full year, the government could mop-up only 4.7% more so far this year, with the direct tax being to Rs 5.50 lakh crore as of September 17, 2019 up from Rs 5.25 lakh crore a year-ago. The lower mop-up reflects the

deepening slump in demand and overall growth. In the first quarter the GDP slowed to a six-year low of 5%.

Of the Rs 5.50 lakh crore collections, advance tax rose 7.3% to Rs 2.20 lakh crore from Rs 2.05 crore. The budget had set a direct tax mop-up target of 17.5 % for the full year, and 15% for indirect taxes.

"Total tax collection till date is Rs 5.5 lakh crore compared to Rs 5.25 lakh crore in the same period last year. Net tax collection is around Rs 4.5 lakh crore as compared to Rs 4.25 lakh crore as of date.

Forex reserves decrease $446 m to $429 bn

India's foreign exchange reserves fell by $446 million in the week ended August 30 to $428.604 billion compared to the previous week, according to the Reserve Bank of India data. Foreign currency assets (FCA), which form a key component of reserves, fell by $1.12 billion to $396.005 billion. On the other hand, gold reserves rose by $682 million to $27.550 billion. FCAs are maintained in major currencies like US dollar, euro, pound sterling and Japanese yen.

Exports fall 6% in Aug, imports at 3-year low

India's exports declined in August as global trade tensions and sluggish demand brought down shipments by 6.1%. Imports shrank by 13.4% in August, led by non-oil and non-gold sectors, indicating weak domestic demand in a slowing economy, according to official data released on September 13, 2019.

Exports slipped to $26.13 billion last month, due to by a decline in shipment of traditional, labour intensive sectors like cotton yarn, gems & jewellery, petroleum products, carpets, and handicrafts.

A sharper decline of imports to $39.58 billion helped the country lower the trade deficit to $13.45 billion in August from $17.92 billion a year ago. "The decline in non-oil non-gold imports in August, led by sectors such as transport equipment, machinery, coal and chemicals, provides a cautionary signal regarding the strength of underlying economic activity," said Ms. Aditi Nayar, principal economist at rating agency ICRA. Non-oil and non-gold imports fell 9.33% to $27.3 billion in August.

Direct tax growth just a third of target

Against a full-year growth target of 17.4% for direct tax collections, the mop-up (net of refunds) between April 1, 2019, and September 17, 2019, this fiscal has come in at Rs 4.5 lakh crore, just about 6% higher than collections in the same period a year ago. Refunds amounting to Rs.1 lakh crore have been disbursed during this period, which is about the same as last year. The total advance tax collected during this period stood at Rs.2.2 lakh crore which is 7.3% more than the year-ago period. During the same period last year, the advance tax collection had grown by 18%.

Corporate assessees and certain categories of individual taxpayers are required to pay 45% of advance tax by September 15, which is the second of the four installments in a year. Advance tax paid by corporate taxpayers is nearly six times that of other categories. The Budget estimate for direct tax collection (net of refunds) in the current fiscal has been pegged at Rs.13.35 lakh crore. The target was reduced from the level estimated in the Interim Budget presented in February, prompted by a shortfall of over Rs 60,000 crore in direct tax revenue from Rs.12 lakh crore target set in the last fiscal.

Cabinet approves IBC changes

The Cabinet approved a clutch of amendments to the Insolvency and Bankruptcy Code with an intent to make the resolution/liquidation process faster and also remove ambiguities, if any, that might have resulted in various NCLT/NCLAT benches giving rulings that were divergent and even went against the spirit of the legislation.

CoC, backed by financial creditors, will have power over distribution of proceeds Insolvency resolution process, including litigation, has to be over in 330 days OCs will get proceeds as per resolution plan or liquidation value of the firm, whichever is higher; this will have retrospective effect CoC may decide on liquidation much early, without having to wait for a resolution plan

Essentially, this would mean financial creditors' precedence over other claimants in laying hands on the recovered amounts would be cemented and the tribunals would find it impossible to upset the order of distribution prescribed in the code.

No Angel tax on Registered Startups

The so-called 'angel tax' would not apply to startups registered with the Department for Promotion of Industry and Internal Trade (DPIIT), the government announced on august 23, 2019. "To mitigate genuine difficulties of startups and investors, it has been decided that section 56(2)(viib) of the Income-tax Act shall not be applicable to a startup registered with DPIIT."

Section 56(2) says that when a closely held company issues shares at a price more than its fair market value, the difference is taxed as income from other sources. It came to be dubbed the angel tax owing to its impact on such investments in startups. The commerce and industry ministry had told the finance ministry that the tax was a major impediment to the flow of investments into startups. Until now, the department has recognised 17,984 startups. The government also decided to set up a dedicated cell under member of the Central Board of Direct Taxes for addressing the problems of startups.

This will assure startups that angel tax is not a hindrance to further investments coming in and their ability to fund growth. It is a positive step as the panel will now look at the circumstances of every case before initiating any inquiry.

Stimulus measures to boost the Economy

The government announced some stimulus measures to boost the economy and perk up markets, delivering a comprehensive package that sought to address tax issues, lift credit flow and improve interest rate transmission, besides seeking to aid the auto sector as under :-

1. Tax Measures • Budget surcharge on capital gains scrapped for domestic and foreign investors • No angel tax on startups	**2. Banks/NBFCs/MSMEs** • Immediate Rs.70K cr infusion into PSBs • Banks to pass on benefits of rate cuts to all borrowers • One-time settlement policy to resolve MSME, retail loans • Mechanism to protect bona fide decisions by bankers • Support to NBFCs/HFCs • Faster GST refunds; easier bill discounting for MSMEs
3. Financial Markets • Steps for deepening bond markets • Corporate access to global markets • Aadhaar-based KYC for demat accounts and MF Investments • Measures soon to develop offshore Re market	**4. Automobiles** • BS-IV vehicles to remain operational entire life • Hike in registration fee deferred till June 2020 • 15% additional depreciation, total 30% till March 2020 • Govt to buy more cars
5. Infrastructure • High –level monitoring of delayed payments by govt and PSUs • Rs.100-lakh crore plan for infrastructure to be activated	
What it means for	
1) Economy • Assurance from govt it will take steps • Monetary transmission to get better • Demand boost from lower interest rates • Banking/NBFC measures to push credit flow • Auto sector could bounce back	**2) Consumers** • Borrowers to get benefits of rate cuts • Fall in interest rates on auto and home loans • NBFC credit flow to improve

3) Markets • Issue of higher tax surcharge on FPIs settled • Long-term structural reforms	**4) Automobile** • Uncertainty ends over EVs/BS-IV vehicles • Boost in demand from govt buys & depreciation
5) Banks & NBFCs • PSBs get immediate capital • NBFCs get more support help from banks • Shift to transparent interest rate regime • Bankers get protection	**6) Corporates** • Improved demand due to cheaper consumer credit • Lower interest burden on corporate loans • Infra-focused firms to get dues from govt
7) MSMEs • Liquidity via refunds & bill discounting • Easier access to banking • Flow of funds from NBFCs	

FPIs get no relief from FM on 'super-rich' tax

The super-rich tax on foreign portfolio investors (FPIs) that are organised as trusts will stay undiluted as Parliament passed the Finance Bill, 2019, in July. "It will have an impact on FPIs registered as trusts. There is an option for FPIs to register as companies. If they are registered as companies, they don't have a problem with this new tax," Ms. Nirmala Sitharaman said. She said a trust was treated as an individual entity and came under the tax. An increase in the effective tax rate will affect only high net-worth individuals, and, according to government policy, they should contribute more to nation building. Finance ministry officials said the tax on FPI trusts would pull in a mere Rs.400 crore, as against the revenue gain of Rs.12,000 crore from this levy.

Ms. Sitharaman, in her Budget, proposed a hike in surcharge for the super-rich to 25 per cent for incomes between Rs.2 crore and Rs.5 crore, and to 37 per cent for incomes above Rs.5 crore in a year. The move will hit 40 per cent of the FPIs. According to reports, about 2,000 FPIs operate as trusts owing to flexibility and tax-efficient repatriation.

Proposal at the time of Budget presentation	Amendments in the Finance Bill passed by Parliament
• **Angel tax** to be levied on start-ups not fulfilling prescribed conditions on amount of consideration received from issue of share after reducing it by face value	❖ **Instead of face value,** the consideration will be reduced by fair market value of share
• **No mention of penalty** in the above case	❖ **A penalty of 200%** on angel tax to be imposed
• **Exemption** from angel was available only for VC funds in case of category I of AIFs	❖ **Extended** to others such as infrastructure funds, social venture funds, SME funds
• **2% TDS on cash withdrawal** over Rs.1 crore from an account	❖ **TDS levied on all accounts** in one bank
• **Money for property transferred** by resident Indians to non-residents without consideration to be brought under I-T net	❖ **Provision applicable** only to money transferred and not property

India received highest-ever FDI of $64.37 billion in FY19: Report

India received the highest-ever Foreign Direct Investment (FDI) inflow of $64.37 billion during the fiscal ended March 2019 according to the Annual Report 2018-19 of the Department for Promotion of Industry and Internal Trade (DPIIT), foreign direct investments (FDI) worth $286 billion were received in the country in past five years.

Highlighting the importance of FDI, it said the foreign inflows bring in resources, the latest technology and best practices to push economic growth on to a higher trajectory.

Manufacturing, mining drag IIP growth to 3.1%

Manufacturing and mining pulled down industrial output growth to 3.1 per cent in May, compared to 4.3 per cent in April. The electricity generation grew 7.4 per cent in May against 5.9 per cent in April, and fast moving consumer goods expanded by 7.7 per cent against 5.9 per cent. Capital goods rose just 0.8 per cent in May, compared to 1.2 per cent in April.

Economic Survey 2018-19

The Economic Survey 2018-19 tabled in Parliament on 4th July, 2019 expounded on "self-sustaining virtuous cycle" for India, where private investments will be the key driver of demand, productivity and job creation, but remained guarded in its estimate of the GDP growth for the current financial year — a modest improvement to 7% from a five-year trough of 6.8% in FY19.

The survey stressed the way forward is investment-led growth, where exports are catalysed and domestic consumption would, at best, be a force multiplier. India needs to grow at 8% a year to become a $5-trillion economy by FY25, as envisaged.

It called for policies that nourish infant firms — rather an aged 'dwarfs' that are neither significant job creators, nor contributors to productivity. His growth mix also included a few other ingredients like policies to reduce the cost of capital and rationalise "the risk-return trade-off for investments". The survey also pitched for tax policies conducive for start-ups and seemed to argue against capital gains tax, when it said it "could have significant economic consequences for individual investors in terms of its lock-in effects and associated deterring incentives to use capital gains into riskier investments". It advised the government to hike retirement age in a phased manner, as the working-age segment of India's population would peak at 59% in 2041 and an ageing society would follow.

Forex reserves decline by $388m to $428.57bn

India's forex reserves declined by $388 million to $428.572 billion for the week ended September 20 due to a slide in core currency and gold assets, the Reserve Bank said in September. The overall reserves had declined by $649 million to $428.960 billion in the previous reporting week. They had touched $430.572 billion in August this year. In the week to September 20, foreign currency assets, a major component of overall reserves declined by $125 million to $396.670 billion.

Expressed in US dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and the yen held in the foreign exchange reserves. During the week, the value of gold reserves declined by $259 million to $27.843 billion, making it the second consecutive week of decline in the value of the precious metal held by India, according to the data.

■■■

SUCCESS STORY OF MPFC ASSISTED UNIT

M/s Permali Wallace Pvt. Ltd.

Permali Wallace Pvt. Ltd. was established in 1961 to manufacture various Polymeric Composites and Insulation Materials. Over the years the company has grown and has built up on its vast fund of experience and expertise in the field of Composites & Insulation Material and has developed a wide range of new materials and products for varied challenging applications. The affairs of the company are being looked after by Shri Subhash Vithaldas whole time director who is assisted by a team of technically qualified and experienced persons in the areas of finance and engineering The company is situated at Hoshangabad road Bhopal spread over 8.5 acres having infrastructure for manufacturing various products.

The Product Range could be described as below:- 1. Densified Wood based Laminates and Machined Parts - for application in all types of Oil-filled Transformers and Control Panels 2. Glass-Fibre based Laminates and Machined Components - for a wide range of applications in Transformers, Switchgears, Motors, and Generators etc 3. Prepregs based on Glass-fibre Cloth, Nomex Paper, Ceramic paper, Carbon Fibre, Aramid Fabrics and other special fabrics – for many specialized applications in Electrical, Aerospace & Defense Industry. 4. Laminates & Components based on other special reinforcements like Polyester Fabric, Cotton Fabric, Carbon Fibre, Aramid Fabrics etc. 5. Glass-Fibre based Pipes & Tubes made by Filament Winding or Vacuum Moulding Processes – for wide range of high-tech specialized applications 6. Epoxy Castings - for Transformer & Switchgear Applications 7. Mouldings made by Compression Moulding Process (using SMC, DMC or Prepregs), Resin Transfer Moulding Process or Contact Moulding Process as well as SMC & DMC Moulding Compounds

The above mentioned materials find application in a wide range of industries which includes Large Electrical Equipments Manufacturers & Electrical Substations, Railways, Steel Plants, Chemical Industry, Petroleum, Tooling & Foundry, Defense, Cryogenic Applications, Aircraft Tooling and parts, Automotive Parts etc. In most cases, they cater to the specific requirements of end-customers and all products are custom-made for varied engineering & Hi-tech applications. A number of new and innovative products as well as import substitutions have been developed over the years which include special materials like Ballastic Armours for Armored Vehicles, and new innovations like the FRP Gear Case for Indian Railways as well as a special flooring material for the Indian Station in Antarctica. The above materials are being supplied to most major Heavy Electrical Equipment manufacturers in India as well as to the Indian Railways and various Defense Factories.

The company also exports to companies worldwide in more than 25 countries. The company is an ISO 9001:2008 certified Company (first certified way back in 1997 for ISO 9001) and with its own R&D Department, which is recognized by Department of Science and Technology, Govt. of India and also have full fledged testing facilities for testing of all products. The company has received the following awards:- Reinforced plastics international industrial award in 1997 at Paris (France) in the best prepreg category. In 1998 again company was awarded a meritorious commendation in the best prepreg category by reinforced plastics. Crompton greaves ltd Nasik has appreciated the company with “BUSINESS EXCELLENCE AWARD “ for six consecutive years Products for railways –FRP sleeper was nominated in best new innovation category at JEC AWARDS PARIS IN 2004 Certificate of merit from CAPEXIL (an organization sponsored by ministry of commerce &industry Govt Of India) in recognition of their export achievement for the year 2008-2009. Company has achieved a turnover of Rs.47.37 crore during 2009-10 and has plans to achieve a turnover of Rs.115 crore during 2012-13 for which it has already initiated expansion cum modernization plans.

■■■

MEMBER CORPORATIONS & THEIR ACTIVITIES

HSIIDC

HSIIDC approves scheme for doubtful and loss a/cs

Haryana State Industrial & Infrastructure Development Corporation Limited (HSIIDC) approved a one-time settlement scheme for doubtful and loss accounts to reduce its non-performing assets (NPAs) portfolio in September. The Corporation expects to recover over Rs.60 crore under the scheme that would remain in force till March 31, 2020.

KSFC

KSFC's support to Hospitality Sector in Karnataka

Karnataka, the eighth largest state in India, has been ranked as the third most popular state in the country for tourism in 2014. It is home to 507 of the 3600 centrally protected monuments in India, the largest number after Uttar Pradesh. The State Directorate of Archaeology and Museums protects an additional 752 monuments and another 25,000 monuments are yet to receive protection. Tourism centres are the ancient sculptured temples, modern sites, the hill ranges, forest and beaches. Broadly, tourism in Karnataka can be divided into four geographical regions: North Karnataka, the Hill Stations, Coastal Karnataka and South Karnataka.

2nd Karnataka FPO Buyer Seller Meet 2019

The Department of Horticulture, Government of Karnataka has been nurturing over 99 FPOs (formed as per SFAC guidelines) across Karnataka during the past three years. Like wise, NABARD has supported formation of over 200 FPOs in Karnataka. Besides there are crop-specific farmer

organisations and associations in Karnataka.

Most of the FPOs have started business activities (Inputs, animal feed and output business) and have three years of track record. However, many FPOs are struggling to meet their expenses even with large volume of transactions. There are many reasons for that. Mainly, most of them are only using their own capital and have not got access to bank finance yet. Secondly, most of them have only started input business and are not geared up to do output-based business. FPO Buyer Seller Meet, initiated by the Department of Horticulture, Government of Karnataka and organised by Foretell Business Solutions Private Limited, proposes to achieve the above-mentioned objectives. 2nd Karnataka FPO meets was inaugurated by Sri. M C Managuli, Hon. Minister of Horticulture, Govt. of Karnataka. KSFC was represented by Sri Ashok G. Vanahalli, General Manager. During the technical session Dy. General Manager, KSFC briefed about special schemes which are made available for FPO to establish themselves as entrepreneurs.

KSFC participation in South India Agro Expo in Tumakuru

KASSIA has organised a South India Agro

Expo 2019 in Tumakuru from 19th to 21st July. This Agro Expo was organised in Amanikere Exhibition Ground, Tumkuru and was inaugurated by Smt. Lalitha Ravish, Hon'ble Mayor of Tumkuru and Sri R Raju, Hon'ble President of KASSIA, Bangalore. Seminars and workshops on agriculture, horticulture, sericulture, Bio Technology, fisheries, Animal husbandry, Dairy & poultry and food processing sectors were also held in the expo. KSFC participated by opening an information centre in this exhibition held in Tumakuru.

Financial support of KSFC to Chikkaballapura District

Chikkaballapura is one of the known educational hubs near Bangalore and besides the proximity Chikkaballapura shares with Bengaluru airport in Devanahalli, the fast developing locality has national highways like NH-7 and NH-234 passing near it. This not only implies superb connectivity with Bangalore and other localities, but also means that there is a lot of scope for development in the region. Already plans made by the government to develop a one of kind pharmaceutical SEZ on a sprawling 1.32 km area has gained tremendous interest.

There are more than 6,889 MSMEs with an investment of Rs.26,354.18 lakhs in the district. All these MSMEs are related to Agro based, Textiles, Wood based, Printing, Leather based units, Rubber & plastic, Chemical Based, Mineral & Mines, Metal based, General engineering, Sheet Metal & Fabrication, Electrical & Electronics, Automobiles, Transport & equipments, Ferrous & Non Ferrous, Job works & Repairs, other services and miscellaneous activities.

KSFC has started its branch office in Chikkballapura with the main intention to promote industries in this place for the cause of socio-economic development of this under-developed area. In the last five years period from April-2015 to March-2019, KSFC has supported around 70 units by extending loans aggregating to Rs.7257.28 lakhs covering all the major sectors like manufacturing, health, tourism, construction & real estates and other sectors.

Financial assistance under special schemes:

KSFC is in fore front to promote and encourage entrepreneurship in all segments of society. Presently, GoK' supported Special scheme viz: 4% interest subsidy schemes for SC/ST & Women entrepreneurs and 8% interest subsidy scheme for First Generation entrepreneurs are made available.

Chikkaballapura district has more potential for industrial and hospitality sectors. KSFC has always taken lead in promotion of first generation/ start-ups, women as well as SC/ST entrepreneurs, to bring these segments to mainstream of society. There are various other schemes viz: general term loans, working capital term loan, privileged entrepreneurs loan, micro finance loan etc. All these loans are made available to support establishment of MSMEs [Industry and Service sectors] and also construction & real estate sectors.

KSFC loans to SC/ST industrialists simplfied

KSFC is set to simplify loans for entrepreneurs of SC & ST to create awareness among SC/ ST industrialists on various incentives they are entitled to.

DSIIDC

Drone survey to find pollution sources in industrial areas

DSIIDC is planning to use drones to check illegal dumping of waste and sources of pollution in drains which run through industrial areas of the national Capital. The plan is to deploy drones in two industrial areas of Delhi on a pilot basis. Officials said if the results are encouraging then all industrial areas of the city would be monitored with drones in the future.

While on one hand, the drones could come handy in detecting illegal dumping of waste, we are more concerned with the pollution in drains as these drains empty into the Yamuna. As drones have not been deployed in the country, especially to detect industrial pollution, we are examining the feasibility," a DSIIDC official said.

Joint teams, comprising DSIIDC and DPCC officials are inspecting industrial units in the clusters which are connected to the Common Effluent Treatment Plants (CETPs).

KFC

KFC raises bonds worth Rs.250 crore

KFC has raised Rs.250 crore from the debt market by issuing non SLR Bonds of Rs.100 crore with a green shoe option of Rs.150 crore on private placement basis. The bonds are rated AA(SO) by two RBI and SEBI approved rating agencies with stable outlook for investment. The bonds, with tenure of 7 years, will bear coupon rate of 8.99 per cent per annum payable semi annually and will be redeemable from fourth year.

"Since 2011, KFC has been issuing bonds and this is the sixth launch which underlines the confidence and trust of investors in the credit quality of KFC" said Shri Sanjeev Kaushik ,CMD of KFC. The Corporation has raised Rs.1350 crore so far from bond market in six issues of which Rs.250 crore has been redeemed so far. Initially the corporation raised bonds with state government guarantee but since 2016, it has been raising funds without government guarantee based on the strength of

its balance sheet and the credit enhancement structure underlying the issue.

EDC Limited

EDC Ltd. set to replicate Patto Plaza

The Economic Development Corporation has decided to develop land along the Panaji-Old Goa bypass at Merces for phase-II of Patto Plaza. The Chairperson Shri Sadanand Shet Tanavde said that following the success of Patto Plaza, and considering there's no more space in Panaji, EDC agreed on the Merces land for phase-II. He added that Chief Minister, Shri Pramod Sawant has agreed to it. The land will have to be acquired first. The special acquisition officer attached to the EDC is expected to assist it in acquiring the land. *"EDC took the initiative and developed Patto Plaza very well. Today it has beautiful offices and roads"*. All 48 plots have been sold. It is like a planned city in itself. We have discussed phase-II with the chief minister, and the board has taken a decision to develop it. Today there is no space in Panaji, and there's need to expand outside the city.

The dispute regarding the last of Patto Plaza's 48 plots has been resolved, and a decision has been taken to sell it to the RBI for Rs 30 crore. The RBI is currently functioning from rented premises at Patto. EDC made a profit of Rs.50 crore in the

2018-19 financial year. The EDC has decided that it would be better to hand over the land at Dona Paula's IT park for the Iffi Convention Centre to the department of information and publicity. Chairperson, Shri Sadanand Shet Tanavde said that EDC, which is a special purpose vehicle for the development of the plot for the convention centre, felt that it would be better if it was handed over the "end-user department" (of information and publicity) under which ESG functions.

SIPCOT

SIPCOT to venture into co-working spaces at Siruseri IT Park in Chennai

State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) has decided to establish a facility at Siruseri IT Park in an area of one to two acres. "There is a demand for co-working spaces. We may either lease out the space to co-working space developers or form a 'special purpose vehicle' with private players to operate the facility on revenue sharing basis," a senior industries department official said.

On one acre, co-working spaces will be established in area of 30,000 sqft. For which there is a good demand. The co-working space building will have common facilities such as internet and cafeteria.

RIICO

RIICO gets Central funds for MSME Infrastructure push

Ministry of Micro, Small & Medium Enterprises has sanctioned two projects for upgradation of infrastructure in the industrial areas of Ajitgarh (Sikar) and Sanwar amounting to Rs.9.34 crore.

The Centre will provide a grant of Rs 5.50 crore for these two projects while the remaining amount will be borne by RIICO from its internal resources. Under these projects, upgradation of roads, street lights and sewage lines will be taken up. Additionally, upgradation of infrastructure at Malpura (tonk) amounting to Rs.6.77 crore has also been given in-principle approval. "Rebooting the infrastructure in the existing industrial areas is a critical need for MSMES to improve their productivity, enhance capacity utilization and energize the sector. While RIICO is creating new industrial zones, the focus is also on recharging the existing areas. We will spend from our internal resources and the same time tap funds available from various central government schemes," said Shri Gaurav Goyal, M.D. RIICO. RIICO has earmarked over Rs.100 crore to improve infrastructure in the old and existing industrial areas, it is trying to tap funds available from various central government schemes meant for revitalizing the MSME sector. In the current financial year, a grant of close to Rs.3 crore has been received by RIICO for Integrated Infrastructure development at Sriganganagar and Behror industrial area. These proposals were piloted by MSME Principal Secretary, Shri Alok and M.D. RIICO.

NIDC

Industrial Development & Economic Growth In Nagaland

Nagaland Industrial Development Corporation (NIDC) is responsible for the development of industrial infrastructure in the State. The Corporation promoted the Export Promotion Industrial Park (EPIP) at Dimapur and it has received formal approval as a special economic zone (SEZ) for agro and food processing. A proposed multi-product SEZ spread across 400 hectares in Dimapur has received formal approval. NIDC is the nodal agency of the State to provide Institutional support for Industrialization.

MAT Revised

Special economic zones (SEZ) will continue to remain an attractive investment opportunity after the government revised the minimum alternate tax (MAT) and made it commensurate with claiming tax holidays. "In order to promote growth and investment, a new provision has been inserted in the Income-tax Act with effect from 2019-20, which allows any domestic company an option to pay income tax at the rate of 22% subject to condition that it will not avail (of) any exemption/incentive." The effective tax rate for these companies shall be 25.17%, inclusive of surcharge and cess. Also, such companies shall not be required to pay MAT. New investments in SEZs on or before March 31, 2020 could be attractive whether or not the tax holiday benefit is availed of, with the reduced corporate tax rate of 15% for manufacturing companies and 22% for other segments. Companies may choose not to claim the tax holiday and avail of the concessional corporate tax rate of 15% without any MAT implications. Existing entities operating in SEZs have an option to take benefit of the reduced corporate tax rate of 22%, without availing of any

tax holiday. Even otherwise, if such concessional tax regime is not opted, the tax burden could come down as the rate of MAT has been reduced to 15% from 18.5%. Post March 31, 2020, investment in SEZ can still be considered as a preferred option, given the concessional corporate tax rate without any MAT impact and indirect tax benefits remaining at status quo. At the end of March 2019, investments in SEZs totaled more than Rs.5 lakh crore and exports from these enclaves were over Rs.7 lakh crore.

■■■

If you want happiness for an hour — take a nap.'

If you want happiness for a day — go fishing.

If you want happiness for a year — inherit a fortune.

If you want happiness for a lifetime — help someone else.

ANSWERS OF CYBERQUIZ ~ 76

Ans.1.[B]. Silicon

Ans.2.[C]. Microsoft Office XP

Ans.3.[A] Compression

Ans.4.[C] Microcomputer

Ans.5.[A] Operating System

Ans.6.[A] Reliability

Ans.7.[C] The movement of pages in and out of memory

Ans.8.[B] A program that appears to execute a source program as if it were machine language.

Ans.9.[A] Param

Ans.10.[C] Bootstrap loader.

■■■

People who succeed have momentum. The more they succeed, the more they want to succeed, and the more they find a way to succeed. Similarly, when someone is failing, the tendency is to get on a downward spiral that can even become a self-fulfilling prophecy. The real test is not whether you avoid this failure, because you won't. It's whether you let it harden or shame you into inaction, or whether you learn from it; whether you choose to persevere

NEWS FROM STATES

GUJARAT

Gujarat MSMEs can now meet 100% of their power needs from own solar units

The Gujarat government has launched an incentive scheme for the micro, small and medium enterprises (MSMEs) to tap renewable energy under which these firms will be allowed to set up solar plants to cater to their entire power requirements and even sell excess solar power, if any, to the state electricity board at Rs.1.75 per unit. Solar power generation by these units have till now been capped to cater to a maximum of 50% of their power load. Also, in case MSME units don't have adequate own land to install solar panels, they would be allowed to generate solar power in rented land. However, they will have to pay electricity duty and wheeling charges as per the provision made in Solar Policy 2015. The state has set a target to have 30,000 MW renewable energy capacity by 2022 end.

Announcing the scheme, Chief Minister Shri Vijay Rupani said Gujarat is committed to take lead in clean energy generation and contribute 20% of the 175 GW renewable energy generation goal set by the Central government by next three years. There are more than 33 lakh MSME units functioning in the state and taking advantage of this scheme, MSME units would save considerable amount on their electricity bills. Gujarat was aiming to use 20,000 MW renewable energy and the remaining 10,000 MW would be sold to other states once the target is to be achieved by 2022 end. With 6,880 MW of wind power and 2,654 MW of solar power, Gujarat is one of the leading states in the renewable energy sector, with such

units comprising 30% of total power generation capacity of the state.

KERALA

Kerala to host India's first space start-up park

The Vikram Sarabhai Space Centre (VSSC) and the Kerala government have together set up the country's first Space Systems Park project in the Knowledge City in Thiruvananthapuram to attract global start-ups in the space sector.

"This partnership will create an ideal ambiance for advanced research and development in space technology," the Kerala chief minister Shri Pinarayi Vijayan said. The agreement will help the VSSC support the state government's plan to make the park a major manufacturing hub for space-related technology, research and development. "The VSSC will provide technical expertise and promote SMEs, start-ups and other partner entities in developing products and services for the space industry and expected to generate numerous

jobs. The state government has decided to transfer 20.01 acre land on lease to Kerala State Information Technology Infrastructure (KSITIL) for developing the park.

ANDHRA PRADESH

Andhra Pradesh FY20 budget outlay at Rs.2.27 lakh cr

The Andhra Pradesh government has proposed a total outlay of Rs.2,27,974.99 crore for the financial year 2019-20, which is 19.32%higher than last year's budget. The revenue expenditure is at Rs.1,80,475.94 crore and capital expenditure is at Rs.32,293.39 crore. Fiscal deficit is estimated at 3.3% and revenue deficit agriculture budget was introduced with an outlay of Rs.28,866.23 crore.

State's Finance Minister Shri B Rajendranath Reddy said that the state government has allocated Rs.18,330 crore for the agriculture sector. The flagship scheme, YSR Rythu Bharosa that provides input assistance to five farmers holding land up to five acres, has been allocated Rs.8,750 crore. The scheme seeks to provide input assistance of Rs.50,000 in four equal installments of Rs.12,500 to farmers holding upto five acres.

NAGALAND

Some initiatives taken by the State Government of Nagaland to promote the State as an investment destination are as under :

- The Government of India had approved allocation of about Rs 3,000 crores (US$ 463.39 million) up to March 2020 in North East Industrial Development Scheme (NEIDS) 2017. Before March 2020, the government will provide necessary allocations for its remaining period after assessment.

- The state provides institutional support through various central and state government agencies viz., North East Council, Ministry of Development of North Eastern Region and Nagaland Industrial Development Council.
- Ministry of Tourism, Government of India, has included 24 villages in Nagaland under the rural tourism scheme in order to promote traditional rural art, craft, textile and culture.
- In 2018-19, International Fund for Agriculture Development (IFAD), financial wing of Food and Agriculture Organisation (FAO) plans to provide Rs 612.42 crore (US$ 95.02 million) to improve agricultural sector in eight districts of Nagaland which would cover about 650 villages in the first phase.
- In May 2018, Indian Railways plans to construct several rail projects costing almost Rs 90,000 crore (US$ 13.96 billion) to improve connectivity in the North East by 2020. These projects will help to connect Nagaland with rest of neighbouring states.

- An Industrial Growth Centre (IGC) has been developed in Ganeshnagar near Dimapur. It has supporting infrastructure such as water supply systems, banks, post offices, police stations, etc.

MANIPUR

Centre approves Rs 50 crore subsidy for Manipur food park

Union Minister of State for food processing industries, Shri Rameswar Teli said that the Centre has approved in principle the setting up of a mega food park in Manipur and will receive Rs 50 crore subsidies from the Centre.

JAMMU & KASHMIR

Plans for Srinagar Metro finalised; construction to begin in 2020

The Detailed Project Report (DPR) for Srinagar Metro is ready with the plans to run two corridors of 12.5 kilometres each. With the population of Srinagar projected to rise to 37 lakh by 2044, the metro plan has been prepared keeping in mind that this will be the primary mode of transport in the near future. Each corridor of Srinagar metro will have 12 stations each with the total cost expected to be around Rs 5,000 crore. Shri E. Sreedharan has been appointed the project head. The work is expected to start in the year 2020.

Amul to help develop dairy sector in Jammu and Kashmir

Gujarat Co-operative Milk Marketing Federation (GCMMF), which markets brand Amul, has started to help Jammu and Kashmir Milk Producers Cooperative Limited (JKMPCL) become profit-making. KMPCL is expected to clock Rs.115 crore annual turnover by the end of 2024-25 and scale up its milk procurement to 180 lakh kg per year. With Centre's support, JKCMPL has already started two milk processing plants at Jammu and Srinagar while it is in process of setting up an ice-cream and a paneer plant soon. Dairy development has lot of scope in J&K. J&K is a net milk-deficit state with lot of potential. Dairy development will help provide gainful employment to youth of villages and be a source of livelihood for them. The climatic conditions are also favourable to scale up the sector.

Of the 150 self-help groups (SHGs) involved in J&K dairy sector, some of them are completely managed by women. After being trained by Amul, an SHG named 'Umeed' which is completely managed by women milk producers has been recently started in Kashmir valley. The milk is sold under brand 'Snow Cap'. J&K has milk producer members through 390 village dairy co-operative societies which have been set up on Amul pattern. It has also established 40 bulk milk coolers.

■■■

There are two types of people who will tell you that you cannot make a difference in this world: those who are afraid to try and those who are afraid you will succeed.

RBI mandates external benchmarking of rates

The RBI has made it mandatory for banks to link all their fresh retail loans to an external benchmark, effective October 1 — the Central Bank's repo rate being one such benchmark. All public sector banks have moved to such a regime voluntarily, while private banks are yet to. The state-run banks have introduced repo-linked products for floating-rate home and auto loans, but the RBI said loans to micro, small and medium enterprises (MSMEs) should also be linked to an external benchmark. The three external benchmarks the RBI proposed are policy repo rate, the Government of India's three-month and six-month treasury bill yields published by Financial Benchmarks India Private (FBIL), or any other benchmark market interest rate published by FBIL. The Central Bank amended its master directions on interest rate on advances too, reflecting the changes.

Some banks do calculate their marginal cost of funds-based lending rate (MCLR) based on the three- and six-month treasury bills, but the RBI said "it has been observed that due to various reasons, the transmission of policy rate changes to the lending rate of banks under the current MCLR framework has not been satisfactory". Banks are free to offer such external benchmark-linked loans to other types of borrowers as well, but the banks must adopt a uniform external benchmark within a loan category, to ensure transparency, standardisation, and ease of understanding of loan products by borrowers. Banks are free to decide the spread over the external benchmark. However, credit risk premium may undergo change only when borrower's credit assessment undergoes a substantial change, as agreed upon in the loan contract. Other components of spread, including operating cost, could be altered once in three years. The interest rate under external benchmark should be reset "at least once in three months".

Banks to get Rs.70K cr infusion

Ms. Nirmala Sitharaman, the Union Finance Minister on August 23, 2019 said the government will infuse Rs.70,000 crore in public sector banks upfront, and will fast-track clearance of government due to companies, something that can drastically reduce the bad debt in banks' books and free up more capital.

The capital infusion, ahead of the festive season, will boost banks' lending capacity by an additional Rs.5 trillion. The capital would also help banks boost their capital adequacy and make them more confident in resuming normal lending activities. With the capital support, banks under the RBI prompt corrective action (PCA) framework could come out and resume their normal lending operations, experts said.

The FM said home and auto loans would be cheaper after banks linked their lending rate to repo.

Sops for NBFCs may perk up lending

To ease the liquidity stress in the non-banking sector and to revive their lending activities, Finance Minister (FM) Ms. Nirmala Sitharaman had announced a some measures for non-banking financial companies (NBFCs) and housing finance companies (HFCs). The government hopes this will result in more credit support for purchase of houses, vehicles, and consumption goods. The government has provided additional support of Rs.20,000 crore to the stressed housing finance companies from National Housing Bank (NHB). With this, the additional liquidity support for the HFCs from NHB has gone up to Rs.30,000 crore.

In the Union Budget last month, the FM had encouraged public sector banks (PSBs) to buy high-quality pooled assets of NBFCs up to Rs.1 trillion for which the government would provide a one-time six-month partial credit guarantee for the first loss of up to 10 per cent.

The RBI had also tweaked banks' bond-holding norms. This will allow banks to borrow an additional Rs.1.34 trillion exclusively for buying such pooled assets and giving loans to NBFCs. Through this, it is expected that many of the assets will get quickly pooled and NBFCs will receive the necessary liquidity. "NHB has already settled some of the issues. NBFCs are receiving money from the banks and are moving towards funding," said Ms. Sitharaman. The government has also permitted NBFCs to use Aadhaar-authenticated bank KYC to avoid repeating the same process when a customer approaches it for credit.

The government has also asked PSBs and NBFCs to fast-track their collaboration to provide credit to micro, small and medium enterprises, small traders, self-help groups, and micro finance industry client borrowers.

NPAs may come down to Rs.9.1L cr by FY20: Report

Indian banks' gross non-performing assets (NPAs) stood at Rs.9.4 lakh crore as on March 31, 2019, said a joint study by Assocham-Crisil. *"There is a significant potential opportunity for stressed-assets investors, given around Rs 9.4 lakh crore NPAs in the banking system as on March 31, 2019. Of this, the corporate segment, which has seen active interest from most investors, is estimated to account for 70 per cent".*

■■■

Luck is a dividend of sweat. The more you sweat, the luckier you get.

Slowdown hits MSME sentiment

Due the economic slowdown, the business sentiment of the micro, small and medium enterprises (MSMEs) was low in the quarter ended June 2019 (Q1), according to SidbiCRISIL Survey. The CriSidEx survey shows that at 120, the index score for April-June 2019 was below the 122, which was logged in January-March 2019, and 127 in April-June 2018. Shri Mohammad Mustafa, chairman and managing director, Small Industries Development Bank of India (Sidbi) said MSMEs can't decouple from the broader economic trends. Yet, on a year-on-year basis, an increase in positive sentiment has been reported in few select segment such as commercial services and supplies, health care providers and services. Those into gems and jewellery, chemicals and auto components has a relatively subdued sentiment. The respondents were more optimistic about the next quarter (July-September).

Govt. launches updated tech scheme for SMEs

The government launched the updated Credit linked Capital Subsidy Scheme (CLCSS) to allow micro, small and medium enterprises (MSMEs) access to capital in September. MSME Minister Shri Nitin Gadkari announced the government would prepare a final report on the recommendations of the U K Sinha committee, which had been set up by the RBI to suggest expeditious ways to strengthen MSMEs. The CLCSS scheme would be crucial in raising MSME contribution to gross domestic product from the current 29 per cent to 50 per cent, in addition to increasing exports from the sector to 50 per cent from 40 per cent now. The scheme provides an upfront subsidy of 15 per cent on institutional credit up to Rs.1 crore for MSMEs in the specified 51 sub-sectors.

MICRO, SMALL & MEDIUM ENTERPRISES
सूक्ष्म, लघु एवं मध्यम उद्यम

In February, the Cabinet Committee on Economic Affairs approved an outlay of Rs.2,900 crore for the scheme. Now, it is a demand-driven one without any upper limit on overall annual spending on the subsidy disbursal. In the relaunched scheme, there is an additional 10 per cent subsidy for SC-ST entrepreneurs while special provisions have been made for 117 'aspirational' districts, hill states and the northeastern region. Shri Gadkari also said a committee was being set up under the MSME secretary to look into the issue of delayed payments. The finance ministry estimates that public sector undertakings owe MSMEs above Rs.48,000 crore. The government is brainstorming ways to improve the TReDS (Trade Receivables Discounting System) platform and the online bill discounting platform, which helps MSMEs raise funds by selling their trade receivables to corporates. Suggestions include expanding the number of exchanges allowed on TReDS and connecting it with the government e-marketplace platform, the government's chief public procurement portal.

No stressed MSME loan to be NPA till March' 20

Finance minister Ms. Nirmala Sitharaman asked the chiefs of state-run banks to ensure that no stressed loan of MSME that is still standard is declared non-performing asset by March 31, 2020, taking advantage of an existing RBI scheme. Keeping with the Budget announcements to help address stress in the shadow banking sector, state-run banks have purchased pooled assets worth Rs.9,115 crore of financially-sound NBFCs and housing finance companies, and already firmed up plans to buy such assets worth another Rs.33,200 crore. Total pool buy-out of such assets since September 2018 has been to the tune of Rs.93,018 crore, including under the new scheme.

Under this scheme, the government will give partial credit guarantee for purchases of such assets up to Rs.1 lakh crore this fiscal. The guarantee will cover up to 10% of their first loss.

More MSMEs must get listed to fund growth

Union Minister Shri Nitin Gadkari said that more micro, medium and small enterprises (MSMEs) should get listed on the exchanges to fund growth and reduce the burden on the lending sector. Such a move would allow the companies to get funds to expand their business globally, bringing in more revenue for the country, while investors will get good returns on their investment. The government aims to increase MSME sector's contribution to the GDP to 50% in the next five years and increase its exports exponentially. To achieve these targets, the cost of capital, logistics and power must be brought down for the MSMEs, making them globally competitive. To ensure easy credit to the sector, developing a digital credit rating system is the need of the hour. The government is in talks with the World Bank, Asian Development Bank (ADB) and German bank KFW to set up a credit line for MSMEs.

MSMEs Get Rs. 7K-Cr Boost

The government has proposed some measures to ease access to credit for micro, small and

medium enterprises (MSMEs), and allocated Rs.7,000 crore to the sector.

"Government will create a payment platform for MSMEs to enable filing of bills and payment thereof on the platform itself," Finance Minister Smt. Nirmala Sitharaman said. Besides, it has allocated Rs.350 crore in FY20 for a 2% interest subvention on fresh or incremental loans for all MSMEs. registered under the GST regime. Allocation for the Prime Minister's employment generation programme, the flagship scheme for job creation in the country, stood at Rs.2,327 crore, up 117% over the last two years. Minister for MSMEs, Shri Nitin Gadkari, said the budget announcements will help increase the sector's contribution to India's GDP to 50% over the next few years from 29% currently.

MSMEs' GST Refund dues to be settled in a Month

To ease liquidity for micro, small and medium enterprises (MSMEs), Finance Minister Smt. Nirmala Sitharaman has said all pending GST refunds will be paid within the next 30 days, while future dues will be settled in 60 days. If the refund comes within such a short span of time, it will improve the liquidity of the sector which is really going to help. Working capital always becomes an issue for the small and medium enterprises. The government said it will implement some of the key recommendations of the UK Sinha panel relating to the ease of credit, marketing and technology upgrade for MSMEs. The recommendations are expected to be implemented in the next 30 days.

Banks and NBFCs are simultaneously partnering through co-organisation, which is particularly helpful for MSME borrowers, said the ministry. “MSMEs have been a priority for us beyond just the partnerships with banks. We will focus on getting money to MSMEs faster from GST and government buyers.” The government also expects MSMEs to benefit from the infra thrust and unlocking of payments held up due to arbitration.

Measures to address MSMEs’ liquidity woes

The Government in August announced some measures for the liquidity-starved micro, small and medium enterprises (MSMEs) including immediate release of Rs.30,000 crore or half of the Rs.60,000 crore dues held up by PSUs, 75% of the arbitration awards and pending GST refunds within 30 days. Long delays in settlement of dues by the government departments/PSUs and lack of credit disbursal by banks even after sanctions have undermined the MSMEs’ ability to sustain their business cycles. Among other measures, the government announced that TReDS (Trade Receivables Discounting System) would be allowed to use the GSTN system in medium term to enhance market for bill discounting for MSMEs to improve their cash flows.

MSMEs running out of refinancing options as NBFCs freeze LAP

Refinancing options for micro, small and medium enterprises (MSMEs) are likely to reduce as non-banking financial companies (NBFCs) and housing finance companies (HFCs) are pulling back on loan against properties (LAP) lending to small businesses on the fear of potential loan delinquencies and defaults, Moody’s Investor Service said in a report in September. NBFCs and HFCs have been bringing down their exposure in LAP lending to MSMEs due to funding squeeze which is caused by liquidity crises in the financial sector after the default of IL&FS in September last year. The value of LAP assets under management by non-banks only rose by 8.3% over six months to December 2018, which used to be 15.4% over the previous six months, the report said.

MSMEs may be able to Reclaim bankrupt Cos

The Supreme Court on July 15 upheld rulings by the National Company Law Appellate Tribunal (NCLAT) and the National Company Law Tribunal (NCLT) that approved the decisions by the Committee of Creditors (CoC) of Bafna Pharmaceuticals to accept a resolution plan by its erstwhile promoter. Promoters of MSMEs are permitted to be considered for resolution of their own companies unlike in the case of other companies as they are exempt from section 29(A) of the Insolvency and Bankruptcy Code (IBC), which debars individuals who have defaulted on debt obligations from bidding for stressed assets during the corporate insolvency resolution process.

The order by the NCLAT in the insolvency proceedings of Bafna Pharmaceuticals held that “in exceptional circumstances, if the ‘corporate debtor’ is MSME, it is not necessary for the promoters to compete with other ‘resolution applicants’ to regain the control of the ‘corporate debtor.’ The appellate tribunal, however, upheld the order of the NCLT stating that it was “open to the CoC to defer the process of issuance of information memorandum, if the promoter of MSME offers a viable and feasible plan maximising the assets of the corporate debtor.” “This is an interpretation which favours promoters of MSME. The NCLAT has taken this view that since Section 12A is similar, they have extended a slight relaxation to MSMEs. The idea is that a CoC knows what is in the interest of creditors.”

High interest rates loan disbursals concern MSME

Representatives of micro, small and medium enterprises (MSMEs) raised concerns over high interest rates, delays in loan disbursal and banks insistence on collateral for working loans in a meeting with Finance Minister, Smt. Nirmala Sitharaman. "MSMEs have demanded a differential interest rate for the sector. Issues related to working capital and Goods and Service Tax (GST) were also brought up." Transport and MSME minister Shri Nitin Gadkari said the MSME sector creates 113 million jobs and the government is giving highest priority to resolve its problems. "The problem with the 59 minutes (loan scheme) is that banks immediately sanction the loan but it is delayed for disbursement. Today, we have recommended to the banking secretary to find out the reasons for delayed disbursements." The government has asked banks to extend the 'psbloanin59minutes' scheme to the retail sector as well. Also, the scope of the scheme is being expanded to increase the coverage to Rs.5 crore from Rs.1 crore.

Five PSUs join hands for loan approval of Rs.5 cr to MSMEs

Micro, Small and Medium Enterprises (MSME) have improved opportunities for their funding requirements as five large public-sector banks (PSBs) have decided to extend in-principle loan approval under the 'PSB loans under 59 minutes scheme' to Rs.5 crore. The five PSBs—State Bank of India (SBI), Union Bank of India, Oriental Bank of Commerce, Corporation Bank, and Andhra Bank—are among the first banks to offer loans between Rs.1 lakh and Rs.5 crore to MSME under the platform 'psbloansin59minutes.com', an initiative launched in November 2018 to boost capital requirements by the sector.

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Knowledge comes, but wisdom lingers. It may not be difficult to store up in the mind a vast quantity of facts within a comparatively short time, but the ability to form judgments requires the severe discipline of hard work and the tempering heat of experience and maturity.

Natural Mineral Water An Elixir For Dehydration

Importance of Water

Human body requires enough water to maintain good health. The body is comprised of 70% water and it should be supplied for hydration. Water is the basic necessity for our survival and for good functioning of the organs especially natural mineral water does wonders for our body. This water has a refreshing taste.

As the weather changes water intake varies causing dehydration. Due to this change human body becomes victim of several diseases. During summers body needs enough water for hydration, if not taken care it might lead to serious conditions.

Reasons for Dehydration

Dehydration occurs when the body is not supplied with enough fluids. Frequent vomiting, urinating, sweating and diarrhea are some of the common reasons.

Dehydration Symptoms

More Severe dehydration makes you lose 10-15% of body water leaving your skin dry:

- Increase in heart rate
- Sunken/depressed eyes
- Fever
- Low blood pressure
- Lack of sweating
- Dry mouth
- Muscle cramps
- Less or no urination
- Headaches
- Lethargy etc.

A dehydrated body is a storehouse for many dreaded diseases. When body water depletes significantly, we are prone to dehydration. Unless refilled the body will lose water and essential minerals leading to fluid loss, rise in blood pressure, heart related illness etc.

Steps To Keep Dehydration At Bay

- Drinking enough water throughout the day (min 2-3 liters)
- Refill electrolytes to feel energetic
- Physical activities during warm hours should be avoided
- Water intake should be more than you are losing
- Take frequent rest while you are sweating out during jogging, brisk walk, cycling etc.
- Consumption of fruits having more water is beneficial.
- Do away with high protein foods as it leaves you dehydrated, if it is unavoidable consume 2-3 liters of water to keep yourself hydrated.

MISCELLANY !

Alternate Dispute Resolution Mechanism

The Concept & its efficacy:

The concept of Conflict Management through Alternative Dispute Resolution (ADR) has introduced a new mechanism of dispute resolution that is non adversarial. A dispute is basically 'lis inter partes' and the justice dispensation system in India has found an alternative to Adversarial litigation in the form of ADR Mechanism.

New methods of dispute resolution such as ADR facilitate parties to deal with the underlying issues in dispute in a more cost-effective manner and with increased efficacy. In addition, these processes have the advantage of providing parties with the opportunity to reduce hostility, regain a sense of control, gain acceptance of the outcome, resolve conflict in a peaceful manner, and achieve a greater sense of justice in each individual case. The resolution of disputes takes place usually in private and is more viable, economic, and efficient. ADR is generally classified into at least four types: negotiation, mediation, collaborative law, and arbitration. (Sometimes a fifth type, conciliation, is included as well, but for present purposes it can be regarded as a form of mediation.

Need of ADR in India:

The system of dispensing justice in India has come under great stress for several reasons mainly because of the huge pendency of cases in courts. In India, the number of cases filed in the courts has shown a tremendous increase in recent years resulting in pendency and delays underlining the need for alternative dispute resolution methods. It is in this context that a Resolution was adopted by the Chief Ministers and the Chief Justices of States in a conference held in New Delhi on 4th December 1993 under the chairmanship of the then Prime Minister and presided over by the Chief Justice of India.

It said: "The Chief Ministers and Chief Justices were of the opinion that Courts were not in a position to bear the entire burden of justice system and that a number of disputes lent themselves to resolution by alternative modes such as arbitration, mediation and negotiation. They emphasized the desirability of disputants taking advantage of alternative dispute resolution which provided procedural flexibility, saved valuable time and money and avoided the stress of a conventional trial".

In a developing country like India with major economic reforms under way within the framework of the rule of law, strategies for swifter resolution of disputes for lessening the burden on [1]the courts and to provide means for expeditious resolution of disputes, there is no better option but to strive to develop alternative modes of dispute resolution (ADR) by establishing facilities for providing settlement of disputes through arbitration, conciliation, mediation and negotiation.

Impact/resulting acts of ADR:

The technique of ADR is an effort to design a workable and fair alternative to our traditional judicial system. It is a fast track system of dispensing justice. There are various ADR techniques viz. arbitration, mediation, conciliation, mediation-arbitration, mini-trial, private judging, final offer arbitration, court-annexed ADR and summary jury trial.

These techniques have been developed on scientific lines in USA, UK, France, Canada, China, Japan, South Africa, Australia and Singapore. ADR has emerged as a significant movement in these countries and has not only helped reduce cost and time taken for resolution of disputes, but also in providing a congenial atmosphere and a less formal and less complicated forum for various types of disputes.

The Arbitration Act, 1940 was not meeting the requirements of either the international or domestic standards of resolving disputes. Enormous delays and court intervention frustrated the very purpose of arbitration as a means for expeditious resolution of disputes. The Supreme Court in several cases repeatedly pointed out the need to change the law. The Public Accounts Committee too deprecated the Arbitration Act of 1940. In the conferences of Chief Justices, Chief Ministers and Law Ministers of all the States, it was decided that since the entire burden of justice system cannot be borne by the courts alone, an Alternative Dispute Resolution system should be adopted. Trade and industry also demanded drastic changes in the 1940 Act. The Government of India thought it necessary to provide a new forum and procedure for resolving international and domestic disputes quickly.

Thus “The Arbitration and Conciliation Act, 1996”came into being. The law relating to Arbitration and Conciliation is almost the same as in the advanced countries. Conciliation has been given statutory recognition as a means for settlement of the disputes in terms of this Act. In addition to this, the new Act also guarantees independence and impartiality of the arbitrators irrespective of their nationality. The new Act of 1996 brought in several changes to expedite the process of arbitration. This legislation has developed confidence among foreign parties interested to invest in India or to go for joint ventures, foreign investment, transfer of technology and foreign collaborations.

The advantage of ADR is that it is more flexible and avoids seeking recourse to the courts. In conciliation/mediation, parties are free to withdraw at any stage of time. It has been seen that resolution of disputes is quicker and cheaper through ADR. The parties involved in ADR do not develop strained relations; rather they maintain the continued relationship between themselves.

Arbitration and Conciliation Act, 1996

Part I of this act formalizes the process of Arbitration and Part III formalizes the process of Conciliation. (Part II is about Enforcement of Foreign Awards under New York and Geneva Conventions.)

Arbitration:

The process of arbitration can start only if there exists a valid Arbitration Agreement between the parties prior to the emergence of the dispute. As per Section 7, such an agreement must be in writing. The contract, regarding which the dispute exists, must either contain an arbitration clause or must refer to a separate document signed by the parties containing the arbitration agreement. The existence of an arbitration agreement can also be inferred by written correspondence such as letters, telex, or telegrams which provide a record of the agreement. An exchange of statement of claim and defence in which existence of an arbitration agreement is alleged by one party and not denied by other is also considered as valid written arbitration agreement.

Any party to the dispute can start the process of appointing arbitrator and if the other party does not cooperate, the party can approach the office of Chief Justice for appointment of an arbitrator. There are only two grounds upon which a party can challenge the appointment of an arbitrator – reasonable doubt in the impartiality of the arbitrator and the lack of proper qualification of the arbitrator as required by the arbitration agreement. A sole arbitrator or panels of arbitrators so appointed constitute the Arbitration Tribunal.

Except for some interim measures, there is very little scope for judicial intervention in the arbitration process. The arbitration tribunal has jurisdiction over its own jurisdiction. Thus, if a party wants to challenge the jurisdiction of the arbitration tribunal, it can do so only before the tribunal itself. If the tribunal rejects the request, there is little the party can do accept to approach a court after the tribunal makes an award. Section 34 provides certain grounds upon which a party can appeal to the principal civil court of original jurisdiction for setting aside the award.

Once the period for filing an appeal for setting aside an award is over, or if such an appeal is rejected, the award is binding on the parties and is considered as a decree of the court.

Conciliation

Conciliation is a less formal form of arbitration. This process does not require an existence of any prior agreement. Any party can request the other party to appoint a conciliator. One conciliator is preferred but two or three are also allowed. In case of multiple conciliators, all must act jointly. If a party rejects an offer to conciliate, there can be no conciliation.

Parties may submit statements to the conciliator describing the general nature of the dispute and the points at issue. Each party sends a copy of the statement to the other. The conciliator may request further details, may ask to meet the parties, or communicate with the parties orally or in writing. Parties may even submit suggestions for the settlement of the dispute to the conciliator.

When it appears to the conciliator that elements of settlement exist, he may draw up the terms of settlement and send it to the parties for their acceptance. If both the parties sign the settlement document, it shall be final and binding on both.

Mediation

Mediation, a form of alternative dispute resolution (ADR) or "appropriate dispute resolution", aims to assist two (or more) disputants in reaching an agreement. The parties themselves determine the conditions of any settlements reached—rather than accepting something imposed by a third party. The disputes may involve (as parties) states, organizations, communities, individuals or other representatives with a vested interest in the outcome.

Mediators use appropriate techniques and/or skills to open and/or improve dialogue between disputants, aiming to help the parties reach an agreement (with concrete effects) on the disputed matter. Normally, all parties must view the mediator as impartial.

Disputants may use mediation in a variety of disputes, such as commercial, legal, diplomatic, workplace, community and family matters.

A third-party representative may contract and mediate between (say) unions and corporations. When a workers' union goes on strike, a dispute takes place, and the corporation hires a third party to intervene in attempt to settle a contract or agreement between the union and the corporation.

Negotiation

Negotiation is a dialogue intended to resolve disputes, to produce an agreement upon courses of action, to bargain for individual or collective advantage, or to craft outcomes to satisfy various interests. It is the primary method of alternative dispute resolution.

Negotiation occurs in business, non-profit organizations, government branches, legal proceedings, among nations and in personal situations such as marriage, divorce, parenting, and everyday life. The study of the subject is called negotiation theory. Those who work in negotiation professionally are called negotiators. Professional negotiators are often specialized, such as union negotiators, leverage buyout negotiators, peace negotiators, hostage negotiators, or may work under other titles, such as diplomats, legislators or brokers

Lok Adalat:

"While Arbitration and Conciliation Act, 1996 is a fairly standard western approach towards ADR, the Lok Adalat system constituted under National Legal Services Authority Act, 1987 is a uniquely Indian approach".

It roughly means "People's court". India has had a long history of resolving disputes through the mediation of village elders. The system of Lok Adalats is an improvement on that and is based on Gandhian principles. This is a non-adversarial system, where by mock courts (called Lok Adalats) are held by the State Authority, District Auth[2] ority, Supreme Court Legal Services Committee, High Court Legal Services Committee, or Taluk Legal Services Committee, periodically for exercising such jurisdiction as they thinks fit. These are usually presided by retired judge, social activists, or members of legal profession. It does not have jurisdiction on matters related to non-compoundable offences.

There is no court fee and no rigid procedural requirement (i.e. no need to follow process given by Civil Procedure Code or Evidence Act), which makes the process very fast. Parties can directly interact with the judge, which is not possible in regular courts.

Cases that are pending in regular courts can be transferred to a Lok Adalat if both the parties agree. A case can also be transferred to a Lok Adalat if one party applies to the court and the court sees some chance of settlement after giving an opportunity of being heard to the other party.

The focus in Lok Adalats is on compromise. When no compromise is reached, the matter goes back to the court. However, if a compromise is reached, an award is made and is binding on the parties. It is enforced as a decree of a civil court. An important aspect is that the award is final and cannot be appealed, not even under Article 226 because it is a judgement by consent.

All proceedings of a Lok Adalat are deemed to be judicial proceedings and every Lok Adalat is deemed to be a Civil Court. Lok Adalat (people's courts), established by the government, settles dispute through conciliation and compromise. The First Lok Adalat was held in Chennai in 1986. Lok Adalat accepts the cases which could be settled by conciliation and compromise and pending in the regular courts within their jurisdiction.

The Lok Adalat is presided over by a sitting or retired judicial officer as the chairman, with two other members, usually a lawyer and a social worker. There is no court fee. If the case is already filed in the regular court, the fee paid will be refunded if the dispute is settled at the Lok Adalat. The procedural laws and the Evidence Act are not strictly followed while assessing the merits of the claim by the Lok Adalat.

Main condition of the Lok Adalat is that both parties in dispute should agree for settlement. The decision of the Lok Adalat is binding on the parties to the dispute and its order is capable of execution through legal process. No appeal lies against the order of the Lok Adalat.

Lok Adalat is very effective in settlement of money claims. Disputes like partition suits, damages and matrimonial cases can also be easily settled before Lok Adalat as the scope for compromise through an approach of give and take is high in these cases.

Lok Adalat is a boon to the litigant public, where they can get their disputes settled fast and free of cost.

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Hard work is the most important key to success. Without being willing to work hard and put everything into a venture, business success is nearly impossible.