COSIDICI COURIER

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

VOL. XXXXVIII NO. 1 JANUARY-FEBRUARY, 2012

CONTENTS

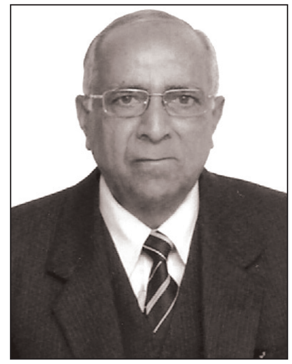
The views expressed in the journal are those of the contributors and not necessarily of the Council of State Industrial Development and Investment Corporations of India.

From The Editor's Desk

CORRUPTION & EMPOWERMENT OF THE POOR

Corruption in this country has been the biggest enemy of the poor and strikes at the very roots of the economy and lives of individuals. All the efforts made by the politicians, bureaucrats etc. in the past to root out corruption have rather proved counter-productive and further encouraged this scourge in society. We have reached a situation where corruption is no longer an issue in this country and has only remained as political slogan and a perception of reformers. India has launched massive poverty alleviation programmes in the country such as Community Development Programme (1955), Democratic Decentralisation through Panchayati Raj (1961), Integrated Rural Development Programme covering the whole country (1976), Employment Generation Schemes etc. on which thousands of crores of rupees have been spent by the Government through Five Year Plans. I, a personal witness to the actual implementation of these schemes have first hand knowledge about their misuse by vested interests resulting in proliferation of rural elite and grass-roots level politicians who amassed unaccounted wealth at the cost and plight of the poor. Why have these programmes, which sounded very idealistic and beneficial, failed to produce the desired result? This was entirely due to rampant corruption prevalent among the politicians, bureaucrats and vested interests who had cornered the benefits of such schemes depriving the poor of their rightful share. This statement is borne out by the facts revealed by a number of Government Committees and Commissions which had studied the impact of these schemes on the rural poor (such as report of the Committee on IRDP). For constraints of space I do not want to repeat them here.

India is unfortunately one of those countries where corruption is growing at an alarming pace, has spread its tentacles in all the conceivable areas of public good and has almost become a way of life. That nothing works without bribe is a message that has reached far and wide. According to the Transparency International rating released recently, India has slipped further in the corruption perception index and has ranked 74th on the list of 146 countries. That we are neck to neck with China (73) and far better than Pakistan (at 140) is hardly a matter of satisfaction. Another study in India indicates that one out of three below poverty line people paid bribes for basic services like water, healthcare and education. It amounts to making fortune out of the misery of the people at the base of the pyramid. The study estimates that the poor in India paid Rs.9000 crores as bribes last year. Is this empowerment of the poor and a move towards "Inclusive Growth" or economic deprivation of the worst type.



Shri K.K. Mudgil

Today bribes are being taken quite openly often packaged as 'donations' to an institution or more directly as 'gifts' to the individuals. I have personal knowledge of a large number of once powerful people who have amassed massive resources through floatation of benami bogus trusts/NGOs by collecting huge funds from corporates/Govt. agencies for doing them favours by manipulating and twisting Government Rules and Regulations. After retirement they are offered lucrative positions and/or a directorship on the Board. This amounts to worst form of bribe and crime against the poor. On the other hand there are those who give bribe because they have no choice such as poor persons. Corruption and inefficient management of public programmes have deprived the poor of the benefit under the PDS and other programmes meant for their welfare.

Corruption leads to the favouring of inefficient producers, distortion of allocation of scarce public resources and causes leakage of revenue from government coffers to private hands. Large scale tax evasion erodes the tax base and in the process helps generate black money. Corruption in the economy leads to inflated government expenditures and scarce resources are squandered by uneconomic projects because of their potential to generate lucrative pay-offs. Hence, it is not uncommon to find schools without students, teachers without schools, hospitals without doctors or medicines and so on, though on paper all expenditures have been accurately accounted for. The virus of corruption thus results in crowding out of investment from the priority sector such as education or health and leads to social and economic disintegration.

To build an empowered India we need to focus on good governance. We need to provide an opportunity to all citizens to fulfill their aspirations and ambitions. The challenge that India faces today is to empower the poor by providing them access to basic education, health care, drinking water, food security and shelter. Our traditional values need to be reimbibed and qualities of selflessness, honesty, cooperation and compassion reinculcated to build a cohesive India. Development that focuses on people's welfare will strengthen our country and eliminate scourge of poverty and deprivation.

{ K.K. MUDGIL }

***

Keep your thoughts positive because they become your words. Keep your words positive; they become your behaviour. Keep your behaviour positive; it becomes your habit. Keep your habits positive; they become your values. Keep your values positive; they become your destiny.

M.K. Gandhi

APPOINTMENTS

- Shri Pradip Mehra, IAS has been appointed as Chairman & Managing Director, Delhi Financial Corporation {DFC}, Delhi vice Shri P.K. Gupta, IAS.
- Shri Samir Kumar, IAS has been appointed as Managing Director, Punjab State Industrial Development Corporation Ltd. {PSIDC}, Chandigarh vice Smt. Kavita Singh, IAS.
- Shri T. Satyanarayana Rao, IAS has been appointed as Managing Director, Andhra Pradesh State Financial Corporation {APSFC}, Hyderabad vice Shri Vikas Raj, IAS.

- Shri G. Ragesh Chandra, IAS has been appointed as Managing Director, Pondicherry Industrial Promotion Development & Investment Corp. Ltd. {PIPDIC}, Pondicherry vice Shri E. Vallavan.

***

THE SECRETS TO LASTING HAPPINESS THAT MOST PEOPLE JUST DO NOT KNOW

By
Jenna Beneck

We spend so much of our lives and put so much energy into chasing money, fame, power and possessions. Whilst the material world has it allure, it will not make us happy. Most people just do not know that happiness can only ever come from within. If you want to be happy, you need to know the secrets to happiness. Read on to learn how you can find permanent happiness and freedom from suffering.

Do you believe that happiness and sorrow are produced by external conditions - objects and events - things that happen to you, or things that you have or do not have that make you feel happy or sad? Most people do and that is why they spend so much time trying to get the things that they think will make them happy and avoid the things that they think will make them miserable. In reality, the emotions of happiness and suffering are just the product of your reactions to these objects and events. And these are all produced in your mind.

As human beings we constantly live by the judgements that we make. When something happens, we register how we feel at the time and we tend to start to associate that thing or event with the emotion that we felt. Of course our feelings at the time are the result, not only of what is happening, but of a complex chain of emotions relating to everything that has ever happened to us in our lives.

When we are happy, we are convinced that it is due to that external event or thing and then disappointment sets in when we no longer have what we thought made us happy. When we get something material our happiness is only temporary. We hanker after a new car or a new house or a new phone, but when we have them, we are generally only happy for a short time. Then, as soon as the novelty wears off, we lose interest and we soon move onto the next thing that we want that we think will make us happy.

If something is a true cause of happiness then it follows that the more we have of it, the happier it will make us. However, there is nothing in the material world that fits this criterion. If you take chocolate for example, you might feel that eating a chocolate bar makes you happy, but if you eat too many more you will start to feel sick. Maybe you think that having more money will make you happy, but when you get it you start to worry about taxes, theft and losing your income. The more money you have the more you need to sustain your expanding material lifestyle and the more worries that come with it. I said earlier that it is our reactions to these external conditions that produce our happiness or otherwise. For example, when you get a financial windfall, you will probably feel happy but then the worries mentioned above start to set in.

So what are the secrets to happiness and how can you be happy all the time? Well, there is only one way. When you can control the reaction of your mind to external events then you can achieve permanent inner peace and be happy all the time, no matter what is going on in your life. I'm not saying that this is easy. It takes determination and commitment and the belief that it is achievable. Most people will continue to look for happiness in the material world and never find it. What about you? Are you prepared to consider the alternative of taking control of your mind so that you can achieve permanent inner peace and find the secrets to lasting happiness?

* * *

SOURCE : www.ArticleBiz.com

BANKS AS PARTNER IN GROWTH

By
K.C. Chakrabarty *

The MSME sector employs an estimated 59.7 million persons spread over 26.1 million enterprises. The sector accounts for about 45% of the manufacturing output and around 40% of the total export, which is next only to the agricultural sector. It is, therefore, only appropriate that public policy has accorded high priority to this sector.

The MSMEs rely on bank finance for their operations. Over the years there has been a significant increase in credit extended to this sector by the banks. As at the end of March 2011, the total outstanding credit provided by all scheduled commercial banks (SCBs) to the micro and small enterprises (MSE) sector stood at Rs 4,785.27 billion as against Rs 3,622.90 billion in March 2010, an increase of 32%. The outstanding credit for the last four years to the MSE sector. The total MSE credit as a percentage of adjusted net bank credit (ANBC) has been increasing since 2007. In March 2011, it stood at 14.8% for the public sector banks (PSBs). Despite the increase in credit outstanding to the sector, the MSME borrowers feel that the lenders are not doing enough for the MSMEs and are catering more to the needs of the large corporates. This gap in perception needs to be bridged.

In terms of the recommendations of the PM's Task Force on MSMEs, banks have been advised to achieve a 20% year-on-year growth in credit to MSEs; the allocation of 60% of MSE advances to the micro enterprises is to be achieved in stages viz. 50% in the year 2010-11, 55% in the year 2011-12 and 60% in 2012-13, besides achieving a 10% annual growth in the number of micro enterprise accounts. The RBI is monitoring target achievements by banks on a quarterly basis. While the banks have met the target of 20% y-o-y growth in credit to the sector, the target for the micro units is still an area of concern. The banks have been advised to device strategies to step up their lending to micro units.

There is a difference between credit and money. Unlike money, credit has to be self-liquidating on a viable project and has a cost. It is to be appreciated that banks are highly leveraged bodies that lend money placed by depositors with them and, therefore, have to practice prudent lending and be cautious and sure of the safety of the money of their depositors. On the cost of credit, my message to the MSMEs is that as interest costs are a very small fraction of their operating costs, only approximately 4%, do not ask for low interest rates from the banking sector, and instead ask for credit at competitive rates.

Factoring

Considerable delay in the settlement of dues/ payment of bills by large-scale buyers to MSMEs affects the recycling of funds and business operation of these units. Though the government has enacted the Delayed Payments Act, 1998 many MSME units are reluctant to pursue cases against major buyers. After the enactment of the MSME Development (MSMED), Act 2006, the existing provisions of the Interest on Delayed Payment Act, 1998 to Small-Scale and Ancillary Industrial Undertakings, have been strengthened.

Banks have been advised by the RBI to sanction separate sub-limits within the overall limits sanctioned to the corporate borrowers for meeting

The Writer is Deputy Governor, Reserve Bank of India
Source : Financial Express

payment obligations in respect of purchases from MSME sector. In practice, however, the legislation did not improve the position of MSEs because of their dependence on large businesses for continued business.

The problem has to be institutionally tackled by factoring and banks should provide such services for MSMEs. To facilitate factoring services, the government has recently passed the Factoring Regulation Bill that would address delays in payment and the liquidity problems of MSEs. Factoring provides liquidity to enterprises against their receivables from customers. Factors would be entitled to take legal recourse for recovering assigned debt and receivables from buyers of goods and services. The Factoring Bill creates the legislative environment for factoring and makes the process easier.

Sickness

Growing incidence of sickness among SMEs is yet another area of concern. The number of units identified as potentially viable as a percentage to total sick MSEs is around 8% whereas the number of sick units found unviable was a high 85%. The units placed under nursing stood at 5.22%. Timely detection of sickness is critical for a unit's revival. In order to hasten the process of identification of a unit as sick, a proposal for modifying the extant definition of sickness, in line with the recommendations of the Working Group on Rehabilitation of Sick SMEs, is under RBI's consideration.

For viable units, timely and effective rehabilitation .through renegotiation of loan terms, induction of fresh funds, business restructuring, change of management etc. may become necessary. The process should be quick, cheap and fair to all stakeholders and acceptable to all. In case a unit is not found viable, recovery of the dues of lenders through a fair and swift legal mechanism should be the focus. As it is observed that rehabilitation of sick MSMEs could not be taken up due to non-availability of promoters' contribution in a large number of cases, we have recommended to the GOI to set up a Rehabilitation Fund for MSMEs. All SCBs have also been advised on May 4, 2009, to review and put in place a MSE loan policy, restructuring/ rehabilitation policy and non-discretionary one-time settlement scheme for recovery of non-performing loans.

Role of banks

Banks have a vital role to play in addressing several problems faced by the sector. Banks have to view themselves not just as providers of credit but as partners in the growth of these enterprises, by hand-holding first generation entrepreneurs. In financial management, MSEs do not have the size to support the competence they need. Operational skills, including accounting and finance, business planning, marketing and human resource management, etc. can often pose a challenge and necessitate support for the MSE borrowers. Typically, for instance, they operate with a woefully low productivity of capital and have either too little or too much cash. The tools for dealing with this are fully developed e.g. cash–flow forecast and cash flow management.

The financial management needs of these businesses are predictable. And worldwide they fall into a small number of categories, well-known to any experienced banker. Banks should provide financial consultancy/financial management services to their MSE borrowers to give them holistic guidance and support. Banks could set up special industrial and management consultancy departments to address functional inadequacies and market gaps.

Bank branches need to ensure greater participation in the affairs of their MSME clients by a convergence of credit services and non-credit services. But for this, the bank staff should be trained through customised training programmes to meet the specific needs of MSEs such as knowledge of markets, use of technology, etc. Banks need to innovate to create products specifically suited to the requirements of MSMEs and should take a longer term view of its relationship with such entities while pricing such products.

As the availability of timely and adequate credit is a key requirement for this sector, banks should introduce a single window facility for providing loans to MSMEs. To cater specifically to them, banks can set up Centralised Processing Centres, which will handle the appraisal, sanction, documentation, monitoring, renewal and enhancement activities. As in any area, there would be a higher failure rate for start-up MSMEs. However, despite the risk, the financing of these enterprises is a must for ensuring inclusive growth. Banks will, therefore, be required to build up their risk assessment and risk management capabilities and provide for any instance of failures as a part of their risk mitigation process. The top management of banks should put in place a credible, proactive and a functional monitoring mechanism to review the progress in actual, concrete outcomes.

The bank staff has to be sensitive to the need to nurture these enterprises and to ensure that they get the necessary support during the initial phase. The performance of branch managers in dealing with the sector should be included as a criterion for evaluation of their performance.

MSMEs should understand that as customers of bank credit, they have certain obligations to fulfill by way of repaying bank loans, maintaining proper books of accounts, submitting information correctly and more importantly, sharing information about financial problems when these arise so that they can work together with the bank in resolving these. It is in the interest of MSEs to get themselves rated by independent rating agencies, as it could enable them to negotiate with their bankers for interest rate reduction, larger loan size or even obtain faster processing of their loan applications etc.

Senior-level representatives of SME/SSI associations in each state are members of the empowered committee set up by the RBI at its regional offices. MSE associations need to use this forum not only for removing bottlenecks in the smooth flow of credit to the sector and for reviewing the accessibility of bank finance to more and more MSEs, but also highlight gaps, if any, in the attitude and skills at the bank branch level I would urge upon the industry associations/chambers to take up region-specific issues relating to MSEs with the concerned regional director of RBI and SLBC convener, banks. Issues that cannot be resolved at the regional office level could be brought to the notice of the central office.

Every MSME has to constantly seek to transform itself in line with changing environmental factors. To borrow from management thinker Peter F Drucker, entrepreneurs have to keep in mind four things in their growth phase. These are: the need to be open to potential new/unintended markets or applications for products developed by companies; the need to focus on cash flows instead of focusing only on profits as these are the lifeline that keeps the company going; creating a management team as the business develops; and lastly, the need to constantly ask the question as to what the business needs at this stage and whether one is concentrating on the right things.

* * *

You are always your own best guru,your own best teacher, the answers are always inside you.

Sathya Sai Baba

MUCH DONE, MUCH TO DO

BY
BINDU ANANTH

Every day, billions of low-income households all over the world are saving, borrowing and insuring in myriad ways, formal and informal. The "market" for financial services is well and alive and will continue to be so as long as people have a demand for liquidity and risk management.

However, financial services for the poor are predominantly expensive, unreliable and inconvenient. Markets have the potential to solve the problem of financial services access in a high-quality and sustainable manner, given the inherent ability to attract capital and talent, but markets are not good at self-disciplining. The case for regulation stems from this feature, so that the growth in financial services does not occur at the cost of customer welfare or systemic stability. It is worthwhile to precisely understand where the trade-offs are between market expansion and consumer welfare in financial services.

Information Asymmetry

A fundamental feature of financial services delivery is that of information asymmetry. Because of the expertise that is required for the development of most financial products and strategies, the seller of a financial product is always at an "informational" advantage over the buyer, who may be presumed to lack expertise. This information asymmetry has the potential to incentivise the seller to mis-sell the product, which could lead to poor financial outcomes for the buyer. Mis-sale can take the form of mis-representing the features - price, repayment schedule of a loan, market risks in an investment product - of a financial product or making a product sale where the suitability to the customer is low, such as selling life insurance to a 70-year-old or a fixed weekly repayment schedule on a loan for someone with seasonal income.

Infrequent Decisions

Secondly, many important financial decisions such as investing in a mortgage or saving for retirement are undertaken very infrequently in the course of a lifetime. The outcome of many financial investments and strategies becomes obvious only in the long term, and not immediately upon product purchase. The unfolding of consequences over prolonged time periods thus distinguishes consumer protection in finance from consumer protection for other products. In case of physical products such as soaps or cars, the outcome of the purchase becomes obvious immediately upon or proximate to usage and good sellers can distinguish themselves through signalling devices such as warranties on their products. Financial products are, in that sense, more akin to medical services, where the treatment is administered upfront and the consequences become obvious only with the passage of long periods of time. This gap between time of sale and time of customer outcome creates room for opportunistic behaviour by market participants.

Customer Protection

The general concern with customer protection in financial services for the reasons described earlier gets magnified when the user is a low-income individual/household. They are presumed to be even more vulnerable to mis-sale and myopic financial decisions than others. In recent times, we

The Writer is President, IFMR, Trust
Source : The Economic Times

have seen a flurry of regulatory and policy action, seemingly in the name of "protecting the poor from markets". For example, the Andhra Pradesh Government, through legislative action in October 2010 prevented an entire industry of microfinance institutions from carrying out their business due to perceptions that aggressive collection practices were hurting low-income customers. Subsequent regulation has tried to protect the poor by capping the number of loans that can be made available to a single customer and capping interest rates.

These regulations may be well-intentioned, but fail to address the root causes of market imperfections and could have very adverse consequences on long-run financial services access. The policy objective must be to enact and enforce principles for an orderly market development, not to micromanage the business of financial services delivery.

India needs a comprehensive consumer protection regulation in financial services and this is most pertinent for low-income households. Such regulation needs to span and be consistent across product types (loans, insurance and investments) as well as institution types (banks, non-bank companies, insurance distributors); everyone engaged in the business of product distribution or financial advice. Having this in place will give us the confidence to embrace markets more fully.

- The base-of-the-pyramid population has seen large-scale exclusion from the country's mainstream banking system, due to indifference, the high operational costs and weak social collateral, amongst others.
- The intermittent usage of communication and technology platforms has resulted in the ongoing misconceptions on banking and technology among the poor.
- 85,000 Bank branches are there in India, but only 32,000 branches cater to rural areas, which comprises of almost 70% of the nation's population.
- 73,000 Un-Banked villages with a population of 2,000 and above will be covered by March 2012, with at least five crore new accounts, promises the Swabhiman Campaign.
- 200 million or 17% of the country's population, are estimated to hold a bank account, while 800 million, or 68% of the population owns mobile phones.
- 80% Of the Indian population are without life insurance, while 90% are excluded from the non-life insurance category.
- Swabhimaan, a nation-wide programme on financial inclusion launched in February 2011, is the largest initiative undertaken to provide banking service to the deprived.
- Banks lending money to microfinance institutions, in order to meet their Priority Sector Lending commitments, allowed MFIs to access credit at extremely low rates, driving up volumes and exacerbating the MFI crisis.

***

A traveler am I, and a navigator, and everyday I discover a new region within my soul.

Kahlil Gibran

PROFILE OF MEMBER CORPORATIONS

J&K STATE INDUSTRIAL DEVELOPMENT CORPORATION {J&K SIDCO}

J&K SIDCO (Jammu & Kashmir State Industrial Development Corporation) is the nodal agency for promotion & development of medium and large scale Industries in the state. Since its inception J&K SIDCO has acted as a prime mover in the State for promotion of Industrial ventures and thus is playing the role of "Institutional Entrepreneur".

J&K (Jammu & Kashmir) offers boundless investment opportunities to the prospective Investors, as the State has rich resources of Water, Agro, Forests, Herbal and Minerals in addition to its unparallel natural beauty and hence tremendous potential for investment in tourism sector.

Features of J&K SIDCO :

- 100% Excise exemption for 10 years.
- 5 Years of 100% Income Tax Holiday.
- Capital Investment Subsidy upto Rs. 30.00 lakhs and Rs. 45.00 lakhs for thrust area project.
- Land on 90 years lease.
- Govt. of India Grant upto Rs. 75 lakhs @ 33.33% for Food Processing Industries.
- Upto Rs. 4.00 Crores subsidy on Agro-based Projects under mini mission-IV.
- 100% Subsidy on Testing Equipments / DG Sets.
- A host of incentives on capital goods, term loan, transportation, working capital, branding etc.
- Single Window Clearance for Pre-project approvals of Land, Power and Pollution.
- Existing presence of Jindal Photo, Bharat Box, Singer, Kohinoor Agro,

- Fungicides India, Berger Paints, Sun Pharma amongst hundreds.
- The Insurance Premium reimbursement to the extent of hundred percent on capital investment for a period of 10 yrs to all new & existing units.

Focused Area (J&K SIDCO)

Thrust Areas
Activity

- Food Processing & Agro based industries (excluding conventional grinding/extraction unit) such as a)Sauces, Ketchup etc.b) Fruit Juices & pulp c) Jams, Jellies, Vegetable Juices, Puree, Pickles etc.d) Fruit Waxing, Packaging, Grading
- Leather Processing & Leather goods
- Tissue culture
- Silk Reeling Yarn and Yarn spun from silk waste. Woven fabric of silk or silk waste
- Wool & woven fabrics of wool
- Woven fabrics of cotton
- Floriculture
- Medicinal herbs-processing
- Green houses only Ladakh
- Computer hardware/Electronics (integrated circuit & micro assemblies)

- Sports goods and articles and equipment for general physical exercise
- Auto Ancillaries
- Eco-tourism Hotels, Houseboats, Resorts, Adventure & leisure sports, amusement parks, cable car. Guest houses only Ladakh
- Handicrafts
- Precision engineering
- Exploration of minerals

Single Window Clearance System

With the objective of facilitating a new entrepreneur in getting necessary clearances within a short time, a Single Window Clearance System, for registration of the Industrial Unit, allotment of land, clearance of pollution control Board for commencing construction and certificate of power availability, at the State and District levels, has been set up.

Modernisation of Existing Units

J&K SIDCO with a view to encourage modernisation of existing small scale industrial units, to enable it to achieve higher productivity, energy efficiency and better environment protection, and thus improve its sustainability in the competitive environment, capital investment subsidy of the state government will be applicable to such units all over the state subject to a limit of Rs.30 lakhs. Units availing incentives under the definition of 'substantial expansion' shall not be entitled to this. Application for modernisation must be submitted to the Director, Industries and Commerce, in the prescribed form, obtainable from his office and only after the scheme is approved by a committee consisting of Principal Secretary (Finance), Principal Secretary (Planning) and Principal Secretary (Industries and Commerce), the applicant shall commence work thereon. Approval and disbursement of the incentives will be done on the same pattern as the CIS of the state government.

Rehabilitation of Sick Units

An enormous amount of capital is locked in sick/ closed industrial units in the form of infrastructure and investment. Though industrial sickness is a wide spread phenomenon, its impact is comparatively high in J&K. The initiative for rehabilitation of sick units should primarily come from the concerned industrial unit, financial institutions and the commercial banks, the government playing a catalytic and supportive role. Government Order No. 47-Ind of 1999 dated 10-02-1999, currently in vogue, will continue. Besides, the Government will separately announce an debt relief package too. These sick industrial units shall have the option of taking advantage of either of the two packages.

Export Promotion

Exports have come to be regarded as an engine of economic growth. However, the share of J&K in the overall exports of the country is very low, limited mostly to handicrafts and dry fruits processed by the SSI sector. The State has a vast potential for exports, both in traditional and non-traditional items. With a view to promote exports of the State, two Special Economic Zones (SEZs), one each in Jammu & Kashmir, Province, are under finalisation. An Inland Container Depot is ready at Bari Brahamana which will cater to the needs of the exporters. Various projects under the Assistance to States for Developing Export Infrastructure (ASIDE) Scheme of Government of India, Ministry of Commerce are under implementation in the state to strengthen export infrastructure. Air cargo complexes in Srinagar and Jammu will also be taken up in the near future.

***

Doubt everything. Find your own light.

Gautama Buddha

LETTER TO THE EDITOR

Dt. : 13th February, 2012

Dear Editor,

I have gone through your editorial and it is very informative and educative. I think it will inspire the people concerned. I have also read with great interest your indepth analysis of inadequate agricultural credit facilities and suicides by farmers. The credit availability at affordable rate of interest for agricultural sector is one of the major ingredients, besides fair procurement prices, efficient foodgrain procurement system, improved agricultural infrastructure and irrigation facilities for economic progress of the country.

I am sure the efforts of COSIDICI would go a long way to achieve its overall objective.

With Warm Regards,

Yours Sincerely,
Sd/-
{Shashank A. Choudhary}
Director
Lok Bharti Prakashan {Ranchi}
E-37, Ashok Vihar,Ranchi [Jharkhand]

Every door is another passage, another boundary we have to go beyond.

KSFC

Soft Seed Capital Assistance Scheme of GoK For SC/ST Entrepreneurs

Objective :

The objective of the scheme is to provide equity type support to the eligible entrepreneurs belonging to scheduled caste/scheduled tribe category for setting up of new project in Micro and Small enterprises as defined in MSMED act and also for undertaking expansion, modernization, technology upgradation and diversification.

Project Cost :

Project cost (including margin money for working capital) up to Rs.25.00 lakhs are eligible to be covered under the Central Government scheme of Prime Ministers Employment Generation Programme (PMEGP). In respect of project where the cost of project is more than Rs.25.00 lakhs or the projects not covered under PM EGP scheme (in respect of cases where the project cost is below Rs.25.00 lakhs) in Micro, Small enterprises sector are eligible to be covered under the scheme.

Eligibility :

Assistance is available under the scheme for the following :-

- Proprietary concerns promoted by SC/ST entrepreneurs, partnership firms, trust, society and corporate bodies where all the partners/ members/directors belong to SC/ST category.
- New projects in micro, small enterprises for manufacture, preservation and processing of goods.
- Existing Micro, Small Enterprises undertaking expansion/ modernization/ technology upgradation / diversifications etc.,

- All new and existing service enterprises. However, assistance would be made available only for acquisition of fixed assets.

The eligible units shall submit IEM Part-I certificate obtained from District Industries Centre along with loan sanction order from the financial institution.

Nodal Agency :

The KSFC shall be the nodal agency for the scheme and the required fund will be released to the financial institution under the Special Components Plan/ Tribal Sub Plan.

Quantum of Assistance :

The sift seed capital amount as may be required to meet the gap in the equity as per the prescribed debt equity norms, after taking into account promoters contribution subject to maximum of 25 per cent of project cost and to a maximum of Rs.25.00 lakhs. However, the soft seed capital assistance shall not exceed the promoters equity.

Debt Equity Ratio :

The debt equity ratio shall be 2:1 (excluding State Investment Subsidy).

Promoters Contribution :

The promoters contribution shall be minimum 8.33 per cent of the project cost.

Terms of Payment :

Interest :

No interest shall be charged on the soft seed capital. However, a service charge of 1 per cent shall be levied by the lending institution.

Repayment Period :

Normally seven years (including moratorium up to three years) shall be given for the repayment of soft seed capital.

Introduction of E-Stamping activity by the Karnataka State Financial Corporation

Karnataka State Financial Corporation, has introduced the facility of selling non-judicial stamp papers and collection of stamp duty from the general public on e-stamping activity mode as Authorised Collection Centre (ACC) in association with M/s. Stock Holding Corporation of India Limited. This facility is now available at KSFC Head Office, Rajajinagar-Bangalore, Bagalkot, Gulbraga, Koppal, Belgaum, Udupi, Mangalore, Bellary, Mysore, Mandya and Shimoga. The e-stamping is reliable, tamper proof and alternative system of printing stamp papers.

HSIIDC

HSIIDC Achievements Fiscal Year 2011-12 [upto January 2012]

HSIIDC has sanctioned loans amounting to Rs 1,916 crore and disbursed Rs 1,029.07 crore till December, 2011 to the industrial projects in Haryana. The Corporation has also incurred an expenditure of Rs 923 crore up to January, 2012 in fiscal 2011-12 on land acquisition for the new industrial projects and its development work.

Prolifercation of MSMEs in Haryana Through Cluster Development Approach

As per Economic Survey 2011, for the promotion of the Micro, Small and Medium Enterprises (MSMEs) in the manufacturing sector, Haryana has taken concrete steps for establishment of clusters in partnership with industry for various groups to serve as common facility centres for the MSMEs. These clusters were envisaged to put into place an institutional support mechanism for facilitating growth and competitiveness of this sector and would address the common needs of MSMEs in the areas of research and development, technology upgradation support, standardization of products, quality testing etc.

Industrial Infrastructure Development in Haryana

HSIIDC has been awarded infrastructure development works in IMT Rohtak, Barhi, Bahadurgarh, and Panipat in addition to the works under progress at other sites. In order to encourage participation of private players in the development of industrial infrastructure Haryana Government has granted three licenses Under the Industrial and Investment Policy, 2011, for the development of industrial colonies in the private sector.

Growth Centre Bawal, developed by HSIIDC

Growth Centre Bawal, being developed by HSIIDC is attracting industry with names like YKK, Bector Dikinson, REI Agro, Kansai Nerolac, Mushashi Auto, Mitsui Kinjoku, POSS Delhi Steel Processing Centre, Indo Japan Lighting, Caparo Maruti etc already having set up units there. It will soon play host to Harley Davidson's second unit outside the US (other unit is in Brazil) for its high-end touring bike. As per estimates, out of the total investment potential of Rs 5,000-crore over a period of time, around Rs 2,000 crore has already been invested by various companies in the growth centre. Keeping in view of the potential of the area and providing opportunity for more investments, HSIIDC has planned to acquire about 679 acres of land for the development of its fourth phase.

A senior HSIIDC official said, "Located at NH-8, about 70 km from Delhi-Gurgaon border, the growth centre falls within the periphery of the Delhi-Mumbai Industrial Corridor, and is proving to be a preferred destination for the manufacturing industry. The industrial centre promises a total employment potential of 35,000 including skilled and unskilled workers. Approximately 15,000 persons are already employed there.”

Many more industry biggies are in process of setting up their manufacturing units at the centre. Jain Solar Energy plans to invest a sum of around Rs 1,700 crore to set up a solar photovoltaic cell manufacturing project. Nippon Paints also plans to invest close to Rs 162 crore for paint manufacturing unit over a 20 acre plot. Caparo Power is firming up plans to establish a gas based 24-MV power project with technical collaboration from Wartsila Diesel. A sum of Rs 60 crore is being invested by Mccoy Suddal for manufacturing of sealants adhesive and foams. EEL India, a subsidiary of Italy’s FL Smidth, is putting up a project for manufacturing of Hi tech machines for cement and its allied industries on a 30 acre plot.

Development of Phase-I of the growth centre started in 1995 with an area of 1,200 acres. Around 1,000 acres was acquired for Phase-II which was developed in 2006-07. At present, the total area under the growth centre Bawal is 3,374 acres (including Phase-III and IV which is under planning and development). There is also a provision for inland container depot for which site has already been allotted.

* * *

The creative is the place where no one else has ever been. You have to leave the city of your comfort and go into wilderness of your intuition……What you’ll discover will be wonderful. What you’ll discover will be yourself.

NEWS FROM STATES

ANDHRA PRADESH

AP budget FY13: No increase in taxes, higher subsidies

The Andhra Pradesh government on February 17, 2012 presented the budget for 2012-13 with no new tax proposals. The budget envisages an expenditure of Rs.1,45,854 crore, an increase of 14% over the current fiscal. The non-plan expenditure is estimated at Rs.91,824 crore, up by 13.89% and the plan expenditure at Rs.54,030 crore, up by 13.61%. The fiscal deficit for 2012-13 is estimated at Rs.20,008 crore, at 2.5% of the gross state domestic product (GSDP). Although new additional taxes have been proposed, the government has estimated revenue surplus of Rs.4,444 crore for the next fiscal.

Presenting the first paperless budget in the country, Shri Anam Ramnarayana Reddy, finance minister, said that he did not propose any hike in state taxes, but has increased subsidies. The rice subsidy was up 20% at Rs.3,000 crore as against Rs.2,500 crore and the power subsidy component was increased 28% at Rs.5,500 crore against Rs.4,300 crore. He said the state economy is witnessing a strong growth phase since 2004-2005. Between 2005-2006 and 2011-12, it registered a growth of 9.26% against the country's overall growth of 8.64%. The GSDP for 2011-12 was lower now at 6.81% due to economic slowdown and agitations. The overall state debt is likely to go up to Rs.1,60,191 crore during 2012-13 against Rs.1,39,668 crore this fiscal. The annual plan for the financial year 2011-12, which was initially pegged at Rs.1.28 lakh crore, was cut down to Rs.1.22 lakh crore as per the revised estimates. The revised estimates of 2011-12 indicate a revenue surplus of Rs.780 crore against the budgeted revenue surplus of Rs.3,826 crore. Of the total expenditure proposed, Rs.91,824 crore will be under non-plan and Rs.54,030 crore will be plan expenditure.

The revenue receipts have shown a negative trend as per the revised estimates but the finance minister projected an overall increase of Rs.24,000 crore for 2012-13. The government would continue welfare schemes like Arogyasri, free electricity to farmers and Rs.1 a-kg rice to people below the poverty line. The budget has provided Rs.1,075 crore for interest-free loans to farmers and women's self-help groups. Under the Rajiv Vidya Mission, 15 lakh jobs will be created by 2014. The government has increased the allocations for agriculture, irrigation, rural development, health and other sectors.

The state government has also almost given a 100% increase to the minority welfare in the budget at Rs.489 crore besides Rs.90 crore to BC Federation and Rs.120 crore for the weaker sections and Rs.2,283 crore for women and child welfare and Rs.4,832 crore for home department (law and order). The revenue growth is pegged at 20% to 24% growth but the government has resorted to pre-budget increases in taxes. VAT went up by 4-5% and the slab rate increased by 12-14%. The additional revenue is a result of Rs.50,000 crore netted by VAT and an even amount coming from power hike from April and increase in house and water taxes.

* * *

QUESTIONS OF CYBERQUIZ ~ 34

1. What is PC philanthropy ?

   [a] Donating PCs for a social cause; [b] Extending computing facilities to the underprivileged people free of charge; [c] Using computer networks to spread messages appealing for a social cause; [d] Sharing some of the unused resources (mainly processor cycles) of one's personal computer to benefit a social cause.

2. In Computer science, what does "garbage collection" involve?

   [a] Scrutinizing a program to detect the use of bad programming techniques; [b] Debugging logical errors from computer hardware circuitry; [c] Automatic memory management; [d] Defragmentation of secondary memory devices like a hard disk.

3. What kind of feeling is generated by a product that does not live up to its own hype ?

   [a] Anticipointment; [b] Amazonment; [c] Hypointment; [d] Expointment.

4. When you view the layout of a whole page or a pair of facing pages on the monitor, the application program uses gray bars or other graphiscs to represent lines of character. This is because, in the full page view or "fit in the window" view, the characters become too small to be displayed legibly on the screen. What is this practice called ?

   [a] Greeking; [b] Freaking; [c] Franking; [d] Cranking.

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

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

For Answers See **Page No. 25**

Sandalwood Perfumes even the axe that hews it down. The more we rub sandalwood against a stone the more its fragrance spreads. Burn it, and it wafts its glory in the entire neighbourhood. So is the enchanting beauty of forgiveness in line.

Swami Chinmayananda

SUCCESS STORY OF RAJASTHAN FINANCIAL CORPORATION ASSISTED UNITS

M/s. Param Products Pvt. Ltd.

Shri B.K. Khandelwal, Director of M/s Param Products Pvt. Ltd. has been in touch with RFC since 1993 and has been a consistent borrower from RFC. He is a first generation entrepreneur who has a business of manufacturing of rigid PVC pipe and conduit pipes. His annual turnover has risen to Rs 9 Crores from Rs 1.5 Crores, due to the timely financial aid from RFC.

RFC finds him to be one of the most successful entrepreneurs of the VKIA branch. He thanks RFC for their support and contribution in helping him grow in his business. Shri Khandelwal is fully satisfied with his dealings with RFC. Shri Khandelwal enjoys the status of being a Gold Card holder

Shri B. K. Khandelwal

M/s Rajasthan Wood Products Pvt. Ltd.

Shri C.M. Bihani, Director of M/s Rajasthan Wood Products Pvt. Ltd. ~ A small scale unit dealing in ply board manufacturing began functioning but did not realize that things would unfold themselves so well with the help provided by RFC in the form of lump sum loans. The dealings have been long lasting ones beginning way back in the year 1996. Till date seven loans have been granted to the Unit under various schemes

The quantum of finances began with Rs 39.45 Lakhs to a present outstanding of Rs 120.17 Lakhs and the present turnover is around Rs521.65 Lakhs. All this indicates RFC's role in changing the status of small scale industries and translating the very definition of success into reality.

Shri C.M. Bihani

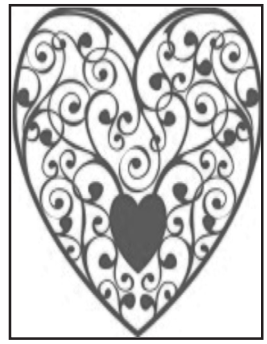
When you free your heart of all desire, you are fully satisfied; you perceive Atman. You are no longer mortal. Being Brahmn, you go to Brahmn.

Brihadarnyaka Upanishad

DO YOU KNOW ?

15 UNKNOWN FACTS & INTERESTING GENERAL KNOWLEDGE ABOUT HEART

- The human heart weighs less than a pound.
- The human heart beat roughly 35 million times a year.
- Women hearts beat faster than men.
- Three years after a person quits smoking, their chance of having a heart attack is the same as someone who has never smoked before.
- The human heart can create enough pressure that it could squirt blood at a distance of thirty feet.
- The first open heart surgery was performed by Dr. Daniel Hall Williams in 1893.
- Scientists have discovered that the longer the ring finger is in boys the less chance they have of having a heart attack.
- The right lung of a human is larger than the left one. This is because of the space and placement of the heart.



- Olive oil can help in lowering cholesterol levels and decreasing the risk of heart complications.
- In a lifetime, the heart pumps about one million barrels of blood.
- In 1967, the first successful heart transplant was performed in Cape Town, South Africa.
- People that suffer from gum disease are twice as likely to have a stroke or heart attack.
- Most heart attacks occur between the hours of 8 and 9 AM.
- At one time it was thought that the heart controlled a person's emotions.

***

When you free the mind from thralldom of senses, you are detached—you are ready because you are in pratyahara, 'going towards.... true liberation'.

Swami Vivekananda

UNION BUDGET AT A GLANCE : 2012~2013

The Hon'ble Union Finance Minister, Shri Pranab Mukherjee presented the Union Budget for 2012-2013 in the Parliament on March 16, 2012. He reported that in the fiscal year 2011-2012 India's GDP is estimated to grow at 6.9%. Agriculture is estimated to have grown at 2.5 percent, industry at 3.9 percent and services at 9.4 percent. Though there has been a slowdown in the economy but in any cross-country comparison India still remains among the front runners in economic growth. The Twelth Five Year Plan aims at "faster, sustainable and more inclusive growth". Shri Mukherjee said if India can build on its economic strength, it can be a source of stability for world economy and a safe destination for restless global capital. Exports have grown at 23 percent to reach US Dollar 243 billion, while imports at US Dollar 391 billion have recorded a growth of 29 percent during April-January 2011-2012, over the corresponding period last year. Indian economy is expected to grow at 7.6 percent in 2012-2013. Inflation which has been a cause of major concern during the year is expected to be lower next year and the current account deficit smaller aided by improvement in domestic financial savings.

The table below gives estimates and revised figures of revenue and expenditure for the last year i.e. 2011-2012 and the figures proposed for the next 2012-2013 and deficits of revenue, fiscal and primary as percentage of GDP :

S.No.	ITEM	2011-2012 (BE)	2011-2012 (RE)	2012-2013 (BE)
1.	**Receipts:**			
	(a) Revenue Receipts	789892	766989	935685
	(i) Tax Revenue (Net to Centre)	664457	642252	771071
	(ii) Non-Tax Revenue	125435	124737	164614
	(b) Capital Receipts	467837	551730	555241
	(i) Recoveries of Loans	15020	14258	11650
	(ii) Other Receipts	40000	15493	30000
	(iii) Borrowings and Other Liabilities	412817	521980	513590
	Total Receipts (a) + (b)	1257729	1318720	1490925
2.	**Expenditure**			
	(a) Non-Plan Expenditure	816182	892116	969900
	(i) On Revenue Account of which,	733558	815740	865596
	(ii) Interest Payments	267986	275618	319759
	(iii) On Capital Account	82624	76376	104304
	(b) Plan Expenditure	441547	426604	521025
	(i) On Revenue Account	363604	346201	420513
	(ii) On Capital Account	77943	80404	100512
	Total Expenditure (a) + (b)	**1257729**	**1318720**	**1490925**
3.	**Revenue Expenditure**	1097162	1161940	1286109
4.	**Capital Expenditure**	160567	156780	204816
5.	**Revenue Deficit**	307270	394951	350424
		(3.4)	(4.4)	(3.4)
6.	**Fiscal Deficit**	412817	521980	513590
		(4.6)	(5.9)	(5.1)
7.	**Primary Deficit**	144831	246362	193831
		(1.6)	(2.8)	(1.9)

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

S.NO.	RECEIPTS		EXPENDITURE	
A.	Tax Receipts	60	Revenue Expenditure	53
	Excise Duties	11	Defence	11
	Customs Duties	10	Subsidies	10
	Corporate Tax	21	State Share of Taxes and Duties	17
	Income Tax	11	Non-Plan Assistance to States & UTs	4
	Other Tax	7	Other Non-Plan Expenditure	11
B.	Non-Tax Receipts	40	Capital Expenditure	47
	Borrowing and Other Liabilities	29	Central Plan	22
	Non-Debt Capital Receipts	2	State UTs Plan Assistance	7
	Non Tax Revenue	9	Interest	18
	TOTAL	**100**		**100**

Highlights of the Budget :

Micro, Small & medium Enterprises

- Rs.5,000 crore India Opportunities Venture Fund to be set up with SIDBI.
- To enable greater access to finance by Small and Medium Enterprises (SME) two SME exchanges launched in Mumbai recently.
- Policy requiring Ministries and CPSEs to make a minimum of 20 per cent of their annual purchases from MSEs approved. Of this, 4 per cent earmarked for procurement from MSEs owned by SC/ST entrepreneurs.

Agriculture Growth

- Plan Outlay for Department of Agriculture and CO-operation increased by 18 per cent.
- Outlay for Rashtriya Krishi Vikas Yojana (RKVY) increased to Rs.9,217 crore in 2012-13.
- Initiative of Bringing Green Revolution to eastern India (BGREI) has resulted in increased production and productivity of paddy. Allocation for the scheme increased to Rs.1,000 crore in 2012-13 from Rs.400 crore in 2011-12.
- Rs.300 crore to Vidarbha Intensified Irrigation Development Programme under RKVY.

(a) Agricultural Credit

- Target for agricultural credit raised by Rs.1,00,000 crore to Rs.5,75,000 crore in 2012-13.
- Interest subvention scheme for providing short term crop loans to farmers at 7 per cent interest per annum to be continued in 2012-13. Additional subvention of 3 per cent available for prompt paying farmers.
- Short term RRB credit refinance fund being set up to enhance the capacity of RRBs to disburse short term crop loans to small and marginal farmers.
- A sum of Rs.200 crore set aside for incentivizing research with rewards.
- A new centrally sponsored scheme titled “National Mission on Food Processing” to be started in 2012-13 in co-operation with State Governments.

Textiles

- A financial package of Rs.3,884 crore for waiver of loans of handloom weavers and their cooperative societies announced.
- Two more mega handloom clusters, one to cover Prakasam and Guntur districts in Andhra Pradesh and another for Godda and neighbouring districts in Jharkhand to be set up.
- Three Weaver's Service Centres one each in Mizoram, Nagaland and Jharkhand to be set up for providing technical support to poor handloom weavers.
- Rs.500 crore pilot scheme announced for promotion and application of Geo-textiles in the North Eastern Region.
- A power loom mega cluster to be set up in Ichalkaranji in Maharashtra with a budget allocation of Rs. 70 crore.

Infrastructure

- During Twelfth Plan period, investment in infrastructure to go up to Rs.50 lakh crore with half of this, expected from private sector.
- First Infrastructure Debt Fund with an initial size of Rs.8,000 crore launched earlier this month.
- Tax free bonds of Rs. 60,000 crore to be allowed for financing infrastructure projects in 2012-13.
- In September 2011 central assistance of Rs.18,500 crore spread over 5 years approved for Delhi Mumbai Industrial Corridor. US $ 4.5 billion as Japanese participation in the project.

Transport

- Allocation of the Road Transport and Highways Ministry enhanced by 14 per cent to Rs.25,360 crore.
- Direct import of Aviation Turbine Fuel permitted for Indian Carriers as actual users.
- National Manufacturing Policy
- National Manufacturing policy announced with the objective of raising within a decade, the share of manufacturing in GDP to 25 per cent and creating of 10 crore jobs.

Financial Sector

- Rajiv Gandhi Equity Saving Scheme to allow for income tax deduction of 50 percent to new retail investors, who invest upto Rs.50,000 directly in equities and whose annual income is below Rs.10 lakh to be introduced. The scheme will have a lock-in period of 3 years.
- To protect the financial health of Public Sector Banks and Financial Institutions, Rs.15,888 crore proposed to be provided for capitalisation. Possibility of creating a financial holding company to raise resources to meet the capital requirments of PSU Banks under examination.
- A central "Know Your Customer" depository to be developed in 2012-13 to avoid multiplicity of registration and data upkeep.
- For 2012-13, Rs.30,000 crore to be raised through disinvestment. At least 51 percent ownership and management control to remain with Government.

Inclusive Development

- Out of 73,000 identified habitations that were to be covered under "Swabhimaan" campaign by March, 2012, about 70,000 habitations have been covered. Rest likely to be covered by March 31, 2012.
- Allocation for Scheduled Castes Sub Plan at Rs.37,113 crore in BE 2012-13 represents an increase of 18 per cent over BE 2011-12.
- A national information utility for computerisation of PDS is being created. To become operational by December, 2012.

Direct Taxes

- DTC rates proposed to be introduced for personal income tax.
- Exemption limit for the general category of individual taxpayers proposed to be enhanced from Rs.1,80,000 to Rs.2,00,000 giving tax relief of Rs.2,000.

- Upper limit of 20 per cent tax slab proposed to be raised from Rs.8 lakh to Rs.10 lakh.
- Proposal to allow individual tax payers, a deduction of upto Rs.10,000 for interest from savings bank accounts.
- Proposal to allow deduction of upto Rs.5,000 for preventive health check up.
- Senior citizens not having income from business proposed to be exempted from payment of advance tax.
- To provide low cost funds to stressed infrastructure sectors, rate of withholding tax on interest payment on ECBs proposed to be reduced from 20 per cent to 5 per cent for 3 years for certain sectors viz power; airlines; roads and bridges; ports and shipyards; affordable housing; fertilizer; and dams.
- Restriction on Venture Capital Funds to invest only in 9 specified sectors proposed to be removed.
- Investment link deduction of capital expenditure for certain businesses proposed to be provided at the enhanced rate of 150 per cent in these sectors Cold chain facility; Warehouses for storage of food grains; Hospitals; Fertilisers and Affordable housing.
- Turnover limit for compulsory tax audit of account and presumptive taxation of SMEs to be raised from Rs.60 lakhs to Rs.1 crore.
- Exemption from Capital Gains tax on sale of residential property, if sale consideration is used for subscription in equity of a manufacturing SME for purchase of new plant and machinery.
- Reduction in securities transaction tax by 20 per cent on cash delivery transactions.
- A net revenue loss of Rs.4,500 crore estimated as a result of Direct Tax proposals.

Indirect Taxes

Service Tax

- Sevice tax confronts challenges of its share being below its potential, complexity in tax law, and need to bring it closer to Central Excise Law for eventual transition to GST.
- Proposal to tax all services except those in the negative list comprising of 17 heads.
- Exemption from service tax is proposed for some sectors.
- Number of alignment made to harmonise Central Excise and Service Tax.
- Revision Application Authority and Settlement Commission being introduced in Service Tax for dispute resolution.
- Utilization of input tax credit permitted in number of services to reduce cascading of taxes.
- Place of Supply Rules for determining the location of service to be put in public domain for stakeholders' comments.
- To maintain a healthy fiscal situation proposal to raise service tax rate from 10 per cent to 12 per cent, with corresponding changes in rates for individual services.
- Proposals from service tax expected to yield additional revenue of Rs.18,660 crore.
- Standard rate of excise duty to be raised from 10 per cent to 12 per cent, merit rate from 5 per cent to 6 per cent and the lower merit rate from 1 per cent to 2 per cent with few exemptions.

Agriculture and Related Sectors

- Basic customs duty reduced for certain agricultural equipment and their parts;
- Full exemption from basic customs duty for import of equipment for expansion or setting up of fertiliser projects upto March 31, 2015.

- Proposal for full exemption from basic customs duty and a concessional CVD of 1 per cent to steam coal till 31st March, 2014.
- Full exemption from basic duty provided to certain fuels for power generation.
- Full exemption from basic customs duty to coal mining project imports.
- Full exemption from import duty on certain categories of specified equipment needed for road construction, tunnel boring machines and parts of their assembly.
- Relief proposed to be extended to sectors such as steel, textiles, branded readymade garments, low-cost medical devices, labour-intensive sectors producing items of mass consumption and matches produced by semi-mechanised units.
- Proposal to extend concessional basic customs duty of 5 per cent with full exemption from excise duty/CVD to 6 specified life saving drugs/vaccines.
- Concessions and exemptions proposed for encouraging the consumption of energy-saving devices, plant and equipment needed for solar thermal projects.
- Proposals to increase excise duty on 'demerit' goods such as certain cigarettes, hand-rolled bidis, pan masala, gutkha, chewing tobacco, unmanufactured tobacco and zarda scented tobacco.

***

ANSWERS OF CYBERQUIZ ~ 34

1.[d] Sharing some of the unused resources (mainly processor cycles) of one's personal computer to benefit a social cause : It works like this. To take part in PC philanthropy, one has to download a small program from a website that is involved in a socially relevant project. The program comes with a screen saver. When the PC is idle, the screen saver gets activated as per the screen saver set up done by the user, alongwith the downloaded program. The program then uses the user computer's processor cycles until the user starts using his PC again. One of the first PC philanthropy projects undertaken was the collective analysis of signals from the outer space as part of the project Search for Extra-terrestrial Intelligance. In a sense, this grid of volunteer processing power acts as a super computer.

2.[c] Automatic memory management : Garbage here refers to memory used by objects that will never again be accessed or mutuated by the application.

3.[a] Anticipointment : The slang has been coined from "anticipation" and "disappointment". Obviously, the slang means disappointment arising out of the product not getting anticipated success.

4.[a] Greeking : The use of non-sense words to represent the text of a document in design samples is also called greeking.

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

ECONOMIC SCENE

$1-b innovation fund to be set up by June-July

India plans to launch a $1-billion fund by June-July, with an initial capital of Rs.500 crore, to invest in innovations that can generate services and products to uplift the poor. "We need to provide money to those who have ideas but no seed capital," Mr. Sam Pitroda, adviser to prime minister on public information, infrastructure and innovation. The fund, named India Inclusive Innovation Fund, will invest in sectors such as agriculture, water, energy and healthcare. "It will have an initial investment, seed capital from the government. The finance ministry has already talked about allocating 100 crore rupees (Rs.100 crore)." The fund intends to raise Rs.500 crore in its first phase.

UN study on India's growth

India's economic growth rate will remain subdued at 7.7% in 2012 and 7.9% in 2013 as downside risks have increased, mainly on account of problems in Europe and the USA, says UN report. The report cautioned, "The downside risks to the regional outlook have sharply increased in recent months... particularly in case of India. Double-dip recessions in Europe and the United States would have a significant impact on economic activities across South Asia."

The report also raised a red flag on India's fiscal deficit target, saying the Indian government is unlikely to achieve its deficit target of 4.7% of the GDP for 2011-12 as lower growth has brought down tax revenues and disinvestment in state-run companies has been put on hold. The study has given a positive outlook for India's job market.

Indirect tax mop-up for April-Dec increases 16%

Indirect taxes in December, increased by 15.9% to Rs.34,819 crore from Rs.30,054 crore in a year-ago period, giving hope to the government that the Budget target would be met. The increase has mainly been driven by a 48.6% surge in service tax mop-up to Rs.9,665 crore. With this, indirect tax collection during April-December period was up 16% at Rs.2,85,787 crore, compared with Rs.2,46,168 crore in the same period last year. The collection has shown strong growth despite Rs.36,000 crore revenue forgone on account of customs and excise tax cut on petroleum products.

The indirect tax collection in three quarters of 2011-12 is about 72.7% of the Budget estimates. With last quarter of a financial year traditionally showing strong growth in revenue collections, the government is hopeful that targets would be met. The central excise collection reported a strong rebound of 9.7% to Rs.12,546 crore after the collections have contracted in the month of November and September. The excise collections stood at Rs.1,1440 crore in December, 2010, reflecting better performance shown by the industrial sector in the month. On service tax front, the collections continue to be strong and has shown 48.6% expansion in December to Rs.9,665 crore from the year ago period.

Direct tax collection up 8.36%

The net direct tax collection rose 8.36% to Rs.3.23 lakh crore in the first three quarters of the current financial year. The Centre has targeted to raise Rs.5.32 lakh crore in this fiscal through direct taxes.

Exports from SEZs grow 17% in Apr-Dec' 11

Exports from special economic zones (SEZ) increased 17% year-on-year to Rs.2.60 lakh crore during April-December 2011, the Export Promotion

Council for EOUs and SEZs said in February 2012. IT, IT-hardware, petroleum, engineering, leather and garments are the leading exports from the SEZs. Exports from 148 operational SEZs totalled Rs.2.23 lakh crore in the April-December 2010. Shipments from EOU/SEZ have contributed 34% to the country's total exports in 2010-11. The total exports from the tax-free enclaves during 2010-11 stood at Rs.3.15 lakh crore, a growth of 43.11% over the same period previous year. The SEZs, were allowed many tax exemptions under a special SEZ Act of 2005. Under the law, incentives for SEZ units include 100% income tax exemption on export profits earned for the first five years, 50% for the next five years and another 50% exemption on re-invested profits in the following five years.

Exports up 10.1% in Jan, trade gap at $14.7 bn

India's exports recorded a marginal growth in January over the previous month with overseas shipments expanding 10.1% year-on-year to $25.4 billion despite weak demand in the Western market. Imports grew 20.3% to $40.1 billion in the month, leaving a trade deficit of $14.7 billion. Commerce secretary Shri Rahul Khullar reiterated that the figures reflect woes in the US and Europe. For April-January, exports aggregated to $242.8 billion showing a healthy growth of 23.5%.

Due to the prevailing uncertainty in the US and Europe economies, FY13 would be tough for the country's exports scenario. A 20% growth in 2012-13 should be considered good under present circumstances even though that is well below the over 25% growth required to get the exports growth to meet the target of $500 billion by 2013-14. Shri khullar also said that the exports figure for the current fiscal will be around $300 billion, imports $460 billion, with a balance of trade of about $160 billion. Explaining the reason of widening trade gap, a steady rise of 29.4% in imports for the ten-month period to $391.5 billion has lead to a huge deficit of $148.7 billion.

* * *

Your body makes physical contact with the universe, perceiving it through sense....but your mind, attached to body, also responds to the universe. When you detach mind from senses, you can focus on consciousness, free of clutter created by senses.

Mrinal Bali

Delayed payments by large companies add to SME sickness

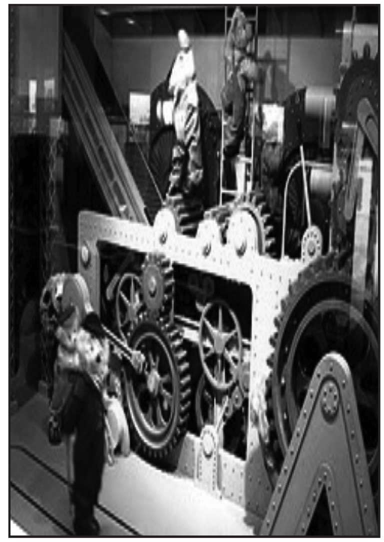
Payment delays by corporations raise the transaction cost of small and medium enterprises (SMEs), which eventually brings these to the verge of sickness, according to a survey. A major concern for SMEs that has a bearing on their finances is the long time taken by corporations in making payments for procured items, especially from their ancillary units, which depend on large firms in a big way for payments.

The survey was undertaken by the PHD Chamber of SMEs, located in Uttar Pradesh, Haryana, Punjab, Rajasthan, Madhya Pradesh, Himachal Pradesh, Jammu & Kashmir, Uttarakhand, Punjab, Chandigarh and Delhi.

Around 85 per cent of the surveyed members maintained it took 16 to 60 days to receive their dues from large firms. None of the units surveyed received payments within the first 15 days. And, the smaller units, due to their weak bargaining power, are in no position to seek redress. Delayed payments further reduce the working capital available with a unit for productive use and, thus, hasten the move towards sickness.

The Government departments were not giving the benefit of purchase preference to enterprises registered with the National Small Industries Corporation (NSIC). The SME units set up specifically on written undertakings by government departments that their entire output would be purchased are also finding difficulty in procuring orders. Such a haphazard approach by these departments was also a major factor contributing to the sickness among such units.

To mitigate problems arising out of delayed payments, the PHD Chamber has suggested large corporations report to the Reserve Bank of India (RBI) with details of payments not made to MSMEs within the stipulated 45 days. Companies which falter in settling dues to MSMEs should have their names put up on the RBI website. If procurement agencies or large companies fail to pay MSMEs within 45 days, as mandated in the Micro, Small and Medium Enterprises Development Act, they should be made to pay interest at double the prevailing prime lending rate. To overcome the problem of delayed payments from large companies, there is a need to explore the possibility of encouraging the bill discounting scheme whereby, bills drawn by small-scale units for supplies made by them and duly accepted by purchasers will be discounted by third parties, such as discount houses, NSIC and factoring agencies, within a stipulated time frame.



Such a scheme would facilitate early settlement of genuine trade transactions between sellers from SMEs and buyers from large companies, such as purchase of supplies made by small units to reputed public limited companies, state and Central government departments and undertakings. Alternatively, loans given by banks should be backed by a security by corporations by having an escrow account. This would help ease the financial position of small units and make available funds for fulfilling their working capital needs.

MSME ministry asks for fivefold hike in outlay

The ministry of micro, small and medium enterprises (MSME) has sought a five-time increase in budgetary support for the 12th Five Year (2012-2017) Plan. In a letter to the Planning Commission, the ministry has asked for Rs.64,790 crore against the figure of Rs.11,500 crore allocated in the current Plan ending March. Of this, the biggest investment would be on credit and finance. The ministry plans to invest Rs.19,450 crore on enhancing the finance and credit for the sector. “Easy financing is one of the major issues with MSMEs. With the uncertainty over interest rates, it is even more important to ensure that the MSMEs have easy access to credit at lower cost.

The ministry also proposes to invest Rs.14,800 crore for the development of khadi and village industries and Rs.11,360 crore for infrastructure development. There are 26 million units in the MSME sector that contribute around 40% of the total exports from the country. The government has also approved the procurement policy under which 20% of the procurement by government enterprises would be from the MSME only. The sector, though, has been growing constantly, poor infrastructure, unavailability of land have slowed it. There was an immediate need to set up training, testing centres, tool rooms for various units which would require huge investment. “Other areas of focus are technology, marketing, skill development. The ministry plans to spend over 2,000 crore on skill development and Rs.3,600 for marketing. Under skill development, the ministry plans to train 42 lakh people in the next five years. It will tie up with various universities to provide courses related to MSME. MSME ministry seeks lower borrowings rates

The micro, small and medium enterprises (MSME) ministry has also asked the finance ministry to lower the rate of interest on credit for the sector. In a pre-budget demand, MSME minister Shri Virbhadra Singh has asked the government to look into options to reduce the cost of funds for small scale industry. ''Internationally, credit is available at around 4-6% interest rate. In India, the MSMEs are paying as high as up to 16%. We have requested the finance ministry to bring it at par with international rates for MSMEs,''.

MSME accounts for 40% exports from India. Globally, the exports from this sector have been declining. Recently, a World Bank report said that the exports of goods and services grew at around 6.6% last year (down from 12.4% in 2010) and this is likely to be restricted at 4.7% this year. The MSME sector has been facing a lot of challenges due to inadequate financing. Lowering or a cap on interest rate would come as a big relief for the sector. Even the Federation of Indian Exporters Organisations (FIEO) has raised concerns about higher interest rates for MSMEs. It has asked the finance ministry to cap the interest rates at 7%.

The national institute of entrepreneurship and small business development (NIESBUD) under MSME ministry has signed a memorandum of understanding (MoU) with World Bank arm—International Finance Corporation (IFC)—to develop training programmes. The pilot programme will be organised for selected trainers in NIESBUD from across five identified states. The ministry has set a target to impart entrepreneurship skills to six lakh people in next fiscal as against 4 lakh who were trained during this fiscal.

Haryana MSMEs face delayed payments despite facilitation cell

Though Haryana has a facilitation council to look into the grievances of micro, small and medium enterprises (MSMEs) relating to delayed payments, this problem persists. Delayed payments are made not just by private players, but public sector enterprises as well. Many small and medium-sized enterprises in Haryana complain that they have been constantly facing the problem of delayed payments, despite the fact that the MSME Act of 2006 prescribed that customers must make payments to SMEs within a stipulated period.

In accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006, payment for goods or services provided by micro or small enterprises must be made within a period of 45 days from the day of acceptance or day of “deemed acceptance” of the goods or services. If a buyer fails to pay the amount to the supplier within this stipulated period, he becomes liable to pay compound interest on the delayed payment at a rate that is three times the bank rate. The Haryana facilitation cell has been constituted to look into the payment grievances. Many SMEs fail to complain, fearing that their relationship with clients will be hurt. This only compounds the problem of delayed payments. For this reason, says Shri Rajive Chawla, a member of the Haryana SME facilitation cell, the aggrieved enterprise finds itself taking up the issue with its customers on its own.

***

Govt approves road projects of Rs.5,388 crore in three states

The government on January 13, 2012 approved three road projects in the states of Himachal Pradesh, Haryana and Andhra Pradesh entailing a total investment of Rs.5,388.36 crore. The Cabinet Committee on Infrastructure cleared widening of Kiratpur-Ner Chowk section in Himachal Pradesh at a cost of Rs.2,356.20 crore, six-laning of Vijaywada Gundugolanu section in Andhra Pradesh worth Rs.2,011 crore and Rs.1,021.16 crore scheme for four-laning of UP/Haryana border-Panchkula section in Haryana.

Annamalai tech expats to get 'dream' industrial park

The alumni association of Tamil Nadu's Annamalai University is embarking on a project that will help the institute's expat techpreneurs realise their dreams of setting up own businesses in the country. The alumni association is planning to set up an exclusive industrial park to cater to the expatriate engineering entrepreneurs who plan to shift their overseas businesses to India.

"We are close to buying land for the industrial estate either at the auto cluster of Oragadam or the micro-engineering cluster near Chengelpet. We could accommodate about 50 alumni techpreneurs in the park who could possibly set micro, small and medium engineering units with an initial capital of Rs.3 crore to Rs.5 crore. The techpreneurs could well generate employment for about 1,500 workers," Annamalai University Engineering & Technology Alumni Association (AUETAA) president Mr. PR Earnarst. This is a joint development initiative of alumni expat techpreneurs and AUETAA.

To identify the techpreneurs and promote the idea of shifting their businesses back to India, AUETAA has already opened front offices in Singapore, Muscat, Doha and the US to help out homeward-bound engineering entrepreneurs. The scheme is also open to alumni techpreneurs within the country who want to expand their business with the support of AUETAA.

Policy push may give much-needed spark to electronics industry in country

India's electronics and semiconductors industry is upbeat about 2012 kickstarting a new wave of growth in the sector, provided key government policies are on track. With a proposed National Electronics Mission in the works and the triad of policies for electronics, telecom and IT being finalised, the industry believes that electronics is back on the national agenda and that will unlock private investment into the sector. India's electronics systems design and manufacturing (ESDM) industry is projected to touch $400 billion by 2020, but the current level of domestic production has raised concerns that the country's import of electronics will potentially exceed its oil bill. The industry size in 2011 is estimated to be around $55-60 billion, with semiconductors constituting about $9.5 billion. The global electronics industry is expected to reach about $ 2.4 trillion by the end of the decade.

The draft of the National Policy on Electronics 2011, which was unveiled in October, aims at creating an ESDM ecosystem by attracting investment of about $100 billion over the next eight years, achieve a turnover of $55 billion in high-tech areas, such as chip design, and increase exports to $80 billion.

While the policy envisions the creation of 200 electronics manufacturing clusters, it is the equal focus on high value-addition activity, such as creating intellectual property, that has the industry excited. Some of the measures being suggested, such as preferential market access for Indian-made products and financing for companies, would help. “It has been a challenge for entrepreneurs to turn their R&D ideas into business success. Unless we fix the business success issues, the environment is neither motivating nor supportive for an entrepreneur,”. The industry hopes that a National Electronics Mission (NEM) would help create a success story on the lines of the green revolution that put India on the path to self-sufficiency in food production. The ISA is also part of a task force that is looking at, among other areas, creating a network of incubation centres in the major electronics clusters. The overall domestic manufacturing in the electronics sector is expected to be around $200 billion by 2020, which still leaves a huge demand-supply gap. He adds that the challenge of building an ecosystem of clusters will, to a great extent, be driven by the investments made by equipment manufacturers, which will have a ripple effect.

* * *

My religion consists of a humble admiration of the illimitable superior spirit who reveals himself in the slight details we are able to perceive with our frail and feeble mind.

Albert Einstein

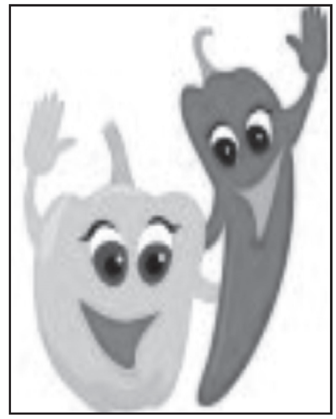
Editorial Board Meeting of COSIDICI :

The meeting of the Editorial Board of "COSIDICI COURIER" was held on December 29, 2011 at India International Centre, New Delhi. Since the Chairman of the Editorial Board, Shri Kamal Chakrabarty, IAS, M.D., WBFC, Kolkata could not attend the meeting due to his pre-occupation, Shri K.K. Mudgil, Secretary General, COSIDICI welcomed the Members and requested Shri U.P. Singh, IRS (Retd.) Vice Chairman to preside over the meeting. Shri U.P. Singh, then took up the agenda and invited the comments of he Members of the Board.

Before the regular Agenda of the meeting was taken up, the Secretary General informed about the sad demise of Shri B.R. Lall, IPS (Retd.), Former Joint Director, CBI & D.G. Haryana Police. Shri Lall's articles in the journal viz. "How To Make CBI a Free Agency"; "Maoist Violence~Stick For The Maoist & Carrot For The Tribals"; "National Highways Toll Plazas~A source of Open Loot" etc. were much appreciated.

Shri R.C. Mody expressed his appreciation of the general lay-out and get-up of the magazine. The Members were unanimous in their approval of the get-up, contents and outlook of the Journal. They were happy to note that the journal carried articles on contemporary subjects which touched upon matters not only directly concerning the Member Corporations but also those having an indirect impact on them. It was a veritable storehouse of information. They expressed their satisfaction that 'COSIDICI Courier' was not only self sufficient but had been yielding some surplus during the past few years.

Shri K.K. Mudgil, Editor informed the Members that COSIDICI is now regularly getting Messages about its usefulness from various prominent personalities. Some of them are Shri Narendra Modi, Chief Minister of Gujarat; Smt. Sheila Dikshit, Chief Minister of Delhi; Shri Raj Kumar Chauhan, Minister of Dev. & Revenue; Shri Nitin Gadkari, National President, BJP; Shri Ajay Nath, IAS, Chief Vigilance Officer, GoI etc. etc. He further informed the members that the Executive Committee at its previous meeting held on September 29, 2011 had suggested that COSIDICI may organise a seminar or a lecture alongwith an award giving ceremony for the Chief Executive Officers of successful units which have been financed by the SLFIs. The cost of the event could be divided among the units as well as the Member Corporations. Media could also be invited to cover the event. This would give exposure to SLFIs and highlight their importance in today's financial scenario. Shri U.P. Singh felt that some eminent personality/economist in the financial field could be requested to deliver a Lecture on a contemporary subject.



Study Tour to Mauritius :

The Executive Committee at its meeting held on September 24, 2010 had decided that the SLFIs may send a few of their deserving officers to International Exposure Programmes on subjects of their interest. In this connection, COSIDICI had collaborated with CAB (RBI), Pune and FICCI, New Delhi for conducting Study Tours to study the by a few of our Member Corporations which had sent their officers for the above programmes. These programmes were found to be very useful and informative by the participants. We advise that COSIDICI has now approached the All India Management Association {AIMA} for conducting more such programmes. We are happy to inform that AIMA has organized The Global Business Leaders Series with the theme “Leadership in a Globalised World : Nurturing New Partners from 29th to 31st May, 2012 in Mauritius. The Summit is being organized in partnership with the Board of Investment, Mauritius, Enterprise Mauritius and the Indian High Commission, Mauritius. The developing economies are now playing a more important role in the global markets. The Summit is a unique platform to link businesses in emerging markets. It will focus on building thought leadership in these nations and will bring together business leaders to discuss the new competitive challenges, financial and social issues in the current times of uncertainty. The Summit will focus on how management innovations have influenced companies and the navigational challenges that leaders will be faced with in the near future. Eminent experts and industry practitioners would be addressing the delegates. The AIMA has also organised breakaway sessions and visits to the industrial sites.

***

Associate yourself with men of good quality if you esteem your own reputation for ‘Its better to be alone than in bad

George Washington

Appointment of PSBs as Agency Banks of RBI

With a view to enhancing the quality of customer service in government business through more competition, improving customer convenience by increasing the number of customer service outlets and broad basing the revenue collection and payments mechanism of governments, the Reserve Bank has advised that all private sector banks (PSBs) would now be considered eligible to handle any central/state government business (where RBI pays agency commission) at par with public sector banks.

Grant of Loans/Advances to Relatives of Bank Directors

The Reserve Bank has advised that the restrictions contained in Section 20 of the Banking Regulation Act, 1949 would apply to grant of loans and advances to spouse and minor/dependent children of the directors of banks. Banks may, however, grant loan or advance to or on behalf of spouses of their directors in cases where the spouse has his/her own independent source of income arising out of his/her employment or profession and the facility so granted is based on standard procedures and norms for assessing the creditworthiness of the borrower. Such facility should be extended on commercial terms.

Housing Loans

The Reserve Bank has advised banks that for deciding the value of the house property while sanctioning housing loans, they should not include stamp duty, registration and other documentation charges in the cost of the house property. This overstates the realisable value of the property as stamp duty, registration and other documentation charges are not realisable and consequently the margin stipulated gets diluted.

RBI Raises Bank Rate as a Technical Adjustment

The Reserve Bank decided to change the Bank Rate by realigning it with the marginal standing facility (MSF) rate, which in turn is linked to the policy repo rate under the liquidity adjustment facility (LAF). Accordingly, the Bank Rate was increased by 350 basis points, i.e., from 6.00 per cent per annum to 9.50 per cent per annum from the close of business on February 13, 2012.

Background

Section 49 of the Reserve Bank of India Act, 1934 requires the Reserve Bank to make public (from time to time) the standard rate at which it is prepared to buy or re-discount bills of exchange or other commercial paper eligible for purchase under that Act. Since discounting/rediscounting by the Reserve Bank has remained in disuse, the Bank Rate has not been active.

Report of the Nair Committee on Priority Sector Lending

The Reserve Bank of India released on its website on February 21, 2012, the Report of the Committee (Chairman: Shri M V Nair, Chairman, Union Bank of India) constituted to reexamine the existing classification and suggest revised guidelines with regard to priority sector lending and related issues.

Constitution of the Committee

The Reserve Bank had constituted the Committee under the chairmanship of Shri. M. V. Nair on August 25, 2011 pursuant to the announcement made in the Monetary Policy Statement 2011-12. The Committee was to re-examine the existing classification and suggest revised guidelines with regard to priority sector lending and related issues. The Committee had 10 Members from diverse fields and Dr. Deepali Pant Joshi, CGM-in-Charge, Rural Planning and Credit Department, Reserve Bank of India was its Member Secretary. The Committee was given a broad-based terms of reference.

Major Recommendations of the Committee

By adopting a wide and exhaustive consultation process, the Committee identified key issues facing diverse segments and sections of society; examined them thoroughly and made recommendations that would support achieving the objectives of directed lending.

- The target of domestic scheduled commercial banks for lending to priority sector may be retained at 40 per cent of adjusted net bank credit (ANBC) or credit equivalent of off-balance sheet exposure (CEOBE), whichever is higher.
- The sector 'agriculture and allied activities' may be a composite sector within priority sector, by doing away with distinction between direct and indirect agriculture. The targets for agriculture and allied activities may be 18 per cent of ANBC or CEOBE, whichever is higher.
- A sub target for small and marginal farmers within agriculture and allied activities is recommended, equivalent to 9 per cent of ANBC or CEOBE, whichever is higher to be achieved in stages by 2015-16.
- The medium and small enterprises (MSE) sector may continue to be under priority sector. Within the MSE sector, a sub-target for micro enterprises is recommended equivalent to 7 per cent of ANBC or CEOBE, whichever is higher, to be achieved in stages by 2013-14.
- Banks may be encouraged to ensure that the number of outstanding beneficiary accounts under' small and marginal farmers' and micro enterprises' each register a minimum annual growth rate of 15 per cent.
- The loans to housing and education may continue to be under priority sector. Loans for construction/ purchase of one dwelling unit per individual up to Rs. 25 lakh; loans up to Rs.2 lakh in rural and semi urban areas and up to Rs.5 lakh in other centres for repair of damaged dwelling units may be granted under priority sector.
- In order to encourage construction of dwelling units for economically weaker sections and low income groups, housing loans granted to these individuals may be included in weaker sections category.
- All loans to women under priority sector may also be counted under loans to weaker sections.
- Limit under priority sector for loans for studies in India may be increased to Rs. 15 lakh and Rs. 25 lakh in case of studies abroad, from existing limit of Rs 10 lakh and Rs 20 lakh, respectively.
- The priority sector target for foreign banks may be increased to 40 per cent of ANBC or CEOBE, whichever is higher with sub-targets of 15 per cent for exports and 15 per cent for MSE sector, within which 7 per cent may be earmarked for micro enterprises.
- The committee recommends allowing non-tradable priority sector lending certificates on pilot basis with domestic scheduled commercial banks, foreign banks and regional rural banks as market players.
- Bank loans to non-bank financial intermediaries for on-lending to specified segments may be allowed to be reckoned for classification under priority sector, up to a maximum of 5 per cent of ANBC or CEOBE, whichever is higher, subject to certain due diligence and documentation standards.
- The present system of report-based reporting has certain limitations and it may be improved through data-based reporting. There is a need

to address the issues in data reporting like pre-defined parameters, reference date, periodicity, unit of reporting, etc.

The recommendations of the Committee are expected to have significant impact in addressing issue of direct lending to those who have lack of access to credit and to those sectors which generate large employment. It is hoped that these recommendations would promote country's developmental and inclusive goals.

SIDBI, Andhra Pradesh in talks for MoU to reschedule loans of MFIs

In a bid to restore normalcy to the micro-finance sector in Andhra Pradesh, Sidbi has entered into talks with the Andhra Pradesh government for rescheduling loans. A memorandum of understanding (MoU) to this effect is expected to be signed by the state government and Sidbi in the next few days following the inability of MFIs to repay loans to the banks. The proposed MoU will help restructure loans and stabilise the sector. At present, the credit demand in the state is Rs.10,000 -11,000 crore, of which the self-help group (SHG) route caters to around Rs.9,000 crore even as MFI operations have come to a standstill in the state.

The outstanding loans given by banks and Sidbi to micro-finance companies was Rs.13,800 crore as on March 2010, according to the Malegam Committee report. Shri Alok Prasad, CEO, Micro-finance Institutions Network (MFIN), said that MFIN had submitted to the Andhra Pradesh government in September, 2011, a composite package under which all borrowers of MFIs were offered a one-time settlement with the objective of reducing their repayment burden. This one-time settlement involved loan restructuring, interest rate reduction, and interest free extension of loan term up to 48 months.

"The total financial benefit to MF borrowers of this composite package comes to over Rs.1,600 crore, which MFIs agreed to absorb. In turn, what they sought was normalisation of conditions on the ground so that fresh lending starts,'' Shri Alok Prasad said. As per the The Microfinance India —State of the Sector Report 2011, the sector recorded a positive growth during the year. The SHG-Bank Linkage Programme and the Microfinance Institutions put together achieved a growth in their customer base by about 10.8%. The combined borrowing customer base increased to 93.9 million from 86.3 million in the previous year.

SIDBI signs MoU with IOB

SIDBI has signed an MoU with Indian Overseas Bank on MSME financing. Under the MoU, Sidbi will initially provide a line of credit of Rs.100 crore to IOB for a period of seven years from the risk capital fund. The loan will be utilised to provide capital to deserving MSMEs for requirements such as project funding, brand building, R&D and working capital margin among others. SIDBI is planning to raise Rs.10,000 crore through bonds or convertible debentures. Stating that the MSME sector has been witnessing a slowdown due multiple factors such as high interest rates and wages, Shri Sushil Muhnot, Chairman & Managing Director, SIDBI said that the new initiative of Sidbi to provide growth capital to MSMEs through banks will go a longway to lift the fortunes of the sector. SIDBI has, therefore, decided to partner with select banks to enhance the reach. The MoU with IOB is the first such initiative wherein Sidbi and IOB shall reach out to MSMEs across India.

Capital infusion of upto Rs.8k cr by March: SBI

State Bank of India (SBI), said on 16th January, 2012 the government had approved capital infusion of Rs.6,000-8,000 crore into the bank by March 31. The government had already announced it was committed to providing adequate capital to public sector banks to maintain their Tier-I capital at eight per cent. As of September, SBI's capital adequacy ratio stood at 11.4 per cent. Of this, Tier-I capital stood at 7.47 per cent at the end of the second quarter, against the minimum eight per cent desired by the government. The government, which holds 59.4 per cent stake in the bank, has earmarked the infusion amount to ensure the bank meets regulatory requirements.

Most public sector banks had secured capital support from the government in the last financial year. The government had provided capital support of Rs.20,157 crore to these banks, which included Punjab National Bank, Bank of Baroda, Union Bank of India, Oriental Bank of Commerce, UCO Bank and Dena Bank. Financial services secretary Shri D K Mittal had said state-run banks would require about Rs.3.5 lakh crore by 2021.

RBI eases foreign borrowing norms for smaller players

In a move to liberalise foreign borrowing norms for smaller firms, the RBI has reduced the minimum maturity period for external commercial borrowing (ECB) up to $20 million to three years as against the earlier five years. Smaller players are unable to raise loans with longer maturities, as their credit worthiness is not so high. Also, with dollar crunch in the market, it becomes more difficult for them to raise funds overseas. This segregation would help the smaller players to raise funds more easily. Hence, ECB up to $20 million should have a minimum average maturity of three years and ECB over $20 million and up to $750 million should have a minimum average maturity period of five years, RBI said.

The central bank has also allowed eligible borrowers to issue foreign currency convertible bonds up to $750 million, the upper limit under the automatic route. However, specified service sectors, viz. hotel, hospital and software, can raise FCCBs up to $200 million or equivalent for permissible end-uses during a financial year, subject to the condition that the proceeds should not be used for acquisition of land.

* * *

Don't mind criticism. If it's untrue disregard it; If it's unfair, keep from irritation; if it's ignorant, smile; if it's justified learn from it.

HEALTH CARE

CLEAR YOUR THROAT WITH VYAGHRADI KASHAYAM

It sometimes happens that your voice goes. You are unable to speak and the sound comes out like a squeak. Some unsympathetic friends may also remark "Oh, good! Now you will keep quiet for some time". This condition, a kind of laryngitis, responds well to Ayurvedic medication. There is a kashayam called Vyaghradi kashayam. It basically consists of Martynia diandra (vyaghra not to be confused with Viagra), dried ginger (sunthi), Tinospora cordifolia (amrita in Sanskrit) and Piper longum (pippali in Sanskrit).

Recent studies have show that Vyaghra has antinociceptive properties meaning that it acts as a kind of pain-killer. With just four ingredients this kashayam is quite an effective medicine. This kashayam has a pain-killer in Vyaghra, immunomodulators in amrita and pippali and an antioxidant in sunthi. It also helps arrest coughing.

I have planted Tinospora Cordifolia just outside my house. It really is a survivor. Sometimes overenthusiastic gardeners think it is a weed and pull it out. But it survives even if there are a few twings attached to a tree, or a small branch remains lying on the ground, it will root and grow again. Said to be a wonder herb, it grows totally uncared for and unrecognized. I have questioned many villagers and village kids if they know what it is, but more often than not most don't know anything about it.

The thick stem of the plant can be simply boiled and drunk like a tonic. So many old people in the villages are badly in need of a pick me up and this would serve them very well. Tinospora cordifolia is an antioxidant and immunomodulator. It also has antiallergenic properties and is protective of the liver. Many recent studies stand testimony to the wonderful properties of Tinospora cordifolia. It is not for nothing that this plant is called amrita in Sanskrit, meaning ambrosia.

My creeper had grown quite a bit and had spread all over a nearby silk-cotton tree. It had thick stems and I used to use it often. Unfortunately the silk-cotton tree had to be cut because it had developed a fungal infection and was in danger of falling down. So down came the tree and this huge creeper of Tinospora cordifolia. We cut up the thick stems and sent it to my vaidyar who was quite happy to get 'certified' Guduchi stems. She prepares many medicines in the clinic and was happy to receive the Guduchi stems. Now how many of us or our children even know about this plant? I am doing my bit to spread the knowledge of this plant. Recently, a photographer friend of mine wanted a fast growing plant that could form a natural screen for his studio window. I presented him a few twigs of Tinospora cordifolia and it has now taken root and will soon form a nice green screen. The twig I planted outside my house is also growing well.

Back to laryngitis. 15 ml of the Vyagradhi kashayam is taken with an equal quantity of water. This was quite effective for me and my voice came back in 24 hours. I took it with Taleesadi and Sudharshanam (referred to in my earlier articles). In addition, I sucked on some palm candy and Glycorrhiza glabra (adimaduram). Palm candy is available in Khadi stores. It is ideal for sore throats and children love it. I hope palm candy does not become a rarity in the years to come. It has a lovely flavor and can be used with milk in which a little turmeric powder has also been mixed. It is one of those soothing grandma's concoctions for sore throats and coughs. ***

Courtesy: The Writer, Smt. Sheela Rani Chunkath, IAS who was earlier Health Secretary, Govt. of Tamil Nadu & CMD, TIIC, Chennai, is currently, Additional Chief Secretary and Chairperson & Managing Director, Tamil Nadu Handicrafts Development Corporation.

MISCELLANY

SPECIAL ECONOMIC ZONES

What is the policy regulating Special Economic Zones?

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000. This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations. SEZs in India functioned from 1.11.2000 to 09.02.2006 under the provisions of the Foreign Trade Policy and fiscal incentives were made effective through the provisions of relevant statutes.

The Special Economic Zones Act, 2005, was passed by Parliament in May 2005 which received Presidential Assent on the 23rd of June, 2005. After extensive consultations, the SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006, providing for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments.

What are the objectives of SEZ Act?

The main objectives of the SEZ Act are:

(a) generation of additional economic activity (b) promotion of exports of goods and services; (c) promotion of investment from domestic and foreign sources; (d) creation of employment opportunities; (e) development of infrastructure facilities;

What is the Approval mechanism and Administrative set up of SEZs?

The developer submits the proposal for establishment of SEZ to the concerned State Government. The State Government has to forward the proposal with its recommendation within 45 days from the date of receipts of such proposal to the Board of Approval. The applicant also has the option to submit the proposal directly to the Board of Approval.

The Board of Approval has been constituted by the Central Government in exercise of the powers conferred under the SEZ Act. All the decisions are taken in the Board of Approval by consensus.

What are the Incentives and facilities offered to the SEZs?

The incentives and facilities offered to the units in SEZs for attracting investments into the SEZs, including foreign investment are as under :-

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units.
- 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
- Exemption from minimum alternate tax under section 115JB of the Income Tax Act.
- External commercial borrowings by SEZ units upto US$ 500 million in a year without any maturity restriction through recognized banking channels.
- Exemption from Central Sales Tax.
- Exemption from Service Tax.
- Single window clearance for Central and State level approvals.
- Exemption from States sales tax and other levies as extended by the respective State Governments.
- The major incentives and facilities available to SEZ developers include:-
- Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.
- Income Tax exemption on income derived from the business of development of the SEZ in a block of 10 years in 15 years under Section 80-IAB of the Income Tax Act.
- Exemption from minimum alternate tax under Section115 JB of the Income Tax Act.
- Exemption from dividend distribution tax under Section 115O of the Income Tax Act.
- Exemption from Central Sales Tax (CST).
- Exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act).

* * *