COSIDICI COURIER

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

VOL. LII NO. 2 | **MARCH - APRIL, 2014**

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SECRETARY GENERAL'S DESK

IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and also focus on improving the quality of life of the workforce and their families as well as of the local community and society at large while contributing to economic development. The European Commission defines CSR as " a *concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."* The focus is not only how you manage your core business, but also how far companies go beyond and make a contribution to the achievement of broader societal goals. In this sense, CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives while at the same time addressing the expectations of shareholders and stakeholders. Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

In the age of globalised world, the concept of CSR is going to occupy a centre stage position in the corporate world. Keeping in mind the changing market scenario, corporate have to change their work culture and practice CSR in a way that truly benefits society. Initially, the key CSR issues were labour laws, factories acts and child labour legislations. But in present context, the concept of CSR is much wider. Environmental management, eco-efficiency, good corporate governance, responsible sourcing, labour standards and working conditions, employee and community relations and social equity are key CSR issues nowadays. Society expects the corporates to be socially responsible as the economic environment of the society is dependant on the business environment. In line with changing expectations, it is necessary to draw up a mandatory CSR framework by Governments.

V.S. RATHORE
Secretary General, COSIDICI

The Corporate Sector in India has grown fast in the post liberalization era bringing various products and services to the middle class, never thought of few years back. Increasing availability of products and services in the market has provided many choices to the consumers. However, this growth has come at a high social and environmental cost with climate change looming large over the future of economic activity. Can companies design successful businesses that add value to people's lives without having to make more and more products that have a high environmental cost? And now that it is high time that we address the need for huge cuts in carbon emissions, will companies be able to rise to the challenge and reduce their environmental impact. Environmental good practice is also about business efficiency and the best use of valuable resources. It is crucial that civil society and business come together in finding ways in which sustainable growth takes place without adverse impact on environment.

In India, under the new Companies Act, 2013, corporates must spend 2% of their profit on CSR activities from next fiscal year, provided they have a turnover of Rs 1,000 crore and more, or net worth of Rs 500 crore and more, or a net profit of Rs 5 crore and more. The corporate affairs ministry expects that around Rs 15,000-20,000 crore would be spent in a year on various social projects such as environment, skill development, water and sanitation through CSR activities. Government of India is also looking at a proposal to float a company to manage CSR Funds of all central public sector enterprises, to ensure efficient implementation of this social initiative. The company could be set up under Section 25 on the ground that an independent entity will have the scale and resources to plan and execute CSR activities.

The Small & Medium Enterprises (SME) sector in India also participates in CSR activities but these efforts have not been optimally delivered. One possible reason can be the fact that CSR activities depend on the profits of an SME and any fluctuations in profits can adversely affect their capability to continue their contribution for CSR activities. Another reason can be the limited human resources available with SMEs which may also result in lack of a professional approach. SMEs tend to focus on short-term activities that involve lesser operational costs and as such prefer charity donations rather than long-term programmes for local communities. With the introduction of the new Companies Act, 2013, the SME's approach to CSR has to be modified while keeping operational costs low. One viable alternative is to pool resources with other SMEs in the cluster and create joint CSR programmes managed by a single entity. This collaboration can be formed by units in a cluster as they interact with the same communities and have already established associations that cater to the business needs of the units.

Thus, CSR is about how companies manage the business processes to produce an overall positive impact on society. Companies consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees shareholders, communities and other stakeholders, as well as the environment. This is seen to extend beyond the statutory obligation to comply with legislation as organizations are voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large. If a company chooses to follow the way of CSR, it will integrate ethical concerns in its activities and in its interaction with all the stakeholders. This implies that the corporate units function in such a way that their CSR activities in all likelihood actually reach out to the society in general. The ethical considerations are aimed at preparing the groundwork for expecting the correct reaction or response of their CSR generated activities.

Key Drivers of Corporate Social Responsibility

Enlightened self-interest – creating synergy of ethics, a cohesive society and a sustainable global economy where markets, labor and communities are able to function well together.

Social investment – contributing to physical infrastructure and social capital is increasingly seen as a necessary part of doing business.

Transparency and trust - there is increasing expectation that companies will be more open, more accountable and be prepared to report publicly on their performance in social and environmental arenas.

Increased public expectations of business - global companies are expected to do more than merely provide jobs and contribute to the economy through taxes and employment.

A properly implemented CSR concept can bring along a variety of competitive advantages, such as improved brand image and reputation, enhanced access to capital and markets, improved productivity and quality, efficient human resource base, enhanced customer loyalty and better decision making and risk management processes. The companies of future are expected to undergo significant transformation such that CSR no longer needs to be managed as a separate deliverable, but to draw a roadmap that can help them understand their role in sustainable development and how they can foster an environment that embeds a CSR ethic in the way business is done.

Vikram Singh

(V.S. RATHORE)

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APPOINTMENTS

- Shri D.M. Spolia, IAS has been appointed as Chairman & Managing Director, Delhi Financial Corporation {DFC}, New Delhi vice Shri Arvind Ray, IAS.

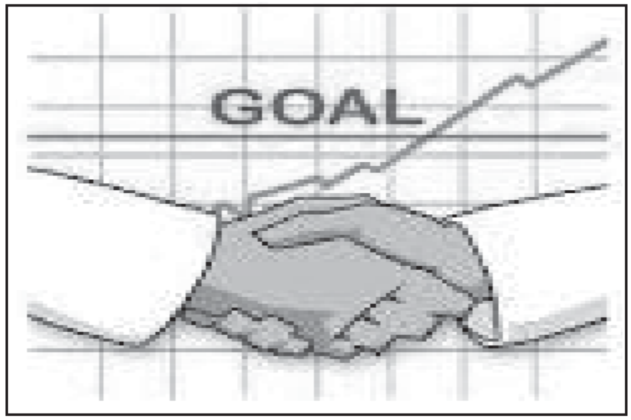
- Shri Onkar Chand Sharma, IAS has been appointed as Managing Director, Himachal Pradesh Financial Corporation {HPFC}, Shimla vice Shri Dr. Ajay Bhandari, IAS.

- Shri V.P. Baligar, IAS has been appointed as Chairman & Managing Director, Karnataka State Industrial & Infrastructure Development Corporation Ltd. {KSIIDC}, Bangalore vice Shri P.B. Ramamurthy, IAS

- Shri Dheeraj Sahu, IAS has been appointed as Managing Director, The Pradeshiya Industrial Investment Corporation of Uttar Pradesh Limited {PICUP}, Lucknow vice Dr. Surya Pratap Singh, IAS.

- Shri Sandeep Kumar, IAS has been appointed as Managing Director, Omnibus Industrial Development Corporation of Daman and Diu & Dadra and Nagar Haveli Ltd. {OIDC}, Nani Daman vice Shri B.S. Bhalla, IAS

- Shri Jasvinder Singh has been appointed as Managing Director, J&K State Industrial Development Corporation Ltd. {J&K SIDCO}, Srinagar vice Shri Ilham Naseem.



- Shri S.I. Sharma has been appointed as Managing Director, Manipur Industral Development Corporation Limited {MANIDCO}, Imphal vice Shri N. Joy Kumar Singh.

- Shri Takuyabang Jamir has been appointed as Managing Director, Nagaland Industrial Development Corporation Ltd. {NIDC}, Dimapur vice Shri Nihoto Sohe.

- Shri Rajiv Takru, IAS has been appointed as the Revenue Secretary in the Finance Ministry vice Shri Sumit Bose.In order to fill the position vacated by Shri Takru, the Appointments Committee of Cabinet (ACC) has also appointed 1980-batch Rajasthan cadre officer Shri Gurdial Singh Sandu, IAS has been appointed as Secretary Financial Services vice Shri Rajiv Takru.

God has promised such of you as believe and do good works that He will surely make them to succeed the present rulers on earth, even as He caused those who were before them to succeed.

Quran 24.55

STRENGTHENING MSMEs MUST TO CREATE NEW JOBS

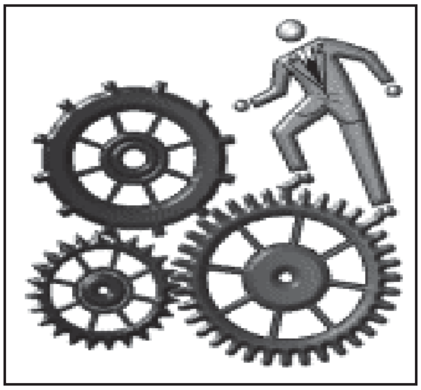
Charan Singh#

The Reserve Bank of India governor recently acknowledged that micro, small and medium enterprises (MSMEs) face difficulties in accessing credit and has suggested the use of technology to facilitate such flow of credit. Shri K.C. Chakrabarty, Deputy Governor, also observed recently that inadequate flow of credit to MSMEs has been one of the factors constraining growth of the sector. Again, according to recent reports, the Standing Committee of RBI has been working on this problem.

MSMEs are an important sector contributing 8% of country's GDP, 45% of manufacturing output and 40% of exports, according to the inter-ministerial committee on MSMEs (September 2013). It is estimated that 3 crore MSMEs providing employment to 7 crore persons are manufacturing more than 6,000 products. And the growth in the sector has been slowing down in recent years. Hence, there is a need to think out of the box to ensure flow of credit to MSMEs.

But first, some facts about the highly heterogeneous MSME sector where 94% of units are unregistered. MSMEs are mainly classified as manufacturing and service enterprises. There is a specific stipulated limit on investment in plant and machinery for each of the respective micro, small and medium segments in manufacturing with a maximum limit of Rs.10 crore, and for equipment in service enterprises with a maximum limit of Rs.5 crore.

The government has been making consistent efforts since 1948 to encourage MSMEs in India. The Office of Development Commissioner for MSMEs, operational since 1954, has 70 offices and 21 autonomous bodies spread across the country. The government has initiated various measures over the years such as cluster approach, special economic zones and MSMED Act, 2006, to encourage the sector. In fact, the government of India has a dedicated ministry for MSMEs since 1999. The Small Industries Development Bank of India (SIDBI), established in 1990, is the principal financial institution for promotion, financing and development of the MSMEs. Commercial banks, especially through the priority sector lending, play an important role. At the state level, state financial corporations and state industrial development corporations are the main sources of long-term finance for the sector.



Nearly 93% of units in the MSME sector are dependent on self-finance and do not get any financial support from the financial institutions. Issues related to credit such as adequacy, timely availability, cost and mortgages continue to be a concern. In India, a universally acknowledged reason for the reluctance of the commercial banks to lend to MSMEs is the lack of reliable information for banks to assess the creditworthiness of these units and their promoters and proprietors. The credit information companies (CIC) are attempting, since 2005, to collect and build information database. The CICs are in a nascent stage and the information base is still very limited. The progress is obviously slow for many reasons and RBI recently released a draft report on credit information for CICs seeking comments from the public. The dataset by CICs can only be prepared by official track of information which is not available for many units and certainly not for first timers. In India, with cash component of payments still substantial in transactions, establishing credit history would take a long time before business practices change and credit history is created. Again, collecting soft information on MSMEs and their proprietors and promoters would involve substantial effort, which would be expensive to collect and difficult to substantiate. Also, the ease with which these MSMEs can change their location, address and name of the promoter and proprietor, especially when most of them are in rural areas, and with most of them unregistered, makes it rather difficult to recover loans. Further, lack of transparency and fair bankruptcy process and legal provisions for the recovery of loans are lengthy and therefore cumbersome. In the current context of rising NPAs in case of all commercial banks, lending to MSMEs is considered rather risky and therefore the persistence in reluctance.

The government could consider a self-help group (SHG) approach to extend credit to the MSMEs, as SHGs, based on experience in the sector of microfinance, operate on collective wisdom and peer pressure to ensure end-use and repayment. A similar exercise, in spirit, by Bangalore in filing property tax for the Bruhat Bangalore Mahanagara Palike in 2008 has yielded positive results where taxpayers can see what they have paid compared with their neighbours (Isher Ahluwalia, 2014).

Given the demographic patterns in India, more jobs would have to be created outside the government sector. In this context, the role of MSMEs assumes great significance and needs to be strengthened. In addition to technological solutions, which would generally take a long time to implement and fructify, the banking system could use a time-tested approach exemplified in SHGs to extend credit to MSMEs. A strong and flourishing MSME sector would contribute to growth and higher exports.

Courtesy: The Financial Express.

The author is RBI Chair Professor of Economics, IIM Bangalore.

Duke Ai: "May I ask what is the art of government?"
Confucius: "The art of government simply consists in making things right, or putting things in their right places. When the ruler himself is 'right', then the people naturally follow him in his right course. "

Book of Ritual 27

COMPOSITE DEVELOPMENT INDEX : AN EXPLANATORY NOTE

Bharat Ramaswami

In May 2013, the Government of India constituted a committee to evolve a composite development index of states. The Committee was directed to suggest methods for identifying the backward states that could then be reflected in the devolution of funds from the Central Government to the States. The terms of reference also included a qualifier: the devolution formula must also incentivize performance by including variables that measure the ability of States to use funds productively.

The committee submitted its report on September 1, 2013 (available at http://www.finmin.nic.in/reports/index.asp). The document popularly known as the Rajan panel report (after the Chair, Raghuram Rajan) drew much attention.

The Principal Idea

The simplest scheme would be to look at per capita income. Economic growth is measured by the growth in per capita income and surely the idea of balanced regional development would include some notion of parity in per capita income. The committee was, however, of the view, that the object of a development index is to capture the well being of an average individual in a state. Hardly anyone would contest the view that development is not synonymous with income growth. Indeed, the widespread acceptance of the human development index that combines income with indicators of health and education testifies to the strength of this view. This suggests that a development index ought to be a composite of income and other social indicators. However, economists have long preferred average consumption expenditures per capita as a better measure of economic welfare. Consumption is less sensitive than income to shocks coming from droughts, prices or policy changes. Secondly, as inequality in consumption is less than the inequality in income, the consumption average is more representative of average standards of living.

To illustrate, consider an example. Suppose state domestic product is relatively high because of a few industries such as mining or oil refining. However, as these industries employ relatively few people, the direct impact on consumption

expenditures will be limited. The state GDP per capita would then be a misleading measure of the well being of an average individual. However, in this example, even consumption expenditures may not fully capture economic welfare. This is because there could be indirect impact of higher state GDP. A richer state would have more tax resources that could be invested in infrastructure, public services and subsidies to essential goods. All of these clearly matter to economic welfare. While subsidies could be captured by consumption expenditures, infrastructure and public services would need additional indicators. A comprehensive development index would therefore have to be averaged across consumption per capita and these other indicators of economic welfare. This is the principal idea that underlies the development index proposed by the Committee.

Method

The development index has two components: a needs index and a performance index. The needs index is a simple average of consumption per capita and other relevant variables. The performance index is essentially the change in the needs index (towards development). The performance index receives a weight of 25% in the overall development index. The performance index is included so that states that use funds productively to further economic welfare (as measured by the needs index) are not penalized in future allocations of funds.

The needs index is a simple average of per capita consumption expenditures, the poverty ratio (which accounts for the inequality in consumption) and 8 other variables measuring access to public services and infrastructures. Six of these variables are education, health, household amenities (provided by public services), rate of urbanization, financial services and a connectivity index (comprising rail and road). The seventh variable is the female literacy rate – the only variable in the index that captures gender specific outcomes. The last variable is the percentage of population that is either Scheduled Caste (SC) or Scheduled Tribe (ST). Unlike other variables, this is not an outcome variable. However, it was included in the index because it is widely recognized in Indian public policy that additional resources are needed to overcome the disadvantages of these populations because of the legacy of discrimination. The performance index is the change in the needs index with minor modifications. In particular, the SC/ST variable is excluded. So are the variables in the connectivity index that relate to Central government investments. Before the indices are constructed, all the variables are suitably normalized to a 0-1 scale where a smaller score indicates a higher level of development relative to the other states.

The next step converts the indices to points to each state based on need and on performance. The points also take into account the state's population and area. The final step is to compute a state's share in the overall funds to be disbursed. As the points tally favours large states, each state gets a fixed basic allocation of 0.3%. This totals to 8.4% of funds. To allocate the remainder 91.6%, the following procedure is adopted. A state's share based on need is the ratio of the points scored according to need divided by the sum of all points across the states. Similarly, a state's share according to performance is computed. The sum of these two plus the fixed allocation of 0.3% is the state's overall share in funds.

Features

It is important to note that the index does not propose a binary classification of states into developed and under-developed. Rather it recommends an allocation of funds based on the development index. As is well known, a binary classification tends to be arbitrary because it is typically not clear where the dividing line ought to be drawn. States that are close to each other in the development index might well fall on either side of the dividing line. The index based allocation avoids such issues.

Second, the intent was to construct a transparent index that can be revised with time. To achieve this intent, the Committee restricted itself to those indicators that are contained in official data and about which information is routinely collected from time to time. The needs and performance indices are therefore dynamic and so would the formula for allocation of funds.

Turning to the findings, Goa has the lowest value on the under-development index and its share according to both need and performance is zero. So it receives only the fixed share of 0.3%. Despite this, its per capita allocation (Rs.20.6) in Rs. 1000 crores is high because of its small population. For a similar reason, other small states also gain. Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura receive small shares; yet their per capita allocations are higher than that of the other states.

An easy way of summarizing the implications of the Committee's report is to look at the ratio of the state's share in funds to its share in population. If this value is above one, then a state receives more than its share of population. If this value is below one, then a state receives less than its share of population.

The states with shares less than their shares in population, in increasing order, are Kerala, Tamil Nadu, Maharashtra, Punjab, Haryana, West Bengal, Gujarat, Karnataka and Uttarakhand. Andhra Pradesh and Uttar Pradesh have fund shares that are about the same as their share in population. The states with fund shares more than their shares in population include Goa, Himachal Pradesh, Sikkim and the North-Eastern States. The larger states in this category, in increasing order of fund share, are Assam, Bihar, Jharkhand, Rajasthan, Madhya Pradesh, Chhattisgarh, Jammu & Kashmir and Odisha. These are the states that would gain from the application of a development index.

Questions

There are several questions that need to be addressed in constructing an index: what variables should comprise the index, how should they be weighted and whether and to what extent performance should be weighted. Much of the criticism of the index surrounds these questions.

The most persistent criticism of the index was the decision to use consumption per capita rather than income per capita. This was the principal objection of the dissenting note to the report. Why should a state like Kerala that has high consumption expenditures only because of remittances rank high in the index? Notice that by this reasoning, India's export of software services cannot be seen as 'development' either.

Another criticism was why should the indicators be equally weighted. In the technical literature, the method of principal components is often used to compute weights in the construction of indices. The Committee used this method as well and found that the principal components method suggested weights close to the equal weights allocation. A third kind of criticism relates to the ranking of states according to the development index and their shares in funds. The report has been criticized for giving too little to the North-eastern states (even though their fund shares are well above their shares in population) arguing that this would jeopardise their development. In the same breath, commentators (and often the same ones) have chastised the committee for reducing the shares of the states that have done well on the development index. A fourth criticism is that the Committee should have recommended transfers to offset fiscal disabilities. This was not the mandate of the Committee and doing so would have encroached on the domain of the Finance Commission.

Finally, a fundamental criticism has been about the place of this report in the wider framework of Centre-State federal transfers. As is well known, much of the devolution of funds happens through the Finance Commission or through central assistance to state plans through the Planning Commission. The Finance Commission is constitutionally mandated and clearly their recommendations do not have to be based on a development index. The Planning Commission allocations are fixed in consultations with states and only a small part of their disbursement is guided by the Gadgil-Mukherjee formula. Therefore, it is not clear what Central funds will be guided by a development index.

Perhaps one reason for some of the discomfort with the Committee's findings is that the report has insufficient documentation about the raw data that was used to produce the indicators. Although the raw numbers are sourced from official data available in the public domain, it is a formidable task for individual researchers to assemble the entire data themselves.

Concluding Remarks :

In this short article, I have attempted to convey the thinking behind the report on the composite development index and also a flavor of its findings. The report itself contains greater detail about the data sources, the correlation between the various indicators, the formula for assigning points, and the findings and how they relate to fund shares through Finance and Planning Commission. The index is transparent and based on official verifiable data. The index is not based on a *priori* views about whether a particular state is less developed or not. It is equally important to note that the index and therefore the allocation of funds is relative. Everybody cannot do well on the index. For this reason, some states that are higher ranked on the development scale would receive less funds less than a lower ranked state. This is the logic of a development index.

Endnotes

The raw data was assembled by a team at the Ministry of Finance that also computed the index. The primary task of the Committee was to develop the methodology. The index computations with state identifiers and the raw data were not seen by the Committee until after the methodology was finalized.

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Courtesy: Yojana

The author is professor of Economics at the Indian Statistical Institute, Delhi with research interest that spans areas in agricultural economics and economic development

PROFILE OF MEMBER CORPORATIONS

KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION (KSIDC)

Smt. Aruna Sundararajan, IAS is presently Managing Director of Kerala State Industrial Development Corporation (KSIDC). Some of her assignments since she joined Services have been Under Secretary, Ministry of Defence, Secretary, Information Tech. Deptt., CEO, Infrastructure Leasing & Financial Services, Joint Secretary, Ministry of Housing & Urban Poverty Alleviation, Secretary, Social Welfare Deptt., Prl. Secretary, Power Deptt., Kerala. KSIDC is scaling new heights of achievements under the able stewardship of Smt. Aruna Sundararajan, IAS.

Kerala State Industrial Development Corporation (KSIDC) - the Government agency for industrial and investment promotion in Kerala was formed in 1961 with the objective of promoting, stimulating, financing and facilitating the development of large and medium scale industries in Kerala, KSIDC acts as a promotional agency involved in catalyzing the development of physical and social infrastructure required for constant growth of industry in the State.

KSIDC offers professional guidance and support for potential investors through a comprehensive set of services that include developing business ideas, identifying viable projects, providing financial assistance, guidance and assistance for implementation. KSIDC thus attracts a considerable volume of investment to the State.

Functions :

Kerala State Industrial Development Corporation Ltd. (KSIDC) is a wholly owned company of Government of Kerala, for the promotion and development of medium and large scale units in the State. As the nodal agency for foreign and domestic investments in Kerala, KSIDC provides comprehensive support for investors, besides processing various incentive schemes and facilitating constant interaction between the government and the industrial sector.

Established in 1961, KSIDC is led by a core group of seasoned professionals from various fields including Engineering, Management, Finance and Law. The expertise of these professionals in planning and management of various kinds of projects helps the corporation to provide comprehensive assistance for investors.

KSIDC, as a facilitator and financier for industries, offers wide ranging assistance in industrial promotion. The key areas of our focus include:

- Identification of Investment Ideas
- Translating ideas into concrete proposals
- Feasibility Study, Project Evaluation

- Financial Structuring, Loan Syndication
- Assisting in Central and State Govt. Clearances
- Development and Administration of Growth Centers
- Industrial and Infrastructure development

So far, KSIDC has promoted more than 650 projects in the State with an investment outlay of Rs.5155 crores providing employment to approximately 72500 persons.

Project Lending :

KSIDC offers financial assistance and support to medium and large scale industries in the State including service sectors like tourism, star category hotels, resorts, hospitals, infrastructure projects, etc and where the constitution of assisted unit is in the nature of Private/ Public Ltd Company.

Usually assistance is extended to projects with an investment of Rs.200 Lakh and above and the term loan assistance is limited to a maximum of Rs.2000 Lakh in a project and it can go up further in a single project with State Government's permission. The definition of the medium and large scale manufacturing industries as defined by the Central Government is applicable to the Corporation also.

He alone is a man who keeps his word: Not that he has one thing in the heart, and another on the tongue.

Guru Gobind Singh

LETTER TO THE EDITOR

Dt.: 28th April, 2014

Dear Editor,

Shri Ashok Khandelia

The periodicals and journals published by Industry Associations and organisations such as yours play a vital role in disseminating relevant information to the members in particulars and the public at large. Since we are also publishing a monthly Newsletter we can appreciate the efforts which go into preparing a good journal. We find the new format of COSIDICI COURIER quite eye catching. The constant improvement also shows that the persons responsible for publishing are not taking it as a routine job but putting their heart & soul in its preparation.

Your publication is doing a yeoman service to the Industry fraternity and deserves all praises for the effort.

Please accept our best wishes for the publication as well as for the Council of State Industrial Development & Investment Corporation of India (COSIDICI).

With Best Regards,

Yours Sincerely,
Sd/-
{Ashok Khandelia}
President
Association of Industries Dewas
Industrial Area No. 1,
A. B. Road, Dewas - 455001

QUESTIONS OF CYBERQUIZ~47

1. What is the name of the BPO company of Indian cinema celebrity Arvind Swami ?

[a] Phoenix Global Solutions; [b] ProLease India; [c] Mindshare; [d] Mindspace.

2. What did Jakarta Project of Sun Microsystems involve ?

[a] Creating a web server for servelets and JSPs (Java Server Pages) in collaboration with Apache; [b] Creation of Java Language; [c] Creation of a commercial version of Java; [d] Creation of a commercial version of Linux.

3. This non-profit organisation of volunteers from around the world operates and contributes to a project to design, develop and maintain a free open-source HTTP Web server. What is it called ?

[a] Open-source Group; [b] Apache Group; [c] Java Group; [d] Apache-Sun Group.

4. Which Indian company is the world's first TL 9000 certified software services company ?

[a] Infosys Technologies; [b] TCS; [c] CMC Limited; [d] Wipro Technologies.

5. Which company calls its e-service arm the Garage Program ?

[a] Hewlett-Packard; [b] General Motors; [c] Ford Motor Company; [d] Maruti Udyog Ltd.

For Answers See Page No. 30

Multi-level parking in Udyog Vihar

HSIIDC released the initial blueprints for its multi-level car parking project, which will soon be up for commissioning in Udyog Vihar. The new facility will be the first designated parking space for vehicles in Gurgaon's industrial area, where cars are usually parked on the roadsides causing massive traffic clutter during the rush hours. With the release of this initial proposal, which spells out the basic requirements as well as the budgetary parameters for the car park project, the HSIIDC has set the ball rolling on one of the most urgent of infrastructural requirements in Udyog Vihar as of now. "Given the space constraints in Udyog Vihar phase IV, surface parking slots cannot adequately serve the requirements of the area. Thus, the HSIIDC is proposing to develop a dedicated parking facility, which would include a multi-level parking as well as an area designated for surface parking to cater to the growing demand for car parks in this area," said an HSIIDC official. The expected financial outlays for the overall project will be something to the tune of Rs 90-100 crore, and the new parking facility, according to officials, would also accommodate retail outlets, offices and eateries so that the commercial returns are maximized. "We have chosen a 3 acre area in Udyog Vihar phase IV for the multi-level car park project. The land adjacent to it, around 3.5 acres will be utilized for construction of a new access road and for a surface parking facility," the official said. The site is located at a distance of around three kilometres from the expressway and will be connected to the NH8 through a new 9-metre-wide access road, also to be constructed as a part of the overall project. "The new strip of road will extend all the way from the parking facility to one of the service lanes of the highway. There's another 18-metre-wide road which is proposed to pass through the main site to provide better connectivity, which will also be constructed along side the main project.

Andhra Pradesh government looks to sell stakes in Hyderabad infra projects

Andhra Pradesh is dividing the state government's equity holdings in dozens of infrastructure projects taken up under public-private partnerships and aim to complete the work by June 2. This has been necessitated due to creation of Telengana as India's 29th State. The state government, through its nodal agency Andhra Pradesh Industrial Infrastructure Corporation is reducing its equity in these urban infrastructure projects to 26%.

Valuers and auditors are being appointed to assess the worth of the equity investments by the state government. Andhra Pradesh has investments in some 300 industrial parks spread over 1.21 lakh acre. It has stakes in 29 joint venture companies with private entities.

APIIC, whose initial focus was selling developed industrial plots to businesses, reoriented itself to the changing needs of the economy and joined hands with private firms. The corporation holds equity stakes in projects mostly in lieu of the land given to infrastructure projects. In some cases, it has made cash investments.

Centre approves electronics projects worth Rs 89 crore in Madhya Pradesh

The Central government has sanctioned electronics manufacturing projects worth Rs 88.65 crore in two districts of Madhya Pradesh. The projects, coming up at Badwai near Bhopal and Purva near Jabalpur, will provide employment to over 17,000 people, according to the state government's Information Technology department. The cost of the cluster project at Badwai is pegged at Rs 48.34 crore, wherein the contribution of Centre will be 50 per cent.

The state government through the Madhya Pradesh State Industrial Development Corporation (MPSIDC) and the units to be set up under the project will equally bear 25 per cent cost equally.

"*For the project, 50-acre land has been allotted where world-level high quality facilities of power, water, road and other infrastructure will be provided. The project will be operational within 2.3 years*," the release added.

According to the state government, a collective investment to the tune of Rs 260 crore by the units is expected for the project wherein 3000 people will get direct and 9000 indirect employment.The cost of the cluster project at Purva is estimated at Rs 40.31 crore. "The pattern of cost sharing for this project will be same as in Badwai cluster.

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Yesterday is but a dream, tomorrow is only a vision, but today well lived makes every yesterday a dream of happiness, and every tomorrow a vision of hope.

Kalidasa

U'khand notifies new policy for small units

The Uttarakhand government has come out with a new purchase preference policy for micro and small enterprises (MSEs) in the hill state. Under the new policy, the government will give purchase preference to all the state-based local MSEs in case their tenders are within the range of 20 per cent of the L1 (lowest quotation). The measure would benefit the state's khadi and village industry, particularly in the handicraft and handloom sectors.

Even in the various government turnkey projects, it will be mandatory for the company to purchase 30 per cent of the material from local MSEs. While making procurement from the local enterprises, the government will not seek information regarding the company's annual turnover. For this purpose, all the MSEs in the state will have to register with the National Small Industrial Corporation (NSIC) and get a certificate of quality from it.

Gujarat tech SMEs eye 40% rise in exports

After a successful participation in the global trade exhibition at CeBIT 2014 in Hannover, Germany, recently,Gujarat-based small and medium enterprises (SMEs) in the information technology sector are upbeat about making their presence felt in global trade and exhibitions. Led by the industry association, Gujarat Electronics and Software Industries Association (GESIA), the SMEs are exploring more global opportunities to enhance IT exports from the state.

Hence, after participating in trade expos in Dubai and Germany, GESIA is exploring places such as West Asia, Taiwan, Barcelona, Brazil and Canada to begin with. What is more, by enhancing their global presence through trade expo participation and delegation visits, GESIA anticipates a rise of 40 per cent in software exports by Gujarat-based IT SMEs.

In the immediate future, GESIA is looking at participating in IT and electronics trade expos in West Asia and Taiwan. It is also in talks with the Canadian government for delegation visits.

According to Shri Vishal Vasu, director and chief technology officer of Dev Information Technology Pvt. Ltd., one of the IT SMEs from Gujarat that participated in CeBIT, the participants received enquiries in areas like mobile application development, web application development, IT service management, and enterprise solutions, among others.

India's exports of electronics goods, software and related services to West Asia totalled $3.519 billion in 2012-13. It is estimated that electronics goods exports to West Asian countries in 2012-13 amounted to $1.667 billion, while exports of software and related services to that region amounted to $1.852 billion. However, IT and software exports from Gujarat are currently worth Rs 1,400 crore, which the industry body anticipates will rise by 40 per cent due to an enhanced global presence on the part of IT SMEs from the State.

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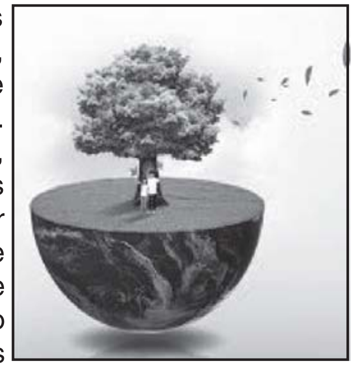
DO YOU KNOW !

FOREST PRODUCTS AND THEIR USES

- ***Timber :*** More than 1500 species of trees are commercially exploited for timber in different parts of India. It is used in timber-based industries such as plywood, saw milling, paper and pulp, and particle boards.
- ***Bamboo :*** These are common in the north-eastern and the south-western parts of India, growing along with deciduous or evergreen forest. The main commercial uses of bamboo are as timber substitutes, fodder, and raw material for basket, paper and pulp, and other small-scale industries.
- ***Cane :*** Cane or rattan are the stems of a climber plant and are used for a large number of household items. It is used to make walking sticks, polo sticks, baskets, picture frames, screens, and mats.
- ***Grasses :*** There are hundreds of varieties of grasses in the country that are used for a number of purposes. Lemon grass, palmrose grass, bhabbhar, and khus grass are some of them.
- ***Fruit :*** Fruit trees are an important source of income and food for the rural household. In some areas fruit trees are commonly planted along the field borders and around the wells. Mango, coconut, orange, pear, jackfruit and many others grow wild in the forest.
- ***Medicinal use :*** Since time immemorial humans have been depending on the forest to cure them of various ailments. Even today man is dependent on the forest for herbs and plants to fight against disease. Of all the medicinal trees found in India, the neem is the most important. Leaves, bark, and other parts of many other trees also have medicinal value and are used to make various ayurvedic medicines.



- ***Fibre :*** Plant fibre has many different uses. Soft fibres such as jute are derived from the stems of the plant. Hard fibre from the leaves of hemp and sisal are used to make fabrics for various applications. Coir, another form of fibre from the fruit of the coconut, is used to make ropes.
- ***Floss :*** The fruits of many species of Indian trees produce a silky floss. The most common of these is simal. It is used to made cotton wool, mattresses, and pillows.
- ***Essential Oils :*** Tropical grasses such as lemon grass, citronella, and khus are the source of essential oils. Oil is distilled from the wood of various species such as sandalwood, agar, and pine. Oil is also derived from the leaves of certain plants and trees such as eucalyptus, camphor, wintergreen, and pine. These oils are used for making soaps, cosmetics, incense, pharmaceuticals, and confectionery.

One must never give up hope of becoming better. A person is old only when he refuses to make the effort to change.

Paramhansa Yogananda

The Executive Committee of COSIDICI was held at "Uday Samudra Leisure Beach Hotel", Samudra Beach, Kovalam, Kerala on March 08, 2014 and discussed the following issues :

Strengthening of Training arrangements for Officers of SLFIs :

The on-going Training Programme arranged by COSIDICI in collaboration with RBI at Pune was appreciated by the Executive Committee. The Members felt that the Training provided by SIDBI would be very useful for SFCs. However, SIDBI being their apex body should subsidise these training programmes. COSIDICI was requested to take up the matter with SIDBI. Shri P. Joy Oommen, IAS advised that COSIDICI may build a pool of resource persons of officers from the Member Corporations. These officers would be experts in their field. KFC for example has a number of officers who can be trainer for Project Appraisal, Recovery matters and even on HRD issues. SICOM Ltd. has officers who are experts in Project financing in many sector. SICOM could also guide those members which had registered as NBFC u/s 45-1A of the RBI Act, 1935 to file monthly and quarterly returns which had been made mandatory by the RBI. COSIDICI was requested to make a schedule for conducting its own training with the help of the experts sourced from the Member Corporations and the training would be held in different regions of the country so as to benefit all the members. The Executive Committee appreciated this suggestion and felt it would enable sharing of expertise through training which is relevant to the staff of the member corporations.

Strategies for revival and restructuring of SFCs:

Shri Oommen informed that in recent years KFC has been achieving substantial growth in terms of sanctions, disbursements of financial assistance as well as in recoveries. The operational profit of the Corporation had crossed Rs.100crore mark for the first time in the history of the Corporation and it had emerged as the best performing public sector undertaking in Kerala. The Corporation earned a Net Profit of Rs.66.83 crores during F.Y. 2012-13, the Non- Performing Assets are 0.36% and Capital Adequacy Ratio (CAR) is 24.94. KFC is the nodal agency for the Kerala State Entrepreneur Development Mission (KSEDM) which was announced in the budget of Kerala State Government in the financial year 2011-12. The Mission involves setting up of 10,000 enterprises in the State over the next five years. It also aims at generating one lakh job opportunities and building entrepreneurship culture among the educated youth of the State.

The groups/entrepreneurs are selected after interview conducted by a Selection Committee and are given training for two weeks and they will be given interest free financial assistance up to 90% of the project cost, subject to a maximum of Rs.20 lakhs. The repayment period is maximum of 5 years, including one year moratorium. As on February 28, 2014, 1,980 enterprises and 4,676 prospective entrepreneurs, were selected under the Mission scheme. 244 of these enterprises have already started commercial operation and 99 more, having been sanctioned financial assistance, are implementing their projects. Including the promoters, 1,618 persons are engaged in the enterprises that have started commercial operation. One breakthrough that KFC has achieved through the KSEDM is the funding of start-up units in incubators in different parts of the State. Many units in Technopark TBI, Thiruvananthapuram, Start-up Village, Ernakulam and NIT Incubator, Kozhikode have availed loans for the first time for their commercial operations. More persons with higher education, especially professional education, are coming forward to take up the self-employment route which has given a new direction to the youth of Kerala. There has also been a substantial increase in the number of persons trained. To sustain the growth momentum, the Corporation has been looking at opportunities of participation in meets where prospective entrepreneurs also participate. These include organizing workshops, awareness camps in colleges, sponsoring of college annual meets, actively participating in activities at technology incubators, etc. The large number of start-ups thus incubated by KFC, are expected to have a multiplier effect on the economy of Kerala leading to availability of local products and services with improved quality and at a lower cost to customers on the one side; and additional contribution to State Exchequer in the form of sales tax, service tax etc. on the other side. It would also make the youth self-reliant, confident and enable them to attain dignity with good living standards.

The Corporation has also established itself as a technologically advanced Customer Centric Institution. It had made substantial progress in implementing the Core Financial Solution (CFS) developed for it by TCS. A new application has also been developed to handle the disbursement fund requests from branches and allocation of the same from Head Office on real time basis which reduces the time lag between request of funds and disbursement of loans.

Mr. T. Wangchuk, M.D., SIDICO informed that SIDICO has an authorized share capital of Rs. 20.00 crores and paid up capital of Rs.17.14 crores. Its net profit during the past two years has been above Rs.2.00 crores for each year. The Corporation has declared dividend amounting to Rs.51.43 lakhs to the share-holders during the Financial Year 2011-12 and 2012-13. SIDICO is the nodal agency of the State Government for implementation of Chief Minister's Self Employment Scheme under which the educated unemployed youth of the State are given loans at a concessional interest rate of 6% per annum to take up income generating schemes through self employment. The loan is interest free for two years from the date of disbursement. SIDICO is also the nodal agency of the State Government for implementation of the Comprehensive Educational Loan. It is meant for educated youth desiring to take up higher academic studies and professional courses in India and abroad. The loan is interest free during the course period plus one year or 6 months after getting employment whichever is earlier. Thereafter, it bears an interest of 6% per annum.

Dr. Madhu Khare, IAS, M.D., MPFC informed that MPFC has a share capital of Rs.361.1 crore. The Corporation is also meeting its targets of sanctions and disbursement. However it was felt that the SFCs Act 1951 constrained the working of the State Financial Corporations. It did not allow the SFCs to give loans to educational Institutions. The Executive Committee advised under section 2(c) of the SFC Act, the SFCs could give loans to an industrial concern providing engineering, technical, financial, management, marketing or other services or facilities for industry. If any Corporation wants to give loan for any other activities, it could get that activity approved by SIDBI under clause xxii of Section 2(c) of the SFCs Act. The approval would however need to be taken on a case to case basis. The MSMED Act 2006 had added a list of services which had expanded the activities where the SFCs could operate profitably.

Smt. Anita Rajendra, IAS, Vice CMD, APIDC informed the Executive Committee that the APIDC was established in 1960. It had financed units which have now become very large and successful industries e.g. Amara Raja, Pennar Industries but APIDC was no longer extending term loans to individual units. However the Corporation started Venture Capital financing for which it had formed APIDC-VCL. The fund had already given a return of 20%. The Corporation had started Research and Innovation Council of Hyderabad with equity of Rs.100crore from the State Government and ISB as the knowledge partner. The research done here would be in the field of IT, Life Science, Cleantech, Manufacturing sector etc. and would be linked to industry. APIDC would facilitate linkages between Research and Industry and would contribute Rs.60 crore to the fund. Thus the role of the Corporation is more in the area of industrial promotion and less in lending operations.

Shri Baldev Singh, IAS, M.D., SICOM Ltd. informed the Executive Committee that SICOM was disinvested in 2005. It is a non-deposit taking NBFC and was registered under section 45-1A of RBI Act, 1934. The Government of Maharashtra owns 49% of the equity, the rest of 51% is with Sansui Bank of Japan, J C Flower & Company, Corporates and Employees Welfare Fund of 2%. Two of its main resources of funds are term deposits from corporates and line of credit from various banks. SICOM had decided to go in for public issues and float an IPO but keeping in view the current economic scenario the Corporation has postponed the same. SICOM gives long, medium and short term loans, Working Capital Loans as well as Bill Discounting facilities. It's three main areas of expertise are as under :-

Special Situation Funding : Under this Scheme, SICOM takes up units which are not doing well but which can be turned around. SICOM participates in management, equity and debt of these companies. The Corporation has achieved 100% success rate in turning around these NPAs and earned handsomely by selling the equity of the unit (*after turning it around*) in the market.

SICOM-ARC : This is a 100% subsidy of the Corporation which takes over the NPAs of banks and affects recovery by selling the assets. SICOM-ARC has earned Return on Assets ranging between 30-40%.

Real Estate Sector : SICOM enters into Joint Venture Projects with builders and is presently into a residential project (of 100 acres) in Nagpur.

SICOM actively participates in Venture Funding but only after evaluating the projects and the risks involved. It had funded one in education sector namely Educomp which is more of an IT company than an Educational Institution. Shri Singh felt that SFCs should be turned around to promote industry for which they needed to be made autonomous.

Shri Madhusudan Sharma, IAS, M.D., RFC informed the Executive Committee that RFC has not given any fresh loans in the past two years. RFC had become a nodal agency for Young Entrepreneurs Incentive Scheme of the Government of Rajasthan. Under the scheme 1000 persons were supposed to be helped to set up industries. However, only 280 persons were chosen but are yet to be given financial assistance. The main problem was the lack of suitable industrial plots with proper facilities in well developed industrial areas. Commenting upon RFCs loan portfolio, Shri Sharma informed that many of the units financed earlier by RFC gone for litigation and resolving these old cases was difficult. He felt that common "litigation policy" could be prepared for all the SFCs. Shri Sharma further informed that RFC plans to focus on giving loans to upcoming real estate sector projects in the State.

Shri V.S. Rathore, Secretary General cautioned that RFC already has a high exposure to the real estate sector and further exposure would lead to increased risks. Also, the RBI has fixed exposure norms to this sector for Banks, which are also to be adhered to by RFC/all SFCs. Shri Baldev Singh informed that when SICOM takes up real estate financing, it takes a collateral of 2.5 – 3 times the cost of the project apart from proper due diligence and thorough appraisal. Further, an Escrow account is opened for routing the revenues / sale proceeds under the project. It should be made mandatory for the loanee to obtain *'No Objection Certificate'* from the Corporation for sale of any project related assets/collateral assets.

The Executive Committee was unanimous in its opinion that working of all the Corporations should be fully computerized. This would enable the applications to be processed within a few days and facilitate sanctions and disbursement of loans and recovery. Kerala Financial Corporation had already shown a marked improvement in its operations since implementation of Core Financial Solution.

COSIDICI National Awards 2014 for "Outstanding Entrepreneurs" :

The Executive Committee was happy to note the good response of the Members Corporations towards the COSIDICI National Award Function 2014 and suggested that the function may be held after the Lok Sabha Election 2014 to enable a better participation from the Member Corporations.

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RBI extends loan tenure for exporters to 10 years

The RBI has allowed banks to provide loans with tenures of up to 10 years to exporters to help them ensure capital flows to fulfill long-term contracts. Existing norms allow banks to give loans for up to one-year only. It has been decided to permit banks to allow exporters having a minimum of three years' satisfactory track record to receive long-term export advance up to a maximum tenor of 10 years to be utilised for execution of long-term supply contracts for export of goods.

SMEs raise Rs.317 crore through public issues last year

As many as 37 small and medium enterprises got listed on the bourses in 2013-14, with public issues worth Rs.317 crore. It was 32.63% more than Rs.239-crore garnered by 24 companies on the SME platforms of the stock exchanges in 2012-13. BSE has 57 and NSE has five firms listed on their respective SME platforms.

RBI Panel to review credit flow to MSME sector

A meeting of the Reserve Bank of India's Standing Advisory Committee was convened in March to review the flow of institutional credit to the micro, small and medium enterprises (MSME) sector, according to the fortnightly e-newsletter of the Federation of Indian Micro, Small and Medium Enterprises (FISME). The RBI has constituted the Standing Advisory Committee (SAC) with Deputy Governor Shri K C Chakrabarty as chairman. The officials of the ministry of micro, small and medium enterprises, banks and associations of the MSME sector are members of the SAC.

The committee has been mandated to examine issues related to credit availability to the MSME sector. It will also examine the constraints and the steps being taken to overcome them, so that the institutional credit flow to MSMEs improves. On the agenda for the meeting is a review of credit to the MSME sector. In this regard, it will review data on outstanding credit to the sector as on December 31, 2013 as received from the banks; suggestions received from industry association and chambers; and recent initiatives to facilitate credit flow to the

Iron and Steel Industry

sector. The committee will also review findings of the IBA (Indian Banks' Association) on 'Quick Study on the MSE sector' and release of long-pending claims of banks under the erstwhile PMRY (Prime Minister's Rozgar Yojana) subsidy.

Govt concerned at 221% rise in sick MSMEs

An inter-ministerial committee on accelerating manufacturing in the micro, small and medium enterprise (MSME) sector has made over 60 recommendations covering issues of regulation, finance, infrastructure, technology and markets that affect the different stages of the life cycle of MSMEs. The recommendations come in the backdrop of a 221 per cent increase in the number of sick micro and small enterprises (MSEs) between 2010 and 2013 — from 77,723 to 249,903 (provisional) — after declining between 2005 and 2008. Their outstanding loans have risen by nearly 145 per cent over this period, from Rs.5,233 crore to Rs.12,800 crore.

The committee was set up by the cabinet secretary in the context of the long gestation period in the National Manufacturing Policy introduced by the Centre in 2011, and owing to growing concern about the performance of MSMEs in the short and medium terms. The report recommends ways of boosting manufacturing in the MSME sector. The report said it was clear that MSMEs individually and collectively lack the advocacy ability enjoyed by larger enterprises on economic and functional issues, and, therefore, are frequently at the receiving end of unexpected actions of other stakeholders, including the state machinery. "A complex and unfriendly business ecosystem pushes small entrepreneurs towards the informal and unregistered segment, which is growing faster than the organised segment by more than five times, and already accounts for over 95 percent of all MSMEs,".

This trend must be reversed as it is not sustainable, it adds, noting that policy makers and administrators in multiple departments of local, state and Central governments must understand the need to create an ecosystem that assists entrepreneurs through the life cycle of creation, growth and closure of enterprises and encourages them to operate in the organised economy. Among the key recommendations of the report are two that say state governments should streamline and simplify internal processes, and allot more than 30,000 plots that are lying vacant in established industrial estates across the country to start-ups that come up with good business plans. The committee has also recommended the setting up of a Credit Guarantee Fund with a corpus of Rs.1,000 crore, purely for enterprises started by graduate engineers and graduate management trainees, adding that the scope of the fund can subsequently be expanded to include other first-generation entrepreneurs. The report says the India Inclusive Innovation Fund must be operationalised as early as possible and the Reserve Bank of India should consider directing commercial banks to reduce lending rates to MSEs from 17-18 per cent to 13 per cent (i.e., not more than two percentage points above the base lending rate), since the credit risk is almost eliminated when the guarantee cover under CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) is taken. It repeats a recommendation of the National Manufacturing Competitiveness Council, that a liquidity fund be set up for market makers in SME platforms, to provide them with a cushion to reduce their holding risks. The ministries concerned must consider setting up innovation hubs to use R&D for the manufacture of high-end technology products. These innovation hubs may comprise the 2000 clusters that are in the organised sector; the laboratories of the Council for Scientific and Industrial Research and the Indian Institute of Science; and technical universities in the proximity.

Microsoft Offers Cloud Time to SMBs

Microsoft under its three-month scheme, which is exclusively launched for India market, is making an exchange offer to small and medium businesses (SMBs) to give away their hardware in return for a cloud setup. It is reaching out to organisations with 250 personal computers or less, offering them Azure credit in exchange for their hardware. The company has opened a toll-free number and web access for the businesses to reach out to. *"This is an opportunity for SMBs to get value for their legacy hardware and at the same time leap to the cloud. This will help them reduce maintenance costs and get on a modern platform,".*

Microsoft has partnered with Mumbai-based Just-Dispose, which would collect the hardware from the customer, and provide a purchase acknowledgement and a figure for the cash value of the hardware. Based on this, the business can buy Azure credit and build a cloud platform and host applications. The organization, however, needs to commit certain amount every year to avail monthly credit on Windows Azure. This credit will cover over 30%-50% of the investment that they incur while moving into the cloud.

For instance, if the value of the existing computer servers is estimated by JustDispose to be in the range of $200-$1000, the customer needs to pay a minimum of $3000 a year as a guarantee amount. The business would then get credit towards Windows Azure services upto a maximum of $500 per month for two months, in addition to the $3000 already in its credit. Overall the small business would end up paying $3000 for its Azure subscription worth $4000, according to Microsoft.

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It is not the oath that makes us believe the man, but the man the oath.

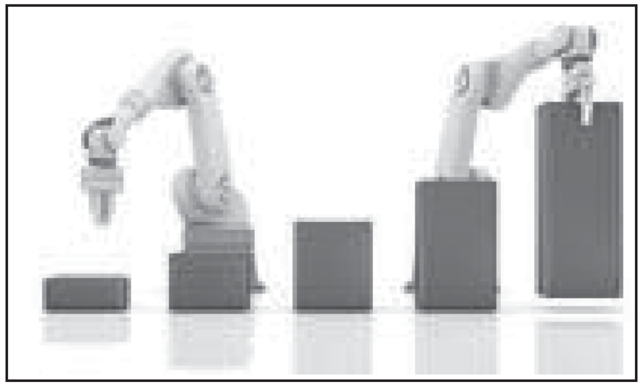
Aeschylus

Fiscal Deficit Exceeds Estimates

The central government's fiscal deficit breached both the revised estimate (RE) and Budget estimate (BE) targets for 2013-14 with one month still to go. Revenues from tax and disinvestment were short of the target; expenditure, plan and non-plan, rose. The deficit was Rs.5.99 lakh crore during April-February of 2013-14, about 14.3 per cent higher over the RE of Rs.5.24 lakh crore. The BE was set at Rs.5.42 lakh crore. However, the month of March might see some fiscal surplus, as advance tax payments came and disinvestment gathered pace. The exchequer has to draw a fiscal surplus of Rs.75,000 crore in March to meet the RE target and Rs.57,000 crore to meet the BE target. Economists said meeting the RE target might be difficult, though the deficit could be somewhere near to the BE. The RE had estimated the fiscal deficit to be 4.6 per cent of gross domestic product (GDP) and the BE at 4.8 per cent.

The economy's slowing impacted tax receipts. Tax revenue, net of state devolutions, was Rs.6.27 lakh crore till February, 75 per cent of the RE of Rs.8.36 lakh crore. At this point last financial year, it was 77.1 per cent of RE.

The economy is officially projected to grow 4.9 per cent in 2013-14, the second year in a row when the economy would expand below five per cent. However, officials were hopeful of meeting at least the direct tax collection targets. The tax department had collected Rs 6.23 lakh crore till March 30, against the target of Rs 6.36 lakh crore, including states' share. Officials were confident of Rs 13,000 crore coming on the last day of the financial year. The government was not able to meet even the truncated target of disinvestment proceeds, pegged at only Rs.16,027 crore in the RE against the Rs.40,000 crore projected in the BE. Actual divestment proceeds were Rs.5,939 crore. These proceeds were 95 per cent of the RE in 2012-13. Total revenue was a little over Rs.8 lakh crore, 75.1 per cent of the RE target. It was lower than the 78.3 per cent in the corresponding period of 2012-13. The Centre incurred plan



expenditure of Rs 4.09 lakh crore, about 86 per cent of the RE at Rs 4.75 lakh crore. At this point in FY13, it was 82.3 per cent of RE. Non-Plan expenditure was Rs 9.9 lakh crore or 88.9 per cent of the RE at Rs 11.14 lakh crore. It was higher than the 86.5 per cent in the corresponding period last year. The revenue deficit, gap between non-capital expenditure and revenue, was 117.3 per cent of RE. It was Rs 4.34 lakh crore against the RE of Rs 3.70 lakh crore. Many economists consider the revenue deficit a more serious problem than the fiscal deficit because it means the government is borrowing to meet even its consumption expenditure.

India's FDI inflows up 1.5% to $2.18 billion in January

Foreign direct investment (FDI) into India grew by 1.5% to $2.18 billion in January, according to the data by the Department of Industrial Policy and Promotion. In January 2013, the FDI was at $2.15 billion. However, for the April-January period, foreign investment inflows dipped 2 per cent to $18.74 billion from $19.1 billion during the corresponding period of the previous fiscal.

During the 10-months of this fiscal, the highest FDI came in services ($1.80 billion), followed by pharmaceuticals ($1.26 billion), automobiles ($1billion) and construction development ($966 million). Mauritius led inflows into India with $4.11 billion of FDI during April-January, followed by Singapore ($3.67 billion), UK ($3.18 billion) and the Netherlands ($1.7billion).

The country needs foreign investment to help regain its growth momentum. India's economic growth slowed to a decade's low of 4.5% in 2012-13. India is estimated to require about $1 trillion between 2012-13 and 2016-17, the 12th Five-Year Plan period, to fund infra projects.

CAD Narrows on Exports Push-up

India's external sector position improved significantly by December 2013. The latest balance of payments data, indicates India's current account deficit (CAD)— excess of overseas expenses over earnings— narrowed to 0.9% of GDP from 6.5% of GDP in the same period a year ago on the back of a modest pickup in exports and a sharp moderation in gold exports. For the calendar year 2014, CAD as % of GDP is expected to touch 3.7% according to IMF estimates. Though it is no comparison with economies with current surpluses, it is expected to do much better than some emerging market peers such as South Africa and Turkey. India has also recorded among the fastest improvement in its CAD as % of GDP. The final number could be lower than IMF estimates. For the financial year ending March 2014, India's CAD could touch 1.9% of GDP, according to estimates by State Bank of India.

Global trade to grow at 4.7% in 2014, says WTO

The World Trade Organization (WTO) in April forecast growth in global goods trade in 2014 at 4.7%, more than double the 2.1% jump last year, but still below the last 20-year average of 5.3%. For the past two years, growth has averaged only 2.2%.

Coir exports jump 32% to Rs.1,476 crore last year

Exports of coir and its products jumped by 32% to a record high of Rs.1,476 crore in 2013-14 and China topped the list of importers, the Coir Board said. Coir exports were worth Rs.1,116 crore in FY 13, Coir Board chairman Shri G. Balachandran said. In volume terms, exports increased to 5,37,040 tonne in FY14, from 4,29,501 tonne in FY13, a growth of 25%. China accounted for 24.42%of exports. In the preceding years, the US was top in the list, expressing concern at the large export of coir fibre from India to China. He said the government should take immediate steps to send value-added products to China instead of exporting raw-materials.

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Hope is important because it can make the present moment less difficult to bear. If we believe that tomorrow will be better, we can bear a hardship today.

Thich Nhat Hanh

Framework for Revitalising Distressed Assets

The Reserve Bank, on February 26, 2014, has issued certain guidelines regarding the *"Framework for Revitalising Distressed Assets in the Economy"*. They are:

Refinancing of Project Loans

If the banks/lenders refinance any existing infrastructure and other project loans by way of take-out financing, the project loan refinancing would not be considered as restructuring subject to certain conditions.

Sale of Financial Assets to SCs/RCs

With a view to incentivising banks to recover appropriate value in respect of their non performing assets (NPAs) promptly, banks can now reverse the excess provision on sale of NPA if the sale is for a value higher than the net book value (NBV) (i.e., book value less provisions held) to its profit and loss (P&L) account in the year the amounts are received.

Purchase/Sale of NPAs to Other Banks

Banks will be permitted to sell their NPAs to other banks/FIs/ NBFCs (excluding SCs/RCs) without any initial holding period.

Use of Counter-cyclical/Floating Provisions

Banks can now use counter-cyclical/floating provisions for meeting any shortfall on sale of NPA, i.e., when the sale is at a price below the NBV which presently requires debit to the profit and loss account.

Bank Loans for Financing Promoters' Contribution

Banks can now extend finance to 'specialised' entities subject to select guidelines applicable to advances against shares/debentures/bonds and other regulatory and statutory exposure limits.

The guidelines regarding "Framework for Revitalising Distressed Assets in the Economy" also include regulatory issues like, credit risk

management; reinforcement of regulatory instructions by the Reserve Bank issued from time to time; registration of transactions relating to securitisation and reconstruction of financial assets and those relating to mortgage by deposit of title deeds to secure any loan or advances granted by banks and financial institutions, as defined under the SARFAESI Act, in the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI); and Board Oversight.

Concept Paper on Trade Receivables and Credit Exchange for Financing MSMEs

The Reserve Bank, on March 19, 2014, has sought feedback on the Concept Paper on "Trade Receivables and Credit Exchange for Financing Micro, Small and Medium Enterprises (MSMEs)". Comments may be emailed or sent by post to the Chief General Manager, Department of Payment and Settlement Systems, Reserve Bank of India, Central Office, 14th Floor, Shahid Bhagat Singh Marg, Mumbai-400001 on or before April 20, 2014. The concept paper is available on RBI website (www.rbi.org.in).

Background:

Given the potential of MSMEs in unlocking growth, employment and inclusion in the economy and society, there is a pressing need to address concerns related to financing of this segment.

Despite efforts on multiple fronts as well as enabling legal and regulatory provisions, the MSME segment continues to be belaboured with the problem of delayed payments and dependency on their corporate buyer/s.

The matter has been addressed in the reports of the Committee on Financial Sector Reforms (2008) as well as the Working Group on Securitisation of Trade Receivables (2009). The reports had recommended having an institutional infrastructure for creating necessary liquidity for trade receivables through a mechanism of efficient and cost effective factoring/ reverse factoring process. The statement made by the Governor on September 04, 2013 regarding facilitation of Electronic Bill Factoring Exchanges in the country, has drawn the attention of many stakeholders in the country in offering their expertise and experience in this area to facilitate building of suitable infrastructure for MSME financing.

RBI grants "in-principle" approval for banking licences

The RBI has on April 2, 2014, granted "in-principle" approval to two applicants, namely, IDFC Limited and Bandhan Financial Services Private Limited, to set up banks under the Guidelines on Licensing of New Banks in the Private Sector. The "in-principle" approval granted will be valid for a period of 18 months during which the applicants have to comply with the requirements under the Guidelines and fulfil the other conditions as may be stipulated by the Reserve Bank.

Implementation of Basel III Capital Regulations in India

The Reserve Bank, on March 27, 2014, extended the transitional period for full implementation of Basel III Capital Regulations in India upto March 31, 2019. Earlier deadline was March 31, 2018. This will also align full implementation of Basel III in India closer to the internationally agreed date of January 1, 2019. The decision was taken as there were industry-wide concerns about the potential stresses on the asset quality and consequential impact on the performance/profitability of the banks, which would have necessitated some lead time for banks to raise capital within the internationally agreed timeline for full implementation of the Basel III Capital Regulations.

Differential Rate of Interest for MSEs

The Reserve Bank, on April 15, 2014, advised the banks to take into account the incentives available to Micro and Small Enterprises (MSE) borrowers in the form of the credit guarantee cover of the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and the zero risk weight for capital adequacy purpose for the portion of the loan guaranteed by the CGTMSE and provide differential interest rate while pricing their loans for such MSE borrowers, than the other borrowers. However, banks should note that such differential rate of interest is not below the base rate of the bank. Further, banks have been advised to review their loan policy governing extension of credit facilities to the MSE sector, with a view to using Board approved credit scoring models in their evaluation of the loan proposals of MSE borrowers.

Macroeconomic factors key for financial stability: RBI

Macroeconomic stability is important for preserving stability in the financial system, according to RBI. However refined the financial regulation might be, it cannot compensate for weaknesses in the real economy. Hence, macroeconomic stability characterised by fiscal prudence and sustainable growth with low inflation is important to preserve the overall stability of the financial system.

The global financial crisis has given a greater macro-prudential orientation to financial regulation and emphasised on better quality capital so as to safeguard financial stability. Banks are currently under stress when it comes to their asset quality. The current weaknesses in corporate balance sheets, partly due to subdued economic environment, have been feeding into banks' balance sheets. This trend, if left unchecked, could ultimately impinge on financial stability. RBI had recently outlined a corrective action plan for tackling delinquent loans, including incentivising their early identification, timely revamp and prompt steps for their recovery or sale.

RBI wants trade receivables & credit exchange for financing MSMEs

The RBI has proposed setting up of a trade receivables and credit exchange (TCE) for financing micro, small and medium enterprises (MSMEs). In a concept paper, the Central Bank detailed the model through which TCE would function and alleviate some concerns over financing for MSMEs. The proposed model outlines two stages for trade receivables, the primary segment where MSME bills are dematerialised and discounted through the electronic platform through the mechanism of reverse factoring and the secondary market segment where the already factored or discounted invoices are further traded.

In the primary segment, once an MSME delivers goods as per requirement to a corporate buyer along with a bill, the buyer on acceptance of the goods posts the bill on the TCE. These receivables of the MSME from the buyer become available to third parties for bidding. The MSME can access fresh funds through the bidding process. While the MSME gets funds ahead of the actual payment by the buyer, the buyer can directly pay to dues to the financier of the MSME. The RBI has sought comments from stakeholders on the functioning of the TCE and also the secondary market segment. Earlier in February, RBI governor Shri Raghuram Rajan had said the bank is in talks with market players to set up a trade receivables exchange to better facilitate credit to MSMEs. Shri Rajan explained that MSMEs get squeezed all the time by their large buyers, who pay after long delays.

NBFCs Approach RBI, Govt. over new companies Act

Non-banking finance companies (NBFCs) have approached the RBI and the Ministry of Corporate Affairs to amend regulations under the new Companies Act. These companies fear the stiff reserve requirements and norms on investment in government bonds will hit them hard. Rules under The new Companies Act make it mandatory for NBFCs to create a corpus (debenture redemption reserve account) to meet repayment obligations for debentures maturing within a year. Also, they have to invest 15 per cent of their resources in government bonds.

While building buffers for repayment is good for financial discipline, the provisioning would eat into the funds to be deployed into business. And, this will be a huge burden on the already stretched balance sheets of NBFCs. Under the old companies Act (of 1956), financial companies were exempted from such a corpus.

Shri Mahesh Thakkar, director-general of Finance Industry Development Council, said the new Act could make the situation acute. The entity will take up the matter with the ministry and RBI, the regulator for financial companies. Shri Thakkar said the new Act could make fund-raising through debentures unviable. The effect of the norms on financial companies will vary according to degree of their dependence on debentures - while those using bank lines to source funds won't see much impact, companies using medium-term (two-three-year) debentures will be under pressure to keep a substantial portion of their funds in the redemption reserve. Shri Sanjay Agarwal, managing director of Au Financiers, said an exemption was allowed in the old companies Act, adding perhaps, it was left out in the new Act due to oversight. NBFCs have already urged the government to reintroduce the exemption. For AU Financers, the share of bonds/ debentures in the total funds raised is about 20 per cent, and this might deal a 10-basis-point impact on costs.

RBI allows LLPs undertake financial commitment aboard

The RBI has allowed Limited Liability Partnership (LLP) firms to carry out financial commitment to/on behalf of joint ventures or wholly-owned subsidiaries of the Indian companies abroad. "On a review, it has been decided to notify a Limited Liability Partnership as an 'Indian Party'. Accordingly, an LLP, may henceforth undertake financial commitment to/on behalf of a JV/WOS abroad," the Reserve Bank said. An 'Indian party' means a company incorporated in India making investment in a joint venture or wholly-owned subsidiary (WOS) abroad and includes any other entity in India as may be notified by the RBI.

■■■

SUCCESS STORIES OF KSFC ASSISTED UNITS

Span Plastic Pvt. Ltd. Bangalore

Span Plastic Pvt. Ltd. was established in the year 1979 by Mr. G.L. Wadhwa. Starting with the manufacture of bobbins and tubes, the company has progressed to manufacturing seam proof tubes, cones and plastic tubes for textile industry. These products are supplied regularly as import substitutes, which can be compared to European standards for quality. The plastic hangers, manufactured by the company, are exported to Bangladesh and Sri Lanka.

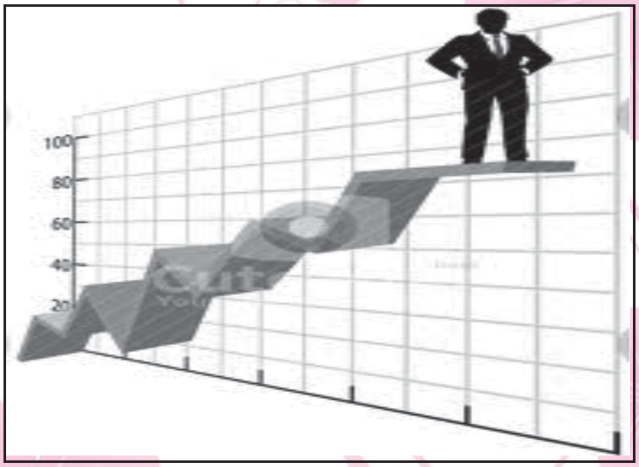
The company had availed term loan amounting to Rs.34.80 lakhs from KSFC.

The turnover of Span Plastic Pvt. Ltd. in the years 2005-06, 2006-07 and 2007-08 was Rs.401.28 lakhs, Rs.568.30 lakhs and Rs.569.20 lakhs respectively.

The company was awarded the ISO certification in February 2008.

S. M. ENTERPRISES MANDY

Ms. R. Indira started S.M. Enterprises in the year 2004. The unit is engaged in the servicing and repairing of transformers and pumps. The proprietrix has been supplying reconditioned transformers to KPTCL and other private companies. Over the years, the unit has availed several loans amounting to Rs.43.22 lakhs from KSFC between 2004 and 2008, under the term loan and national equity fund schemes, for expansion of the existing unit.



The performance of the company shows constant growth. The turnover figures of the company are recorded as Rs.315 lakhs, Rs.394 lakhs and Rs.568 lakhs in the year 2007, 2008 and 2009 respectively.

Ms. R. Indira received the Bhartiya Vikas Ratan award for 'excellence in chosen field of activity' on the occasion of the 29th National Seminar on 'Individual Contribution Towards Economic Growth and Social Development' on 24th August 2009, at New Delhi from All India Business Development Association.

FANTASTIC BENEFITS OF SKIPPING

By Keith Colladow

A large percentage of the population is fat, unfit and unhealthy. Too little physical exercise and too much food are the main culprits with sedentary jobs and too much time in front of the TV or PC being nearly as culpable. It's clear then that a calorie controlled diet plan and more physical exercise are vital for weight reduction but what kind of physical exercise? Jump rope of course!

Jumping rope uses just about every muscle in your body which means it's a very effective calorie burner. Your muscles have to work hard to support your body weight as you work out and with regards to burning calories, the much more muscle activity the better.

In addition to being a very effective calorie burner, jumping rope also strengthens and conditions your heart and lungs which mean you feel fitter and will also be healthier. Almost every doctor worth his white coat and stethoscope knows that cardiovascular fitness is strongly linked to cardiovascular health. Fitter individuals tend to possess lower blood pressure, low resting heart rates, low stress levels, low cholesterol and are much less susceptible to strokes and heart attacks. Not only can jumping rope help you look better, you'll feel better too!

Overweight individuals can be reticent about going towards the gym. It's understandable really; fitness centers are where the fit and beautiful people hang out. Actually this isn't even remotely true but it is sufficient of a reason for an unfit and overweight person to steer clear of gyms.

Not going to a gym is not an excuse for becoming fat and unfit though; especially when you have a jump rope. You are able to work up quite a sweat in your lounge, spare room, garden or garage with nothing more than your trusty speed rope. You do not require any costly exercise equipment or fancy training clothes; just a pair of supportive shoes and the willingness to work.

If you are new to physical exercise, very overweight or have any kind of medical condition please consult your doctor before you start a new exercise regime. However, chances are, he'll pat you on your back and send you on your way when you tell him you intend to lose weight and get fit.

Even with your doctor's okay, make sure you start slow and build up gradually. Performing too much too soon is a great way to get injured so initially, exercise smart rather than hard. Build up the length and frequency of your workouts over the coming weeks and months and, that way, you'll avoid injury and maintain making slow but steady progress; be patient!

Jumping rope is an outstanding, cost effective, handy and accessible approach to get fit and stay fit and if it is good enough for world champion boxers, you know it's good enough for you too.

■■■

Hope is the dream of a waking man.

Aristotle

New Companies Act Takes Effect

The new Companies Act, 2013, will come into force from 1st April, 2014. However, many sections are yet to be notified. Among these are setting up of a National Company Law Tribunal (NCLT), a National Financial Reporting Authority (NFRA), winding-up of sick companies and special courts. Companies will be required to follow the provisions in this regard of the old Companies Act, 1956. Some of the left out sections also related to the Investor and Education Protection Fund, compromise and arrangement, oppression and mismanagement, fraud and the damages required to be paid by companies involved. So far, the government has notified 283 of the 470 sections. The first notification, of 99 sections, was in 2013. The provisions on corporate social responsibility (CSR) were notified on February 27. Last week, the ministry of corporate affairs (MCA) notified 183 new sections, to take effect from that day. The new law will bring more transparency in corporate governance, while allowing flexibility to companies in exceptional situations. Initially, the government faced a lot of criticism on the implementation and lack of clarity in the law. The draft rules and, eventually, notification of final rules by MCA in recent months have helped ease the scenario to a large extent.

Replacing the 58-year-old legislation, the new law would have stricter norms for independent directors, auditors, key appointments and standards of conduct. While there is a mandatory provision on spending for CSR, companies can explain if they want to digress from the norm. Companies with a net worth of more than Rs.500 crore or revenue of more than Rs.1,000 crore or net profit of more than Rs.5 crore will have to mandatorily spend two per cent of their average net profit over the three preceding years on CSR activities. Also, companies must file returns on public deposits within three months and reconstitute their boards, with at least one woman and two independent directors (IDs) within a year.

The sections notified by MCA include some key provisions related to public and private placement, allotment of securities, resolutions requiring special notice, powers to the Serious Fraud Investigation Office, one-person company, related-party transaction, audit and auditors, qualification of directors, board and its powers and revival and rehabilitation of sick companies, among others.

New Companies Act: MCA notifies rules for auditors

Except one person company, all class of firms, including unlisted ones and those above a certain financial threshold, will have to appoint auditors and rotate their appointment as per the Companies (Audit and Auditors) Rules, 2014, notified by the ministry of corporate affairs. Starting April 1, nearly 60% of the new Companies Act, 2013 will be enforced. As per the rules on audit and auditors, the auditors (individuals or firms) will need to be up for re-appointment every sixth annual general meeting (AGM) provided they have already held one term of 5 years (in case of an individual) or two consecutive terms of 5 years (in case of a firm).

As per the rules, all unlisted public companies with a paid-up share capital of Rs.10 crore or more; private companies having a paid-up share capital of Rs.20 crore or more and companies that have borrowed more than Rs.50 crore, will need to appoint auditors. Even norms pertaining to the rotation of auditors will also be applicable to such class of companies, the rules said.

PSBs Announce Sale of NPAs Worth Rs.5,763 cr to ARCs to Clean Up Books

Public sector lenders, such as Indian Overseas Bank, United Bank of India, Bank of Maharashtra, Bank of Baroda and Syndicate Bank, have announced sale of assets worth Rs.5,763 crore to asset reconstruction companies. The United Bank has said it will reduce its NPAs by selling assets worth Rs.700 crore to ARCs. According to RBI, gross NPAs of public sector banks stood at Rs.1.64 lakh crore as on March 31, 2013, whereas those of private sector peers were Rs.20,762 crore. The gross NPA ratio at the aggregate level was 3.6% at end-March 2013, up from 3.1% a year ago. This increased activity is a result of the new RBI guidelines on early detection of stressed assets. Banks now believe selling NPAs to ARCs hastens the recovery process.

Shri P Rudran, MD & CEO, Arcil, said, "Banks have been more active in disposing of bad assets and have ramped up measures for recoveries. This fiscal (till February), the quantum of assets put on sale by banks is 67% more than that in last financial year." This year has seen Rs.20,000 crore worth of assets being put on sale, compared to Rs.12,000 crore in the previous fiscal (FY13). In a document released on January 30, 2014, RBI said that ARCs should be construed as a supportive system for stressed asset management with greater emphasis on asset reconstruction rather than asset stripping. "At present, banks cannot sell standard assets to ARCs. In order to ensure better chances of reconstruction of stressed assets, henceforth banks will be permitted to sell assets reported as SMA-2 (loans overdue from 61-90 days) to ARCs," RBI said in its guidelines. The RBI added that the ability of the ARCs to raise limited debt funds to rehabilitate units will be considered.

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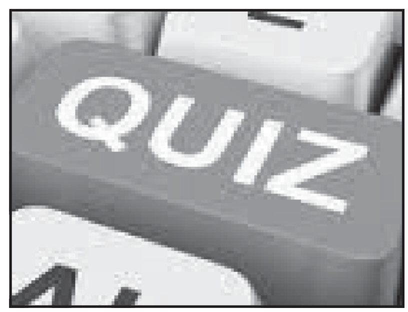
ANSWERS OF CYBERQUIZ~47



1.[b] ***ProLease India :*** The company, one of the biggest in the USA in its segment, has changed its name to Paystaff from January 2006, Arvind's movie career spanned less than three years and nine movies, the biggest grosser being Roja , a film on terrorism in Kashmir.

2.[a] ***Creating a web server for Servlets and JSPs (Java Server Pages) in collaboration with Apache :*** Most of the meetings between Sun and Apache took place in the former's conference room called Jakarta, hence the project name. JSP is a technology created by Sun to enable development of platform-independent Web-based applications.

3.[b] ***Apache Group :*** The group introduced a free open-source HTTP server called Apache in 1995. An Apache is a member of Athapaskan tribes that migrated to the southwestern desert. They fought a losing battle from 1861 to 1886 with the United States and were resettled in Oklahoma.

4.[d] ***Wipro Technologies :*** The TL 9000 Quality Management System (QMS), was created by QuEST (Quality Excellence for Suppliers of Telecommunications) Forum to meet the quality requirements of the worldwide telecommunications industry.

5.[a] ***Hewlett-Packard :*** The program assists Internet start-ups, dot-coms, Applied Services Products (ASPs), e-service providers and trading communities to accelerate market launch, preserve capital and prepare for hypergrowth. The program sees itself as a logical extension of the original garage mentality that got the company started in 1939. It seeks to instill the same basic principles into today's new Internet based companies that made it the first real "garage-to-success" story.

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IMPACT OF THE NEW COMPANIES ACT ON THE SMEs

The Companies Act 2013 has raised the bar on corporate governance, even for SMEs

Small businesses, banded together as Small and Medium Enterprises (SMEs) in officialese, form the backbone of the Indian economy. According to a 2011 study by Dun & Bradstreet, the SME sector employs about 73 million people in over 30 million units spread across the country. Yet, the issue of corporate governance was limited to large and listed firms, not the SME sector.

The Companies Act 2013, passed by Parliament last year and enforced from April 1 this year, attempts to address this lacuna. For the first time, a small business was defined under the Act itself. Next, a stringent reporting framework was proposed, which raised the bar on corporate governance, even for SMEs.

Corporate governance, in the context of this article, is defined as the structures and systems that enable a business to run successfully. The question is, is corporate governance needed for SMEs? These entities are inherently entrepreneurial, not listed in general, and have directors and CEOs from the same family. Doesn't this eliminate the need for mandatory internal checks and balances?

The argument against this position is that: both SMEs and large firms are exposed to the same market forces and competitions; in fact, given their limited resources, SMEs have a larger risk profile. Good corporate governance gives them credibility and this wins investors' confidence.

The Act brought into force certain provisions which impact SMEs in some cases.

One-member company [section 2(62)]: A one-member company can be incorporated by an Indian citizen, resident in India for at least 182 days during the preceding year. These need not hold AGMs and will cease to be a one-member firm if its paid-up capital exceeds Rs.50 lakh or its average annual

turnover (during the preceding three financial years) exceeds Rs.2 crore.

Comment: This is a useful provision for SMEs as it will avoid the requirement of a second shareholder and obviate costs of holding AGMs.

CIN requirement [sec 12(3)(c)]: Every company must indicate the Corporate Identification Number on its business letters, billheads, notices, official publications, etc. This is in addition to specifying the name and address of the registered office together with telephone, fax, e-mail ID and website. In case of any name change, all former names (during the preceding two years) must be printed.

Comment: This is an additional administrative and financial burden for SMEs.

Gap between board meetings [sec 173]: Although the total number of board meetings in a year remain the same (i.e. four), the gap between board meetings cannot exceed 120 days.

Comment: No exemption for any company, SMEs must comply.

Resident director [sec149(3)]: Unlike the previous law which did not insist on a resident director, the

Act requires all companies to have one director who has stayed in India for 182 days in the previous calendar year.

Comment: No exemption for any company, SMEs must comply.

Independent directors [sec 149(4)]: Listed companies and public companies with a paid-up capital of Rs.10 crore (or more) or turnover of Rs.100 crore (or more) must have at least one-third independent directors on the board. Provision is made for separate meetings of independent directors and the board (without participation of management or other directors).

Comment: Applies to listed companies, will not apply to most SMEs.

Non-cash transactions involving director, etc [Section 192]: Prior shareholder approval is required for certain non-cash transactions involving a company and its director or its holding, subsidiary or an associate company or a person connected with the director.

Comment: Applies to SMEs.

Loans to directors [sec 185]: The Act prohibits loans to directors except as part of the conditions of service or under a scheme or as otherwise permitted in other provisions of the Act.

Comment: Applies to SMEs.

Loans to and investments in subsidiary [sec 185 & 186]: Initially, the Act required special shareholders' resolution if limits on loans and investments to and in a subsidiary exceeded certain limits. The Rules however provide that this requirement will not apply to loans and investments between a company and its wholly-owned subsidiary or guarantee or security given to any bank or financial institution for its subsidiary, etc.

Comment: Applies to SMEs.

Related party transactions [sec 188]: The related party provisions have been expanded and include leasing of immovable property, which was earlier exempt. It applies to companies with a paid-up capital of Rs.10 crore or where the transaction value exceeds prescribed limits. Special shareholders' resolution is required where the shareholder who is a related party cannot vote. Arm's length transactions done in the ordinary course of business and one-person companies are exempt.

Comment: This will not apply to most SMEs.

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Do not despair, nor lose hope, but move on in faith and love. The clouds will disperse and the sun will shine again!

J P Vaswani

BANNER HEADLINES

IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY

STRENGTHENING MSMEs MUST TO CREATE NEW JOBS

CENTRE APPROVES ELECTRONICS PROJECT – RS.89 CR IN M.P.

GUJARAT TECH SMEs EYE 40% RISE IN EXPORTS

GOVT. CONCERNED AT 221% RISE IN SICK MSMEs

INDIA's FDI INFLOWS UP 1.5% TO $ 2.18 BILLION IN JAN.

RBI GRANTS 'IN PRINCIPLE' APPROVAL FOR BANKING LICENCES

COIR EXPORTS JUMP 32% TO RS.1,476 CR LAST YEAR

March-April, 2014 March-April, 2014