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CONTENTS

From The Editor's Desk 2

Appointments 8

Innovation Can Foster Sustainability,
Reduce Poverty 9

Small is Big At Creating Factory Jobs 11

Profile of Member Corporations 13
RFC Overcomes Crises

Letter to The Editor 15

Member Corporations~Their Activities 16

Questions of Cyberquiz-36 19

Turnaround of Jammu & Kashmir State
Financial Corporation {J&K Sfc} 20

Success Story of KSFC Assisted Unit ....

Do You Know ! 24

News from States 26

Economic Scene 27

Micro, Small & Medium Enterprises 29

All India Institutions 30

Health Care 34

Miscellany 35

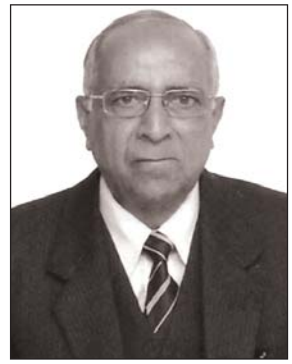
From The Editor's Desk

Strategic Importance of Strengthening SLFIs ~ In Retrospect and Prospect

Introductory :

The Government of India's Industrial Policy since independence has been shaped broadly in terms of Industrial Policy Resolution (IPR) in 1948. That Resolution emphasized clearly the responsibility of the Government in the matter of promoting, assisting and regulating the development of industry in the national interest. It envisaged for the public sector an increasingly active role. It laid down certain demarcation of fields for the public and private sectors. It also emphasized the role of cottage, village and small scale industries to decentralize economic activities. These industries offered some distinct advantages; provide immediate large scale employment; offer a method of ensuring a more equitable distribution of the national income; and facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilized. The problem was one of devising effective policies as well as of making suitable organizational arrangements.

The 1948 Resolution was reviewed in the light of these considerations and the new Industrial Policy Resolution was adopted in 1956. In terms of this Resolution industries were classified into three Categories; in regard to the part which the state would play in each of them. The first category consists of 'industries' the future development of which will be the exclusive responsibility of the State. In the second category are 'industries' which will be progressively state-owned and in which, therefore, the State will generally take initiative in establishing new undertakings but in which private enterprises will also be expected to supplement the efforts of the State. While the third category comprised all the remaining industries, further development of which will, in general, be left to the initiative and enterprise of the private sector. These categories were not intended to be rigid or watertight and could over-lap whenever desirable in the national interest.



Shri K.K. Mudgil

With the object of accomplishing the above objectives, concrete steps were taken by the Government to promote industrialization in the country and also ensure regional industrial growth and decentralization of industrial activities in the rural and backward areas to promote equitable economic growth.

In 1948 itself, the Government of India set up Industrial Finance Corporation of India to provide financial facilities to larger scale and medium scale industries in the country. Since its scope was confined to the metropolitan and urban areas, the need was felt to set up similar financial organisations at the state level under the management of the respective states to promote and finance industries in the semi-urban, rural and backward regions of the states. In pursuance of this decision the Government enacted a comprehensive Act called "State Financial Corporations Act" in 1951 for implementation in the states by the respective State Governments. Therefore, SFCs were set up under this Act in 50s. The earliest one was set up in Punjab called Punjab Financial Corporation (PFC) in 1952 and other states followed suit. The scope of these Corporations was limited to finance small scale, medium and tiny industries in the decentralized sector and these corporations were required to operate within the constraints of the SFCs Act which did not provide much flexibility in its operations. A need was soon felt by the state governments that for achieving faster growth in the industrial development, the required industrial infrastructure needed to be developed in the states to encourage prospective entrepreneurs to set up industries in the states and also to encourage first generation entrepreneurs to undertake industrial activities. For creating necessary infrastructure in the state, it was felt that separate institutions with greater operational flexibility needed to be set up to undertake these activities. Accordingly, each state had set up separate organisations namely State Industrial Development Corporations (SIDCs) to undertake development of industrial areas, industrial townships, industrial housing, complexes, roads, common facility workshops etc. These corporations were also required to provide loan facilities to large and medium scale industries and could also organize large scale industrial ventures on its own or jointly in collaboration with the private sector entrepreneurs. A few states also set up separate corporations exclusively to develop infrastructure such as TamilNadu, Andhra Pradesh, Gujarat etc. While SFCs Act was enacted by the Indian Parliament, SIDCs and State Infrastructure Corporations were set up under Companies Act, 1956 to provide greater flexibility in their operations. These State Level Development Finance Institutions had played vital role in developing industries in the rural, semi-urban, urban and backward regions of the States and had been strong vehicle of economic development in the states resulting in decentralization of economic activities and removal of poverty.

In addition to setting up of Institutions at the State level, the Government of India also provided institutional framework to concentrate on specific areas of development as under : -

- In 1955, the National Small Industries Corporation was set up at the apex level to provide financial, technical and marketing assistance to SSIs;
- A separate institution – Khadi and Village Industries Commission was set up in 1956 with country-wide network to promote village industries;
- The Government established Small Scale Industries Board at the apex level to oversee the development of SSI sector in the country. Government also set up Small Industries Service Institute with its branches spread all over the country to provide training facilities to the entrepreneurs and technicians. Besides, a separate wing was created in MSME Ministry under the overall supervision of Development Commissioner, SSI to monitor the progress of the sector and take policy decisions;
- The Government also set up Commodity Boards to promote development of industries relating to such commodities such as Tea Board, Coffee Board, Silk Board, Coir Board, Rubber Board, All India Handloom Board, All India Handicraft Board etc.

The above institutional arrangements at the national and states level were made to promote integrated development of industries in the country with a view to ensure balanced regional growth, decentralize industrial activities, encouraging first generation entrepreneurs, promoting equitable distribution of national wealth, generation of employment opportunities and removal of poverty. Over a period of nearly five decades, the above institutions have been playing a vital role in their respective fields and the present tempo of industrial development in the country bears adequate testimony to their impressive growth.

Strategic Role Of SLFIs In National Economy:

The requirements of a developing economy are widely divergent from those of the developed economics. An efficient financial system is required for economic development by making funds available for entrepreneurial activity—a role which has been fulfilled remarkably well by these SLFIs. Most of the Multinational Companies (MNCs) eg. Infosys, Biocon, etc. which were denied finance by the banks due to the risk involved, were first funded by these SFCs/SIDCs in the states. A developing economy needs long-term finance mainly for development of infrastructure and the MSME sector. These require long term gestation periods and are, therefore, said to be high risk activities. Private sector is unwilling and unable to commit such large amount of funds and for such long periods. Therefore, in order to facilitate economic progress and remove poverty, the government decided to takeover these activities. As a result the SIDCs and SIICs were set up to develop infrastructure in the states. They were established under the Company's Act to do away with the restrictive provisions of the SFCs Act so that they could perform their functions speedily. These corporations have proved themselves eg. HSIIDC has developed Industrial Parks and estates in Haryana as well as all around Delhi i.e. Faridabad, Gurgaon, Manesar, Bawal etc. These estates provide world class facilities and are sought after by global MNCs which have set up their factories here. It is also developing the Delhi Mumbai Corridor for the Centre. DSIIDC has developed affordable housing for industrial workers in Bawal and also created a housing complex for LIGs. Similar work has been done by RIICO, SIPCOT, KSIIDC, and APIIC which have helped their respective states to flourish and progress. SFCs on their part have been playing an integral role in not only financing the MSME sector but also helping the units by providing technical and marketing support. Some of the SFCs have also set up training facilities specially for the first generation entrepreneurs so as to help them achieve their goals and objectives. Such institutions can be seen all over the world. The United States of America had set up a Small Business Board with a similar agenda of developing their country's economy. The planners of that country have attributed their country's all round progress to the work of this board which enabled them to achieve the objective of holistic and inclusive growth.

Relevance of SLFIs :

The SFCs have helped to decentralise economic development, created employment opportunities, helped in developing the backward regions and promoted first generation entrepreneurs. They have assisted artisans, crafts persons, SSI units which are using simple to the most sophisticated technology. These units have also contributed to the states' progress by way of sales tax, local duties etc. The SFCs were performing very well but their fortunes turned after opening up of the economy in 1990s since the economic reforms did not embrace these DFIs. The SFCs suffered owing to indifference on the part of stake-holders to providing cheap and adequate resources to SFCs and consequently, their inability to compete with commercial banks which have access to cheap public deposits. The Government of India has of late realized the importance of nurturing SLFIs (SFCs) and provided a financial package through SIDBI besides allocating additional funds for SSIs. The Finance Minister in his budget speech last year had provided a special fund of Rs. 4,000 crore out of RIDF to SIDBI to incentivise the banks and SFCs to lend to the MSE sector. The Prime Minister has time and again stressed on the need for creating jobs and taking growth to all sections of the society. The states have realised the importance of these SLFIs by making them the nodal agencies for their states and helping them to turn around. Due to the support of the respective state Governments 10 SFCs have now become positive networth institutions. The others have paid off their dues and started financing operations. The Government of Andhra Pradesh had decided to close APIDC but a study by IIM Kolkata showed that a very important role of equity participation in small and medium sector was being fulfilled by it. The Corporation has since been revived by the state government and is now performing well. The government of Bihar had commissioned a study by Deloitte and Company regarding the relevance of BSFC. The study has vociferously recommended the need for **"a vibrant and sustainable BSFC"** to provide "*assistance and support to the micro, small and medium entrepreneurs who more often than not are overlooked by the commercial banking sector".*

These SLFIs have made a substantial contribution in the country's effort to industrialise. However, India is a vast country and a lot of work needs to be done. The government of India has given various incentives in the form of tax holidays etc. to develop the backward regions. Development of Baddi—a backward region in Uttrakhand – is a shining example. It has been developed by the state of Uttaranchal's SLFI viz SIDCUL. This area was one of the most underdeveloped regions a few years ago. The scenario has changed completely with many small and big companies setting up their manufacturing plants here and providing jobs to the local people. These institutions which were created for fulfilling critical socio-economic obligations of the states are, therefore, as relevant today as they were fifty years ago. They have played a crucial role in the promotion of first generation entrepreneurs and have recorded an impressive performance in providing financial assistance to the industries in the decentralised sector. The SSI Sector in the country today occupies a place of pride in the national economy. Currently, the sector accounts for around 95 percent of the industrial units in the country, contributing to 45 percent of the manufacturing sector output, nearly 40% to exports and employs 42 million people. It will not be an exaggeration to say that such an impressive performance of SSI Sector has been made possible due to the ceaseless efforts of the SLFIs in the past. No other financial institutions have wherewithal and outreach to penetrate into the far-flung areas of the States for promoting small scale and tiny industrial units.

An important reason for keeping SFCs afloat is to maintain the flow of credit to SMEs. The percentage share of the MSMEs in non-food bank credit declined considerably 15.1% in 1990-91 to 6.5% in 2006-07. Similarly, the SME credit in total priority sector advances declined sharply to 17.9% at end-March, 2006 compared with 43.6% at end March 1998. This steep decline was largely owing to increased loan flow to retail and corporate sectors. This trend continues unabated. As per the Third All India SSI census (2001-02) only 14.2% of the registered and 3.09% of unregistered MSMEs availed of bank finance. It is futile to expect banks to be enthusiastic about lending to SSI sector for fear of NPAs. At best, banks may lend to the existing units; they will not be keen on financing new ventures i.e. first generation entrepreneurs - the constituency that SFCs were intended to serve. Widespread closure of SFCs could thus impact adversely on a dynamic segment of the Indian economy and undermine industrial growth. Though SCBs have opened branches in semi urban and rural areas it is seen that the Credit Deposit Ratio of commercial banks has been abysmally low. If one looks into the statistics of providing credit to weaker sections in such areas like small and marginal farmers, agricultural labourers, artisans, small traders etc. involvement of commercial banks is almost negligible. There is, therefore, a strong case for compelling the commercial banks to open a general line of credit to SFCs to bridge the gap in the stipulated CD ratio. It is in the context of these realities that one has to appreciate the relevance of SFCs in the country.

Need for Diversification of Activities of SLFIs:

In the wake of economic liberalisation and financial sector reforms, the financial sector has undergone a sea change making it difficult for DFIs to continue with their traditional role of long-term financing. Recognising the difficult situation they are in, the other DFIs (like IDBI, IFCI, ICICI etc.) have made a gradual move towards diversifying their portfolio into other related sectors like banking, investment banking, housing finance, insurance etc. with a clear move towards universal banking. Consequently, long-term loaning, primarily to industries, has become relatively less important. In view of the emerging business environment, the state level financial institutions can no longer afford to remain away from the main stream. They must make conscious efforts to diversify their business portfolio in order that they may not entirely depend upon the traditional long-term operations. With the shrinking margins and non-availability of cheap resources, the cost of funds of these institutions has been rising as compared to commercial banks and other financial institutions, rendering their operations unviable. There is, therefore, an imperative need that the SLFIs take up some other lending activity and also undertake non-fund based operations.

One such suggestion is that SIDCs/SFCs may undertake housing finance activity and set up housing finance subsidiaries to provide housing loans to individuals, institutions and government employees in their respective States. DSIIDC has already made low cost housing facilities for industrial workers. The SLFIs are having strong base in the States and are very well-equipped with the necessary staff and infrastructure facilities and functioning through the network of their regional offices and branch offices. They are most suited to take up this new activity of housing finance. The Government of India have accorded a high priority to the dispensation of housing loans in the rural and semi-urban areas and have announced a large number of fiscal incentives in the last two Budgets. For example, the ceiling in respect of deduction of interest on borrowed capital invested in the acquisition or construction of a house has been enhanced to Rs.1.50 lakh, the ceiling on the amount eligible for rebate on the repayment of principal of housing-loan has been increased to Rs.20,000/- and 40% depreciation has been allowed on new dwelling units purchased by the corporate sector for its employees. The Government of India have also announced 2% interest subsidy on the housing finance made available to BPL families in the rural areas and the NHB is providing refinance to eligible housing finance companies for their lendings in the rural areas on comparatively lower rate of interest. These incentives and support-measures undertaken by NHB have gone a long way in reducing the cost of housing loan and consequent impetus to the house-building industry.

The housing finance business has been considered to be the most safe business inasmuch as the incidence of default ranges between 2% to 4%. Since the housing-loans are advanced against the mortgages of properties and the borrowers in this country have generally an emotional attachment to their properties, the recovery of housing loan has been very encouraging, which has prompted almost all the commercial banks to enter this field in a big way.

The other activity, which can also be undertaken by SIDCs/SFCs which is largely non-fund based, is to market insurance products of life and general insurance companies as corporate agents in area of their operation. By virtue of their business operations in the field of industrial development, SIDCs/SFCs are generating substantial volume of general insurance business themselves. As a result of the opening up of the insurance sector, vast potential exists in rural, semi-urban and urban areas in the states for mobilisation of the insurance business. The outreach of the existing insurance companies in such areas is very limited. Since SIDCs/SFCs are very well-equipped with the necessary staff and infrastructure facilities and are well-organised institutions managed by the State Governments, they can very conveniently take up this new line of activity and diversify their business operations. The SIDCs/SFCs would in this way earn substantial income by way of commission from the insurance companies which could improve their profitability. APSFC and KSFC have already forayed into this segment successfully.

Future Perspective – Merger Of SLFIs – Their Conversion Into LABs :

An opinion has been gaining ground that in the wake of liberalization and financial sector reforms coupled with de-regulation of banking sector, only those financial institutions would survive in the long run which have access to public deposits to ensure perennial availability of adequate and cheap resources. No doubt, the commercial banks have opened large number of branches in the rural and semi-urban areas. But these banks were more interested in mobilizing deposits and investing these resources elsewhere. They are depriving such areas of much needed finance for development activities. These banks are reluctant to finance the rural sector for fear of their NPAs going up. An apathetic low credit deposit ratio of these banks is pointer towards these situation. There was thus a great need to professionalize the SLFIs and their merger into a single strong unit. Since these SLFIs were performing more or less similar functions their merger into one strong unit to appear to be absolutely necessary in view of fast changing global scenario and to enable them to face competition with commercial banks. In view of their growing need for cheap and adequate resources and inability of refinance institution and Govt. agencies to provide the same, it has often been pleaded by COSIDICI that in order to allow these merged institutions access to public deposits/perennial resources, these may be converted into Local Area Banks by the Govt. of India/RBI and give them banking licence at par with commercial banks. The SLFIs are having strong base in these States and deep outreach in the rural areas and are well-equipped with the necessary staff and infrastructure facilities and functioning through the network of their regional offices and branch offices. They are most suitable and appropriate agencies to perform the role of a LAB. These banks would be able to mobilize adequate resources on their own and would not be dependant upon refinance agencies. Further, they would deploy these resources in the same area and able to maintain impressive Credit Deposit Ratio (CDR) besides deploying its surplus staff in its banking arm.

There has of late been a general trend not only in India but all over the world to bring about consolidation/amalgamation/merger among the financial institutions to create bigger entities to face emerging competition. A few small private sector banks in India such as Times Bank, Bank of Punjab, Centurian Bank, Global Trust Bank etc. have already been merged with strong banks. Even there is current thinking that small public sector banks could be merged with strong banks to reap economies of scale; State Bank of Saurashtra has already been merged with SBI. IDBI and ICICI have already merged themselves with their banking arms to expand their operations. Further, a few foreign banks such as Grindlays Bank, American Express Bank, etc. have voluntarily merged with strong banks.

The SLFIs are an integral part of the financial system of the country. These institutions have been playing a strategically vital role in the industrial development of the country and bringing about balanced regional growth and more towards "inclusive growth". The need of the hour is to strengthen them to address the financial sector exclusion of certain sectors of economy. Only then can the dream of a robust economy with strong foundation and inherent strengths be realized. The measures listed above would go a long way towards achieving this goal.

{ K.K. MUDGIL }

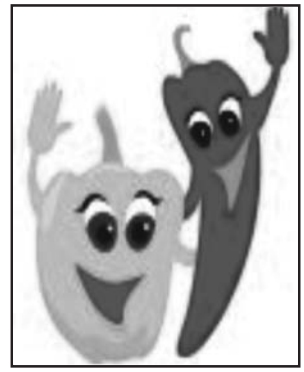
APPOINTMENTS

- Shri B.V. Selvaraj, IAS has been appointed as Chairman & Managing Director, Delhi Financial Corporation, New Delhi vice Shri Anand Prakash, IAS.

- Shri W.V. Ramana Murthy has been appointed as Managing Director, Pondicherry Industrial Promotion Development & Investment Corporation Ltd. {PIPDIC}, Pondicherry vice Shri E. Vallavan.

- Shri Mohd. Iftikharuddin, IAS has been appointed as Managing Director, Uttar Pradesh Financial Corporation, Kanpur vice Shri Sita Ram Meena, IAS.

- Shri Hari Raj Kishore, IAS has been appointed as Managing Director, The Pradeshiya Industrial & Investment Corporation of U.P. Ltd., Lucknow vice Shri Mukul Singhal, IAS.



- The government on May 28, 2012 appointed Shri S.R. Rao as the Commerce Secretary vice Shri Rahul Khullar who has taken over as the Telecom Regulator after retirement in May, 2012.

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INNOVATION CAN FOSTER SUSTAINABILITY, REDUCE POVERTY

By
*Kris Gopalakrishnan

The internet, a technology innovation that the world has marvelled for several years now, has made the phrase "it's a small world" more than just proverbial. It is the openness of the World Wide Web that helped foster further innovations, brought communities together, aided collaboration and elevated subsequent generations to new economic levels. Computers, mobile communications and the internet together have proven to be an important leveller across socio-economic backgrounds—an imperative today, as we see ourselves in the combined state of opportunity and adversity.

While the future holds out plenty of opportunities for growth and development across various fronts, it also presents several challenges and places the burden of protecting the future for our coming generation solely on our shoulders. It is imperative for us to see ourselves as custodians and not merely inhabitants of this planet. But individual action without society and nation-wide consciousness can only do so much. The key lies in collective action—galvanising individuals, governments, NGOs, as well as the business community, to act in a concerted manner.

Where does one start, and how far into the future should we be looking? The World Business Council for Sustainable Development (WBCSD) has launched the Vision 2050 Project, to illustrate how we can "live well" and "live within the limits of this planet"—in effect, a pathway to sustainability. Like the technology revolution, sustainability will catalyse innovation leading to numerous opportunities, pressing on societal interest and resource management.

This leads to an emerging new business order worldwide. Political and business constituencies will shift from thinking of climate change and resource constraints as environmental problems to economic ones related to the sharing of opportunity and costs. In India, we have the advantage of leap-frogging stages of evolution towards sustainability. For instance, villages in India took to solar energy and mobile phones having forfeited the progressive stages of economic development.

The role of the government in formulating regulatory frameworks maybe referred to as the fulcrum of sustainable development but the important role of businesses cannot be ignored. As critical protagonists in this wide canvas, their role is distinctly carved out in the sustainability pathway, with an urgent need to evaluate public-private partnership models to achieve this.

Business Action for Sustainable Development (BASD), the official coordinator of businesses at the Rio+20 conference held on June 20-22, 2012, endorsed the association between poverty alleviation and flourishing businesses. I have always maintained that businesses cannot succeed in a society that fails. Equally true is that society cannot achieve sustainability without a commitment from businesses to become solutions provider. In order to maintain an equilibrium, business solutions must gravitate towards sustainable opportunities in three

** The author is Co-founder & Executive Co-Chairman, Infosys Ltd.,Courtesy : The Economic Times* categories: reconstructing and transforming lifestyles and communities, effectively managing bio-capacity and ecosystems, and engineering innovative financial and collaboration structures, to help enable the former two.

This will mark the dramatic rise of technological ingenuity, even as cities will face large-scale migration of the rural populace, accentuating the effects of energy, land and resource paucity. Cities will then have to be retrofitted to minimise waste and preserve biodiversity. The emerging intelligent urban architecture that converges mobility with the socio-economic environment will bear tremendous employment opportunities for the migrated rural populace, which will help offer the desirable increment in their standard of living.

Businesses over the years have drastically transformed and have inspired others in the league. Striding through the challenging times, companies like Infosys have made headway into green architecture with the awareness that growth is inextricably linked to the well-being of the ecosystem, employees and business partners, local communities and the environment. For instance, we work with small Indian companies that work in the area of green solutions, smart building designs, etc, to reduce our energy consumption. Over the past four years, Infosys has saved 290 million units of electricity through energy efficiency measures across our development centres. In 2011-12, Infosys used 47.82 million units of green power, accounting for close to 20% of our power consumption. Not just our rainwater harvesting reservoirs bear a combined capacity of 300 million litres, we also employ treated water at in-house plants. This apart, we follow a zero-discharge policy for our operations and have installed bio-gas plants to generate energy from organic waste for cooking while inorganic waste is recycled. What was a mere internal engagement earlier, has now transformed into a business opportunity, for which we offer consultancy and implement business transformation strategies for our clients to help them on their journey to sustainability.

Irrespective of numerous avenues that influence sustainable businesses and government policies, the lone game changer is going to be enlightened leadership and imagination to cover the uncharted territory. Technological innovation will foster sustainability and help alleviate poverty but the impoverishment lies in leadership and enterprise, which begs for much attention.

* * *

Build your inner environment. Practise silence! I remember the wonderful discipline of the Great Ones. When we used to talk and chatter, they would say: "Go back into your inner castle." It was very hard to comprehend then, but now i understand the way of peace.

SMALL IS BIG AT CREATING FACTORY JOBS

By
Shobha Ahuja *

There is a growing perception that the country's dream of achieving a transformational growth of 9% and above is contingent upon unleashing a wave of entrepreneurship that would not only aid wealth creation but also help create jobs. And these objectives are best accomplished by providing a fillip to micro, small and medium enterprises (MSME). The questions are: has there been a significant rise in the number of MSMEs? And if so, how responsive is employment to an increase in MSMEs?

Investigations show that over the years, there has been a significant rise in the number of MSMEs in the country. The number of operating SSI units, registered with the Directorate of Industries, has gone up from 1.40 lakh units during the first census (1973-74) to 5.82 lakh units during the second census (1987-88). The figure rose to 13.75 lakh units during the third census (2001-02) and nudged 15.28 lakh units during the fourth census (2006-07). Between 2001-02 and 2006-07, an average of 31,000 registered new units have been added every year while a phenomenal 31 lakh unregistered units have come up across the country.

The rise in the number of MSMEs has led to a substantial growth of employment for the workforce. Figures show that the number of workers employed in registered MSMEs have more than doubled from 16.53 lakh in the first census to 36.66 lakh during the second census, rising to 61.63 lakh workers during the third census. And about 94.72 lakh persons were employed in registered MSMEs during the fourth census.

Latest figures show that the number of SSI units in the country, both registered and unregistered, have risen to 298.08 lakh units in 2009-10 from 105.21 lakh in 2001 02. Similarly, employment has gone up to 695.38 lakh in 2009-10, up from 249.33 lakh in 2001-02. No wonder the economy continues to rely on the numerical strength of SMEs for engaging the large multitudes of the unemployed workforce that enters the job market in search of work.

But a closer examination shows that employment generation among MSMEs could be faltering in the post-liberalisation period. And this becomes evident when we look at the figures of per-unit employment generation in the country. Indeed, per-unit employment in registered SSI units has gone down from 11.8 in the first census to 6.29 in the second census. The situation has been particularly disturbing in the third census where the figure dropped to a low of 4.48.

The decline in per-unit employment could be attributed to the opening up of the economy to competition and accent on productivity and mechanisation, hitting SSI units badly. The sector had neither the size nor technology and deep pockets to survive for long. The production of SSI units dropped dramatically and did not catch the

* *The author is an Economist with the PHD Chamber of Commerce*

1989-90 levels till the beginning of the new millennium, and the units that survived cut down on employment. The situation has undoubtedly improved since 2003-04 with the surviving units having emerged stronger. This is evident from the rise in per-unit employment in the fourth census to 6.24 among registered units. Yet, this is nowhere near the per unit employment generation in the first census. Besides, the figures of third and fourth census are not strictly comparable, since the latter includes the medium segment that was excluded in the third census.

What emerges from this analysis is that per-unit employment generation among SSIs was much higher during 1970s. This was the time when the policy of reservation for SSIs was in full force and small units were sheltered from competition. This may also lead us to deduce that reservation policy in some form be continued for the MSMEs. However, the policy of reservation created distortions in the system that allowed the inefficient enterprise to thrive. This is unsustainable in the post-liberalisation period where the demand is for quality products at world-beating prices. Hence, the policy environment should be geared towards supporting growth of firms that deserve to grow and generate large-scale employment in the process. No doubt, some hand-holding is required for SSI units, but this could be done through a policy of promotion rather than protection.

There is an urgent need for policies that would encourage SMEs to transit from small to medium segment as it is this sector that would have greater absorptive capacity for labour. Besides, policy support by way of marketing and technology assistance , easing of bottlenecks in land buying, fast-track clearances in environment, water supply, power, etc, for startup units and unshackling of inspector raj at the state level are important. It would also be appropriate to consider an SEZ for SMEs ensuring provision of world-class infrastructure, single-window clearance and exemption from labour laws.Furthermore, it is important to ensure availability of cost-effective bank credit. This would provide the much-needed resources for capacity creation and expansion of small units. Indeed, the share of the SME sector in net bank credit has steadily declined from 14.6% in 2000 to 10.9% in 2009. Assuming that the share of the small-scale credit in total bank credit had remained at 14.6% in 2009, there would have been an additional. 75,000 crore available for lending to this sector that would aid the unit to optimise its potential, realise scale economies and create jobs in the process. No doubt SMEs have made a significant contribution to employment generation. Yet, the potential for creating further employment in this segment is immense. Hence, the need for a conducive policy environment that would encourage employment-intensive growth is more a necessity than an option.

* * *

As rivers flow into the ocean but cannot make the vast ocean overflow, so flow the streams of the sense-world into the sea of peace that is the sage.

Rajasthan Financial Corporation Overcomes Crisis

The Rajasthan Financial Corporation since its inception in the year 1955 has played a pivotal role in the industrial development of the State by providing financial assistance to over 80,393 number of tiny, small and the medium scale industries. Over a period of time, it has also felt sign of distress under the realm of economic slow down and competition with the banks and other financial institutions.

To revitalize, recapitalize and restructure RFC, a tripartite Memorandum of Understanding (MoU) was signed by SIDBI, State Government and RFC in December, 2003. To sustain the efforts of restructuring, the MoU was revised and renewed on 2nd July, 2009 for a further period of five years.

SIDBI has agreed to provide need based refinance support as per the approved business plan in the MoU; however, SIDBI has drastically reduced the support in 2011-12, only Rs.75 crore were provided as against the BRPF of Rs.160 crore and repayment of Rs. 103 crore due to SIDBI. This resulted in a resource gap and Corporation had to scale down its business operations. Besides the support of SIDBI, borrowings of Rs.100 crore were envisaged from Banks or other sources but in spite of best efforts, the same could not materialize.

In order to broadbase the resources and to overcome the liquidity crunch, RFC planned to raise Rs. 100 crore by way of Non-SLR Bonds. The State Government provided Government Guarantee for raising Non-SLR Bonds of Rs. 100 crore with bullet repayment in 8, 9 and 10th year; without call/put option. The Corporation obtained a satisfactory rating in April, 2012, and appointed an Arranger to the issue. The issue opened from 8th May to 16th May, 2012 and was fully subscribed in a record time @ coupon rate of 9.60% p.a. payable semi-annually.

The State Government has also come forward to strengthen the Corporation by providing budgetary support of Rs.10.00 crore by way of fresh equity infusion and conversion of quasi-equity loans of Rs.15.65 crore in financial year 2012-13.

The Corporation has also undertaken an aggressive restructuring exercise and the 38 field offices have been divided into six operational groups for better monitoring and effective control. The Corporation decided to curtail its expenditure to the extent of 10% of the total income in a phased manner.

As a measure of manpower restructuring, Corporation intends to bring down its staff strength which is 814 at present, considerably in a phased manner by the end of projected period. Pro-active steps have been taken in this regard and till

** The writers {N.P. Gupta, M.R. Chhinwal & Dr. Naveen Kumar Ajmera} are Officers of the Rajasthan Financial Corporation, Jaipur*

31.05.2012 total 253 employees (35 'A', 98 'B' class & 120 'C') have been sent on deputation to other Govt. Deptts. and Board/Corporations of the State Government. The deputation of 253 officers/staff will enable the Corporation in reducing its administrative expenditure by Rs.10.60 crore (approx.) per annum on account of salary alone besides savings on other incidentals. The process of sending the employees on deputation is still going on and it is expected that the strength will reduce by 50%. The term of deputation shall ordinarily be one to three years, may be extended further, as mutually agreed upon. A Voluntary Retirement Scheme; and another Scheme for Voluntarily proceeding on long leave without pay for a period of five years have also been launched.

In order to bring transformation and upgradation skills of the employees, the Corporation intends to organize in–house training programmes in a time bound manner in the remaining part of calendar year 2012.

The State SC/ST Finance and Development Co-operative Corporation Limited for economic upliftment of persons belonging to SC/ST category by way of providing finance under various schemes was finding it difficult to achieve its objective on account of lack of trained and experienced staff. The RFC has joined hands with it and has provided 65 qualified and experienced personnel to this Corporation.

Undoubtedly, all these efforts shall facilitate the Corporation in enhancing its operational viability and long term survival as well.

The Corporation is headed by Shri Yaduvendra Mathur, IAS, Chairman & Managing Director The Board of Directors of RFC has provided dynamic leadership in these efforts.

* * *

One of the basic points is kindness. With kindness, with love and compassion, with this feeling that is the essence of brotherhood, sisterhood, one will have inner peace.

Dt. 25-6-2012

Ram Singh Pal

Dear Editor,

I really appreciate the fact that the issues taken up in your journal are of immense relevance in present day scenario. I am sure that the journal will be able to disseminate information about growth and developments of small scale and medium scale industries in our economy.

I wish to congratulate all the office bearers of the COSIDICI for their initiative and wish them success for all their present and future endeavors.

With Warm Regards,

Yours Sincerely,

Sd/-

(RAM SINGH PAL)
Indian Institute Of Human Rights
A/15-17, Paryavaran Complex,
Saket, Maidangarhi Marg,
New Delhi-110030

People are born for different tasks, but in order to survive every one requires the same nourishment; inner peace.

Freehold policy for UPSIDC's plots

The UP government has said that the Uttar Pradesh State Industrial Development Corporation (UPSIDC) is set to frame a policy to grant freehold status to all residential, industrial and commercial plot holders. The policy and the rates for conversion of leasehold plots to freehold would be fixed by end-June. This new policy will benefit residents of Ghaziabad's Tronica City, which is being developed by UPSIDC, and the owners of plots in the group-housing scheme at Surajpur (Greater Noida). The Ghaziabad Development Authority (GDA) currently allots residential plots on freehold basis, but the UPSIDC will make a fresh beginning.

In Noida, Greater Noida and the Yamuna Expressway areas, all land like residential, commercial, industrial or institutional is allotted on lease. As a result, even flat buyers in Noida and Greater Noida are not owners of the properties for which they invest huge sums. The flats and plots are sub-leased by builders to them. The state government has proposed allotment of land by all seven industrial development authorities in Uttar Pradesh on freehold basis. But the development authorities like Noida-Greater Noida and Yamuna Expressway Development Authority have deferred the state government's decision to convert the lands into freehold properties. These authorities claim this would hamper development and revenue generation.

Karnataka signs 730 MoUs for Rs.7.6-lakh cr investment

At the conclusion of the two-day Global Investors' Meet 2012 the Karnataka government managed to sign investment proposals entailing a total investment of Rs. 7.6 lakh crore. Of the 800 companies that participated in the second edition of the investment meet, the government has signed memoranda of understanding (MoUs) with 730. The government also received on-the-spot registration of interest for proposed investment of Rs. 1.68 lakh crore in the infrastructure sector alone. However, the government would sign MoUs with these companies only after the state High Level Clearance Committee headed by the Chief minister clears their detailed project proposals.

Of the total investment proposals signed by the government, 34 were for investments of more than Rs.5,000 crore , adding up to Rs.3,36,555 crore. The single largest investment proposal was from NMDC, which plans to invest Rs.25,000 crore to set up a steel plant.

Tata Metalliks was the second, with plans to invest Rs.20,000 crore to set up a steel plant in Haveri. The company, which had earlier proposed to invest Rs.15,000 crore to set up a 3 million tonne per annum (mtpa) steel plant, has scaled up its proposal to 6 MTPA, with a combined investment of Rs.35,000 crore.

KFC to finance projects in entertainment sector

The Kerala Financial Corporation (KFC) in July, 2012 forayed into the entertainment industry with two new schemes, one for financial assistance for production of feature films and television serials, and the second, for assistance to cinema theatres and multiplexes.

The state Finance Minister, Shri K.M. Mani, inaugurated the schemes by handing over a cheque of Rs.75 lakh to Sandhya Rajendran and Rajendran, producers of the upcoming movie Hide & Seek. The State stood fifth in the country with regard to production of films, and Malayalam cinema was known for "its realistic portrayal of relevant subjects."

The two new schemes, which entailed loans of up to Rs.2 crore for production of feature films, documentaries and television serials, and loans of up to Rs.20 crore for modernisation, upgrading and expansion of cinema halls and establishment of new multiplexes, came with interest rates less than those offered by commercial banks. Fifty per cent of the amount would be given as the first instalment while the rest would be handed over when the project was 70 per cent complete. The KFC had been giving "best dividends" for the State government and was expected to succeed in the latest endeavour as well, he said.

Shri Yogesh Gupta, IPS CMD, KFC, said the lack of tangible security was one risk for loans in the cinema industry, but the Corporation, to mitigate this risk, would offer loans on easy terms and rates to finance requirements associated with production to reputed, experienced producers with established teams.

Jaipur Metro to seek monetary aid from Centre

The Jaipur Metro Rail Corporation (JMRC) is set to seek financial ssistance from the Central government in the form of equity for the Jaipur Metro corridor-I (Mansarovar to Badi Chaupar). As part of the joint venture, the Centre is expected to provide Rs.627 crore in the form of equity i.e. it will have 20% stake in the venture.

"Though there are sufficient arrangement of funds to construct the project from Mansarovar to Chandpole, the state government is not in a position to fund the entire project till Badi Chaupar." The estimated cost to construct the line from Mansarovar to Chandpole is Rs 2000 crore. For this, the state government will provide assistance of Rs 1200 crore. The Rajasthan Housing Board and Rajasthan State Industrial and Investment Corporation (RIICO) will provide Rs 100 crore each and the Jaipur Development Authority (JDA) will provide another Rs 150 crore. If the project is extended to Badi Chaupar, the estimated cost will go up to Rs 3,149 crore.

JKSFC sanctions about Rs 8 crore in loans to entrepreneurs

Jammu and Kashmir State Financial Corporation (JKSFC) has sanctioned loans worth Rs 7.92 crore to 138 entrepreneurs in the first quarter of the current fiscal, achieving 100 per cent target. The sanctions are 26 per cent higher than Rs 6.73 crore made during April-June, 2010-11. Loans worth Rs 5.97 crore have so far been disbursed to 134 beneficiaries, as against disbursements of Rs 3.54 crore in the first quarter of last fiscal.

The Corporation has effected recovery of Rs 6.03 crore against a target of Rs 7.34 crore for the quarter. State Minister for Finance and Chairman J&KSFC Shri Abdul Rahim Rather, asked the management of the corporation to gear-up for meeting higher targets. The Corporation should devise a proactive strategy to further strengthen its capital base for achieving positive net worth. Stressing for capacity building and manpower rationalisation, he said the Corporation should diversify its business activities for resource mobilisation. The corporation has played a vital role in boosting business and trade activities in the state in past and asked the management to gear up to restore its past glory.

HSIIDC finalises plot allotments for 51 projects at IMT Faridabad

HSIIDC has finalised plot allotments for 51 projects at IMT Faridabad. This would catalyse investments of nearly Rs 3,000 crore and generate direct employment opportunities for more than 20,000 persons. The 33 projects to be set-up at IMT Faridabad with capital investments in excess of Rs 2,000 crore, will generate direct employment avenues for more than 16,000 people.

IMT Faridabad, which is strategically located, is being developed over an area of 1,784 acres. Development works to the tune of Rs 310.56 crore have been allotted and the work at site is in full swing and is likely to be completed by April 2013. Nearly 35 per cent of infrastructure development work has already been completed. Plot allotments for 8 projects to be set-up at Growth Centre Bawal, Rewari, involving capital outlay of more than Rs 650 crore and employment generation potential for more than 2,500 persons, have also been finalised. Besides IMT Faridabad and G C Bawal, allotments for setting up prestigious projects at some other estates - IMT Manesar, Industrial Estate Kundli, Industrial Estate Barwala, Industrial Estate Panipat, Industrial Estate Karnal and Gurgaon, have also been finalised. The projects sanctioned for plot allotment encompass diverse fields such as automobile components, footwear, surgical products, home appliances, high-fashion garments, IT & ITES, printing press, fertilisers, among others. These projects, largely in manufacturing sector, would give boost to economy of the region and generate immense employment opportunities.

* * *

The greatest leader is not someone who is the only leader. The greatest leader is one who inspires other to be leaders.

Radhanath Swami

QUESTIONS OF CYBERQUIZ ~ 36

1. Originally known as Software Plus, name of this company was changed on the insistence of the author of its principal product. When one of the two co-founders did not want his name to be part of the new name of their company, a fictitious name was created. Name this company.

[a] Ashton-Tate; [b] Remington-Rand; [c] Sperry Rand; [d] Eckert-Mauchly Computer Corporation.

2. This company's name has the origin in its founders' fondness for the cult television series The X-Files. Name it.

[a] Alienware Corporation; [b] Informix; [c] CNET Networks Inc.; [d] Zappos.com.

3. The founders of this company hit on the name and logo of their company when they saw the Golden Gate Bridge in San Fransciso framed in sunlight. Name this company.

[a] Adobe Systems; [b] Seagate Technology; [c] Cisco Systems; [d] Lexmark.

4. The world's first mini printer EP-101 gave ris to which company's name ?

[a] Electronic Data Systems; [b] Electronic Arts; [c] Casio; [d] Epson.

5. Now, another major tele-communication company Verizon. What is the origin of the name ?

[a] From the words "Veritas and horizon"; [b] From the words "Vertical and horizontal" indicating 360 degree solutions; [c] From the words "Very best and horizon"; [d] From the words "Voice, entertainment, zing and phone.

For Answers See **Page No. 23**

One, who earns leadership of the masses by working ceaselessly for people's welfare finally realise that he has been rewarded with many added advantages.

Atharva Veda

TURNAROUND OF JAMMU & KASHMIR STATE FINANCIAL CORPORATION {J&K SFC}

Shri A.R. Makroo took over the charge as M.D., J&K SFC in December, 2009. During his illustrious career he has held various posts in the State viz. J&K SIDCO, Bureau of Public Enterprises and J&K Power Development Corporation. During his twelve years' tenure in J&K Power Corporation, he looked after project financing activities and arranged more than Rs.5,000/- crore funds for different power projects in the State. Thereafter he was posted to J&K SFC which was an ailing organisation. As a member of the Board Sub-Committee he prepared revival plan of the Corporation and after its approval by the Board implemented the same in letter and spirit and is steering the revival plan of the Corporation for last two and half years.

Background

Established in December, 1959 under the provisions of SFC Act, 1951, J&K SFC has played a pioneering and significant role in development of entrepreneurship and small industry in the state by purveying credit at fairly reasonable rates to MSME and allied sectors to more than 21,000 constituents. The Corporation had a consistent track record of earning net profits since its inception till 1992-1993 and based on its operational results, was rated one amongst the top ten SFCs in the country.

However, in the wake of turnmoil in the State that erupted in 1990, the industrial activities virtually came to a halt due to multiplicity of factors unleashed by the turbulence in the State. As a result the defaults in due repayments multiplied, income of the Corporation nosedived, expenditures increased and the Corporation suffered losses from the year 1994 onwards and eventually went into red with losses sky rocketing.

With the installation of elected Government in the State in 1996-1997 it was decided that since the business community had extensively suffered; therefore, in discharge of its social responsibility some reliefs like re-schedulement in repayment, waiver of interest etc. were inevitable and had to be provided to the borrowers in industrial/allied sector, so that such of the units as can revive will get chance for their survival and others will get the exit route to close the loan accounts. In tune with this Government policy the Corporation had to introduce various settlement schemes from time to time and accordingly had to suffer revenue loss of about Rs.1100 crore upto 2010-2011 on account of interest waiver etc. under its various schemes.

While on one hand it was unable to recover its dues, on the other hand it continued to repay its debts of over Rs.375 crore upto 2006-2007 to its refinancing institutions and bond holders. Thus while rehabilitating its constituents by extending necessary concessions/ reliefs by way of interest and other waivers, the Corporation itself got entangled in the cob-web of huge liabilities, reeling under severe liquidity constraints unable to service its obligations and discharge its assigned role meaningfully, specifically after 2006-2007.

Revival Plan

In its effort to restore permanent peace, it was felt imperative by the Governments both at State and Central level that while terrorism is fought with an iron hand, enough economic activities are also generated to create gainful employment for the youth. In this regard, low credit flow to the State economy was observed to be an area of serious concern. The CD ratio in J&K remained as one of the lowest in the country at nearly 46% was much below the national average of 73%. Small, cottage and village industry in particular suffered the most due to poor lending by commercial banks. It was also observed that due to prevailing situation in Jammu & Kashmir, somehow, Central PSU/Banks have not been able to augment lending activities especially in rural areas of the State. In fact, their network had not seen much expansion both in spatial and credit terms during the two decades. After taking over responsibility of the Government in January, 2009, revival of economic activities with focus on employment generation was given a special thrust and attention by the present Government with strengthening of institutional mechanism and revitalizing of the institution like SLBCs. Keeping in views, its role played in the past and its relevance in the revitalization of the ailing Industrial and the allied sectors of the state, the issue of revival of the J&K State Financial Corporation figured in different high level meetings. It was observed that like J&K Bank, which has played a lead role in the banking sector, J&K State Financial Corporation also needs to be enabled to resume its developmental role. The Board of Directors in its meeting dated 13.08.2009 constituted a Committee under a noted economist of the State to draw a workable and comprehensive revival plan for the Corporation.

Keeping in view the requirements of the State economy, the Committee in its report to the BoD, observed that in order to revitalize the State MSME sector, the Corporation has prominent role to transform the idle unutilized vast economic resources of J&K into operational profit making enterprises.

Hon'ble PMs Task Force Report on MSME of January 2010, while acknowledging the role of JKSFC in revival of MSME Sector of the State recommended a fund support to strengthen the capital base of the Corporation and one time settlement with SIDBI on the outstanding debt liability.

The Board of Directors of the Corporation in its 221st meeting of February' 2010 approved the revival plan (being in line with the Hon'ble Prime Ministers Task Force Report) containing the measures for revival of the Corporation, advising the Corporation to take action specifically under following three main heads:-

- Organizational & Managerial Resetting.
- Settlement with SIDBI..
  Arranging of Financial Support.

3. Follow-up strategy:

To make the Corporation a vibrant financial institution in tune with the competitive requirement of the financial market a multi-pronged strategy was adopted by the Management of the Corporation in the above three fields of operation as discussed below:

i. Organizational and managerial set up:

During the last 2 decades the manpower composition of organization had turned grossly deficient. On one hand professional manpower superannuated and on the other hand no fresh professional manpower had been engaged to develop a sound management cadre in accordance with the competitive requirements of the financial market. A proposal was placed before the Board for professionalization of managerial cadre of the Corporation by way of induction of some young professionals and also promoting of qualified staff on one hand and re-deployment of the assisting staff, to make optimal use of their services. With the approval of the BOD induction of some fresh young professionals was made at officers entry level besides elevating some competent staff on the basis of their qualifications and merit. Keeping in view the present requirements of the loaning procedures documentation and approval, processes were revisited and updated as per existing practices in the financial market to ensure safe and hassle free lending. With these arrangements in place strong drive on all three fronts i.e. Recovery, Sanction & Disbursement and updation of audit & account was launched vigorously.

ii. Recovery:

With about 80% portion of lending portfolio being more than two decades old, wherein most of the cases securities had eroded, units closed/non-existent, promoters dead/untraceable; recovery was a stupendous challenge. The corporation adopted a consistent policy of persuasion and was able to recover Rs.51.21 crore debts in the last three years double than its previous corresponding period.

iii. Sanction & disbursement:

Due to paucity of funds the Corporation had virtually closed its main activity of providing term loan to MSME sector. After streamlining/updating the loaning procedures, the activity was restarted practically from the year 2010-11 and in last three years the Corporation made sanctions of Rs.38.71 Crore and disbursement of Rs.26.94 crore.

iv. Position on audited accounts

During the last decade the Corporation had completely lost track on this account as well. As on 31.03.2008 it was in arrears by 6 years. In the last 2 and half years, 4 years accounts were got completed and placed before Board of Directors and shareholders. The balance sheets of the years 2009-10 was placed before BOD meeting in February, 2012. The audited accounts of the year 2010-11 are planned to be ready by July 2012, thus the Corporation will get updated on this front as well, facilitating the BOD to make more realistic decisions.

4. Settlement with SIDBI and bond holders:

JKSFC was in default with SIDBI in repayment of its principal of Rs.56.23 crore with interest thereto which as on 31.03.2011 amounted to about Rs.39.00 crore. In accordance with the recommendations of Hon'ble Prime Minister Task Force, advising settlement of liability with SIDBI, the matter was taken up with SIDBI and a settlement was facilitated mainly by active support of Ministry of Finance Department of Financial Services GOI and SIDBI. Against repayable liability of more than Rs.95 crore, One Time Settlement was extended by SIDBI at Rs.44.08 crore. In order to avail the OTS of SIDBI, State Government extended Rs.45 crore fund support in line with Hon'ble PMs Task Force Report and thus liability in default was cleared. Besides the above liability, with additional fund support of the State Govt. the Corporation cleared bond liabilities in default of Rs.37.64 crore also.

Comparative financial scenario of JKSFC

With the measures under the Revival Plan as discussed in detail above the Corporation has improved its financial position which can be seen from the following comparative statement :-

		(Rs. in Crore)	
		2008-09	**2011-12 (Provisional)**
i) (a)	Total Loan Portfolio	116.05	109.02
(b)	Good	15.66	47.92
ii)	Recovery (as on)	15.64	51.21(*)
iii)	Disbursement	5.74	26.94(*)
iv)	Assets liability ratio	0.24:1	0.99:1
v)	Outstanding term liability	180.40	34.57
vi)	Net worth	(-)157.31	(-)18.39
vii)	Audited account (in arrears)	6 years	1 year

(*) Cumulative of 2008-09 to January 2012.

Despite absence of refinance facility, CGFT support, inadequate capital base; the Corporation has started showing encouraging operational results under its revival plan.

With the above measures in place, the Corporation is all set to some out of red from year 2012-13, after a gap of over 15 years in order to be an effective player in the economic development of the state and restoring its past glory, demonstrating that SFCs have as good a role in the MSME sector as in past.

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ANSWERS OF CYBERQUIZ ~ 36

1.**[a] Ashton-Tate :** Ashton-Tate was founded by george Tate and Hal Lashlee. The company used a fictional character Joe Ashton for some time in its advertisements. It even was keeping a large parrot with that name at the front door of its office so that employees could easily answer from where did the name Ashton come.

2.**[a] Alienware Corporation :** Established in 1996, Alienware manufactures high-performance desktop, notebook, media centre, and professional systems that are specialised for gaming, video editing and music editing.

3.**[c] Cisco Systems :** The name of the company comes from San Franscisco. The logo of the company is a stylized graphic of the Golden Gate Bridge in San Francisco.

4.**[d] Epson :** An instance of a company name derived from its popular product name. In june 1975, the name Epson was coined after the next generation of the EP-101 was launched. The new printer was termed "Son of EP-101", which became "Son of EP" which in turn became "Epson".

5.**[a] From the words "Veritas and Horizon" :** According to the official website of the company, "Genesis of the company name is veritas, the Latin word connoting certainty and reliability, and horizon, signifying forward-looking and visionary.

DO YOU KNOW ?

SOME UNUSUAL, THRIFTY & ECO-FRIENDLY USES FOR VINEGAR

- **Condition Hair :** Silky, shiny, buildup-free hair using a single cheap, natural product? Sign me up! It may sound odd, but using apple cider vinegar as a rinse after shampooing really does work like a dream. It removes residue from the hair shaft and closes the cuticles. Just add half a tablespoon of vinegar to a cup of water, plus a few drops of essential oil if you like. Pour it on in the shower and then rinse it out. Sure, your hair will smell like salad dressing for a while, but once it's dry, the smell dissipates.

- **Kill Weeds :** A few rogue weeds can wreak havoc in an otherwise flawless lawn, vegetable garden, or flowerbed and are especially annoying when popping up in the cracks of a sidewalk or driveway. Forget pricey weed killers full of toxic ingredients — household vinegar really does kill unwanted plants; stronger vinegar made for horticultural use, which is 25% acetic acid, works even better.

- **Soften Fabrics :** Add 1/2 cup of white vinegar to the wash cycle, and not only will it prevent lint from clinging to your clothes and keep colors bright, it'll also remove soap scum from both the clothes you're washing and the washing machine itself. Vinegar is also recommended in place of dryer sheets — simply add 3/4 cup to your washer during the final rinse cycle.

- **Remedy Sore Throats :** Many people recommend sipping or gargling with a tablespoon of apple cider vinegar in a cup of warm water to soothe a sore throat. Add a few tablespoons of honey (also a seriously versatile product!) to this mixture in order to make it even more effective and far more palatable.

- **Deter Ants :** Got trails of tiny ants weaving their way around your home? These annoying insects aren't big fans of vinegar, so spraying a 50/50 mixture of white vinegar and water anywhere you have seen them can help encourage them to move out. The vinegar also erases the scent trails that they use to indicate sources of food to their brethren.

- **Soak Sore Muscles :** Apple cider vinegar helps draw out lactic acid, which accumulates in muscles after exercise, causing that sore feeling. Mix a few tablespoons of vinegar into a cup of water, dip a cloth in the mixture, and apply it to sore areas for 20 minutes.

- **Freshen Air :** Whether it's smoke, mildew, pet odor, or lingering whiffs of burnt casserole, bad smells can make a home less than welcoming. Store-bought air fresheners just cover up the smell with strong, clearly artificial scents, creating disturbing hybrid smells that only serve to worsen the situation. Acetic acid in vinegar absorbs odors, so spritzing it around the room will neutralize the smells. You can also use it to wipe down surfaces in the room that needs freshening.

- **Remove Stickers :** If you're just getting around to removing that Kerry/Edwards decal from your bumper, or trying to peel a price tag off a new purchase, you'll never guess what magic ingredient is about to make your life a lot easier. Warm a little bit of white vinegar on the stovetop or in the microwave and then dip a rag into it. Hold the rag over the sticker until it's thoroughly saturated, and it will peel right off without leaving sticky residue behind. This trick also loosens wallpaper adhesive.

- **Cure Hiccups :** Most doctors claim that hiccup cures don't actually work, but tell that to the thousands of people who swear by vinegar as a way to ease these involuntary spasms. It's not clear how a shot of vinegar would actually help — other than to distract you with its acidic flavor — but next time you've got a bout of the hiccups, give it a try.

- **Clean Crusty Paintbrushes :** So you forgot to clean your paintbrushes last time you used them, and now they're so stiff and crusty, it seems that you'll have to throw them away. Not so fast! Fill a saucepan with undiluted white vinegar and bring it to a boil over medium heat. Dip the paintbrushes into the boiling vinegar, one at a time, dragging the bristles along the bottom of the pan. Continue this process until the paint is dissolved.

- **Dissolve Rust :** The acetic acid in vinegar reacts with iron oxide to remove rust from small metal items like hinges, nuts and bolts. Simmer them in a saucepan full of vinegar, then rinse well with water to prevent the vinegar from further affecting the metal.

- **Eliminate Stale Odors :** You know how lunchboxes and other food containers can take on a funny smell after a while? Vinegar can take care of that, too. Either wipe down the surface well with white vinegar or, in severe cases, leave a cloth soaked in vinegar in the container for a few hours to absorb the odors.

- **Remove Mineral Deposits:** Calcium and lime deposits from hard water don't just stain coffeemakers and bath tubs, they can actually clog showerheads and reduce dishwasher function. Run a mixture of half water, half white vinegar through your coffee machine to remove them. Use straight vinegar as a rinsing agent in your dishwasher to prevent buildup, and wrap a vinegar-soaked cloth around stained faucets until the deposits can be easily scrubbed away. To clean a clogged showerhead, remove it from the pipe and place it in a saucepan full of white vinegar. Simmer for just a few minutes, being careful not to allow it to boil, and then wash off the stains.

- **Neutralize Spice in Foods :** You've got a dinner disaster on your hands: One too many shakes of cayenne powder has turned your award-winning chili into an inedible five-alarm blaze, and your guests are waiting at the table. Vinegar to the rescue! Add white or apple cider vinegar to your food, one teaspoon at a time, to neutralize the spice.

- **Prolong the Life of Cut Flowers :** Bouquets of cut flowers brighten a room all too briefly, often wilting after just a few days. Squeeze a little extra enjoyment out of your arrangements by adding two tablespoons of white vinegar per quart of water in the vase, which will keep them perky just a little bit longer.

- **Clean Glass, Plastic, Chrome, and Floors :** A half-and-half solution of water and white vinegar will cut the grime on the shelves and walls of the refrigerator and eliminate spoiled-food smells too. Full-strength vinegar will remove tough smudges on glass and make porcelain sinks shine. Make it into a paste with a little baking soda to scrub chrome, or mix 1/3 white vinegar with 1/3 rubbing alcohol, 1/3 water, and 3 drops of dishwashing liquid for an economical floor cleaner. Just be sure not to get vinegar on marble, granite, or slate surfaces.

- **Treat Fungal Infections :** Fungal infections like athlete's foot, toe nail fungus, and dandruff are definitely no fun. White vinegar and apple cider vinegar can both be applied topically to affected areas of the body to kill fungus. For foot-related ailments, soak in a solution of one part vinegar to five parts water for about 30 minutes a day.

- **Open Drains and Freshen Garbage Disposals :** Clear a clogged drain without the nasty, headache-inducing chemicals. Dump about 3/4 cup of baking soda down the drain and chase it with 1/2 cup white vinegar, then plug the drain. Leave it for about 30 minutes before rinsing with a kettle full of boiling water. You can use the same trick to clean and deodorize garbage disposals, or freeze vinegar in an ice cube tray and grind them up in the disposal to clean and sharpen the blades at the same time.

* * *

NEWS FROM STATES

HARYANA

Faridabad-Gurgaon 4-lane link opens, with toll plaza

Reliance Infrastructure Limited (RInfra), part of Reliance Group, has commenced the operation of its sixth road project through its Special Purpose Vehicle(SPV), GF Toll Road Private Limited from Gurgaon to Faridabad. The four laning of Gurgaon - Faridabad and two laning of Ballabhgarh - Sohna road have been completed and toll collections have been started. It is RInfra SPV's first State road project, executed on BOT (Build, Operate and Transfer) pattern, under the aegis of Haryana Public Works Department, Government of Haryana. The project will be transferred back to the Government after 17 years concession period, during which time the road will be operated and maintained by RInfra's SPV.

Built at a cost of Rs.800 crore, Gurgaon Faridabad corridor connects major tourist destinations, industrial zones, corporate offices and International airport (T3) of Delhi. This 66 kms long corridor includes Gurgaon-Faridabad, Ballabhgarh-Sohna, Pali Bakri, Surajkund Road. The 25 kms Gurgaon-Faridabad road starting from Gurgaon's Mehrauli Road at Sikanderpur and ending at the junction of Pali Bhakri road in Faridabad, involved widening of the existing two lane road to four lanes. The 6 kms of Municipal Corporation of Faridabad road leading to Surajkund and 3 kms of Crusher Zone Road were also constructed for the benefit of the commuters. The 28 kms Ballabhgarh- Sohna (BS) road starting from Ballabhgarh (35kms on Delhi- Mathura Road) and ending at Rewari - Palwal involved re-construction and widening of two lanes. This stretch also includes 4 kms road from Pali village to Faridabad - Gurgaon junction.

The average vehicle speed on this corridor now will go up from 12km/hr to 60km/hr, thereby reducing the traveling time by 40% - 50% and saving almost 40% on fuel cost. Commuters traveling the entire stretch of Gurgoan - Faridabad - Ballabhgarh - Sohna road can now cover this distance in less than two hours whereas earlier this same distance used to take almost five hours. With the opening of Gurgaon Faridabad road, access to International Airport of Delhi (Terminal T3) for Faridabad residents became easier and closer. Gurgaon-Faridabad corridor connects major industrial and tourist destinations of New Delhi, Uttar Pradesh, Haryana and Rajasthan. Keeping the traffic density in mind, fourteen lanes toll plaza are constructed at Gurgaon Faridabad road and six lanes toll plaza at Crusher Zone. Also, two Toll Plazas of six lanes each are located on Ballabhgarh Sohna stretch - one is at 11 kms from Ballabhgarh and another is at 28 kms.

UTTAR PRADESH

Centre clears 45,000 crore package for Uttar Pradesh

The Centre has cleared a package to the tune of 45,000 crore for Uttar Pradesh, conceding almost half of the demand made by the Uttar Pradesh government.The package includes release of fresh installments of funds for Centrally-aided projects which were pending due to various reasons, including failure on part of the state government to provide utilisation certificates. The decision to clear the release of the funds was taken at a meeting between Prime Minister's Principal Secretary Shri Pulok Chatterjee and top officials of the Uttar Pradesh government led by Chief Secretary, Shri Javed Usmani on July 10, 2012. The entire amount will be transferred in installments.

* * *

Indirect tax mop-up rises 10% in April

The Centre's indirect tax collections have risen 10% in April to Rs.32,000 crore as against just over Rs.29,000 crore garnered in the same month of the previous year. Coming on top of a 3.5% contraction in industrial production in March, the 10% rise in indirect tax revenue in the first month of the current fiscal was somewhat reassuring. Indirect tax collection grew 14% in 2011-12. Excise revenue grew an impressive 18% to Rs.12,500 during the month under review as against Rs.10,600 during April, 2011.

"The higher excise collections in April, partly attributable to the hike in duty to 12% in the Budget, reflects better health of the industry and could signal a likely pick up in IIP growth in April," said a finance ministry official. "We hope that a pick up in infrastructure activities in the country would give much needed fuel to the manufacturing sector in the coming months," said a top official of public sector enterprises.

The poor IIP numbers for March is just one in a series of bad news for the economy coming lately. After moderating in previous months, headline inflation has again risen in March to 7.2%. GDP growth has slowed down to 6.1% during the quarter ended December, 2011 fueling speculation that 2011-12 growth may be even below expected level of 6.9%. Axis Bank economist Ms. Saugata Bhattacharya, however, termed rate hike as the main reason for the excise growth without having any bearing on the improving health of the industry. "Most of the growth is happening in industries where there is no excise duty. The increased excise collections is on the expected lines but is a little slower as it does not fully captures the 20% increase in duty in this year's budget." The indirect tax figures for April, also indicates the continued fast paced growth of the services sector. Service tax collections during the month rose 35% while customs duty by 8%.

Gross direct tax collection up 3.6% at Rs.52,232 cr in Apr-May

The gross direct tax collection grew marginally by 3.62 per cent to Rs.52,232 crore in the first two months of the current fiscal. The gross realisation from direct tax in April and May 2011 was Rs.50,407 crore. Net direct tax collections, however, were significantly up at Rs.35,323 crore during April-May of 2012-13 from Rs.2,956 crore in the year-ago period.

"*This upward surge in net collections was due to decline in refunds by (-) 54.85 per cent as compared to year ago period,"* a finance ministry statement said. The refunds was about Rs.16,900 crore in the two months, significantly lower than the refunds issued in corresponding period of last financial year. The refunds had totalled about Rs.95,000 crore in 2011-12. For the current fiscal, the government has set a direct tax collection target of Rs.5.7 lakh crore, which is about 15.2 per cent more than the actual collection of Rs.4.95 lakh crore in the previous fiscal.

The Ministry further said gross mop-up of corporate taxes showed a decline of 2.82 per cent during April-May of 2012-13 and totalled Rs.24,329 crore as against Rs.25,035 crore in the same period last fiscal. On the other hand, gross collection of personal income tax during the months under review was up by 10.02 per cent to Rs.27,884 crore from Rs.25,344 crore year-on-year. Wealth Tax collection too declined by 16.67 per cent during April-May of 2012-13 to Rs.15 crore. The collection was Rs.18 crore in the same period last year. Realisation from Securities Transaction Tax increased by 7.36 per cent to Rs.540 crore from Rs.503 crore in the same period last fiscal.

Direct tax collection up by 13 pc to Rs.5.9 lakh crore in F.Y. '12

India's Gross direct tax collection rose by 13.02 % to Rs.5,90,077 crore in the last fiscal, the Central Board of Direct Taxes said on June 06, 2012. The collection was Rs.5,22,104 crore in 2010-11. The net collection (after refunds) was Rs.4,94,799 crore in the last fiscal, up 10.71% from Rs.4,46,935 crore in the previous fiscal. As per the Central Board of Direct Taxes (CBDT), gross collection of corporate taxes was Rs.3,96,208 crore in the last fiscal, up 11.52 % over the previous fiscal's Rs.3,55,267 crore. Gross revenue from personal income tax was up by 16.20% to Rs.1,93,042 crore in 2011-12. It was Rs.1,66,130 crore in fiscal 2010-11. The CBDT further said growth in wealth tax was 14.56 per cent at Rs 787 crore as against Rs 687 crore in 2010-11. However, the collection in form of securities transaction tax (STT) declined by 20.95 per cent to Rs 5,656 crore in the last fiscal.

Cabinet approves Rs.632-cr capital infusion in RRBs

In order to improve the capital adequacy and lending capacity for the agriculture sector, the Union Cabinet in June approved Rs.632 crore capital infusion in cash-starved regional rural banks (RRBs). India has 82 RRBs and almost all of them are equipped with core banking solutions. Following recommendations of Reserve Bank deputy governor Shri KC Chakrabarty, the government had initiated recapitalisation process in 2009-10 for 40 financially weak RRBs, which mainly provide credit to rural and agriculture sectors. However, till March 2012, it was done in 16 banks as several states did not provide their contribution. In order to complete the process of recapitalisation, the Cabinet has decided to extend the scheme by two years.

"The Union Cabinet has approved the release of 50% share of the central government for recapitalisation of the remaining RRBs to improve their capital to risk weighted assets ratio (CRAR)," said on the official statement. "The release of central government share is subject to the release of state government and sponsor bank share,". The capital of RRBs is shared by centre, states and the sponsor bank in the ratio of 50%, 15% and 35% respectively.

TUFS to be applicable in F.Y. '13 too

The government will extend the provisions of the technology upgradation fund scheme (TUFS), applicable for the 2011-12 fiscal, to this fiscal as well. This would mean that TUFS will be granted funds as per the 2012-13 Budget allocation, but the sectoral cap will be maintained in sync with last fiscal's provisions. TUFS was launched on April 1, 1999, for a period of five years, and was subsequently extended up till March 31, 2007. The scheme was later restructured with effect from April 28, 2011, and approved up till March 31, 2012. According to official sources, *"some schemes will likely be tweaked in the 12th plan period, but until those proposals are finalised, the provisions of the 2011-12 fiscal will remain effective so that there is 'no black-out period in between the two plan periods".*

The budget allocation for TUFS in 2012-13 was Rs.2775.80 crore as compared to the revised estimate for 2011-12, which was Rs.3529.67 crore. Even though TUFS was restructured and implemented from April 2011 to March 2012, there was no mention about extension of the TUFS in Budget 2012-13. The restructured TUFS was approved with the enhanced eleventh plan allocation under TUFS from Rs.8,000 crore to Rs.15,404 crore from April 28, 2011. "TUFS was restructured to focus on the slow-growing sectors like weaving, as also to encourage forward integration and tighter administrative controls and monitoring of the scheme,". This subsidy is expected to leverage sectoral investment shares of 26% for spinning, 13% for weaving, 21% for processing, 8% for garments and 32% for others (including composite projects, technical textiles, silk, jute, etc.).

* * *

TRAINING GIVEN AT MSME INSTITUTES

Candidates trained at MSME Development Institutes under *EDP, ESDP & MDP

States & Union territories	*Numbers of persons trained*		
	2009-10	*2010-11*	*2011-12*
Andhra Pradesh	6,133	6,651	***7,063***
Assam, Arunachal Pradesh, Meghalaya	3,895	5,820	***3,399***
Bihar	4,943	4,959	***5,634***
Chhattisgarh	1,876	1,826	***1,644***
Delhi	5,017	3,416	***3,010***
Goa	696	548	***222***
Gujarat, Dadra & Nagar Haveli & Damn & Diu	3,841	5,145	***5,943***
Haryana	2095	1,919	***1,761***
Himachal Pradesh	960	973	***1,016***
Jammu & Kashmir	918	869	***1,075***
Jharkhand	2,578	2,632	***2,553***
Karnataka	7,033	5,983	***5,949***
Kerala, Lakshadweep	2,392	2,769	***2,824***
Madhya Pradesh	3,939	4,824	***4,985***
Maharashtra	8,540	7,979	***8,390***
Manipur/Nagaland	1,027	1,154	***301***
Odisha	4,699	4,047	***4,275***
Punjab, Chandigarh	872	1,623	***1,843***
Rajasthan	4,039	4,121	***4,752***
Sikkim	577	751	***307***
Tamil Nadu, Puducherry	6,093	6,831	***6,322***
Uttar Pradesh	14,242	14,380	***13,454***
Uttarakhand	1,016	866	***886***
West Bengal, A&N Islands	6,716	7,292	***6,491***
TOTAL	***95,602***	***99,635***	***94,953***

** Entrepreneurship Development Programme, Entrepreneurship Skill Development Programme and Management Development Programme. Source: Ministry of MSMEs*

RBI Hikes Export Credit Refinance Limit

Reserve Bank of India has offered Rs.30,000 crore of additional liquidity by way of higher refinance against export credit but banks may not be too eager to avail it. The banking regulator has raised the rupee export credit refinance limit to 50% of outstanding, instead of 15% now, to release additional funds at the prevailing repo rate of 8% per year. Banks will enjoy this enhanced limit from June 30. RBI said the impact of a higher refinance limit will be equivalent to about 50 basis points reduction in the cash reserve ratio even as it kept the ratio unchanged at 4.75%.

RBI said the move has the potential to release additional liquidity of over Rs.30,000 crore to banks and encourage banks to increase credit flow to the country's sagging export sector amid weak global demand. *"Raising the refinance limit will ensure enhanced credit flow into the export sector thereby boosting the export regime currently in place. This will help boost export sales and, in turn, assist in bringing current account deficit down,".*

The banking regulator money supply (M3) growth has been slightly under the projected trajectory while credit growth has moved above the projected rate. Open market operations, or OMOs, have substantially eased liquidity conditions and RBI said it will continue to conduct OMOs whenever required as the widening gap between deposit and credit growth is intensifying liquidity pressures.

NPAs of PSU banks at Rs.59,397 crore

The government on May 22, 2012, said gross non-performing assets (GNPAs) of nationalised banks stood at Rs.59,397 crore at the end of December 2011. During 2010-11, nationalised banks had written off loans worth Rs.12,043.21 crore, finance minister Shri Pranab Mukherjee told the Rajya Sabha in a written reply. There are 19 nationalised banks in the country, excluding State Bank of India and its group and IDBI Bank. "The loans amounting to Rs.46,934.58 crore have been restructured in the nationalised banks during 2010-11," he said. He also said the RBI collects the information on wilful defaulters (non-suit filed accounts) of Rs.25 lakh and above from scheduled commercial banks and all India Notified Institutions on quarterly basis. The number of wilful defaulters, as per guidelines issued by RBI in respect of nationalised banks as on March 31, 2011 is 716.

Provisioning Norms - Extension of Time

Taking into account the difficulties faced by micro finance institutions (MFI) sector and the representation received by the Reserve Bank from them, it has been decided to defer the implementation of asset classification and provisioning norms for non-banking financial company-micro finance institutions (NBFC-MFIs) to April 1, 2013. NBFC-MFIs are, however, required to comply with the other regulations laid down in the Reserve Bank's circular of December 2, 2011.

It may be recalled that a new category of NBFCs namely, NBFC-MFIs was introduced in December 2011 and they were advised to adhere to the guidelines on asset classification and provisioning norms from April 1, 2012.

Annual Monetary Policy Statement for 2012-2013

Dr. D. Subbarao, Governor, Reserve Bank of India, in a meeting with chief executives of major commercial banks presented the Annual Monetary Policy Statement for the year 2012-13 on April 17, 2012. Highlights:

Projections

- Baseline projection of GDP growth for the current year is 7.3 per cent.
- Inflation for March 2013 projected at 6.5 per cent.
- M3 growth for 2012-13 projected at 15 per cent.

Stance

- Adjust the policy rates to levels consistent with the current growth moderation.
- Guard against risks of demand-led inflationary pressures re-emerging.
- Provide a greater liquidity cushion to the financial system.

Monetary Measures

- Bank Rate adjusted to 9.0 per cent.
- Cash reserve ratio (CRR) of scheduled banks retained at 4.75 per cent of their NDTL.
- Repo rate under the liquidity adjustment facility (LAF) reduced by 50 basis points from 8.5 per cent to 8.0 per cent.
- Reverse repo rate under the LAF, determined with a spread of 100 basis points below the repo rate, calibrated at 7.0 per cent.
- Marginal standing facility (MSF) rate, determined with a spread of 100 basis points above the repo rate, adjusted to 9.0 per cent.

Expected Outcomes

- The policy actions and the guidance are expected to:
- Stabilise growth around its current post-crisis trend.
- Contain risks of inflation and inflation expectations resurging.
- Enhance the liquidity cushion available to the system.

Sidbi to raise Rs.10,000 crore by end of current fiscal year

Small Industries Development Bank of India (Sidbi) plans to raise around Rs.10,000 crore from various foreign and domestic development institutions by the end of the current financial year. According to a senior official from Sidbi, the bank's borrowing from foreign institutions has increased, since the cost of funds in the domestic market is high.

The bank has already raised Rs.12,000-14,000 crore during the current year, and the additional Rs.10,000 crore will be through bonds, CDs and short-term loans. The bank has also asked the government for Rs.5,000 crore to lend to the MSME sector.

In addition, Sidbi plans to launch its third venture capital fund during the current fiscal. The Rs.600-crore fund will be named the India Opportunity Fund, according to a top bank official. Money for the new fund is to be raised from domestic financial institutions like banks, he added.

Ten years ago Sidbi launched its first Rs.100-crore fund, which focussed on the IT sector and earned a 10 per cent return. Its second fund, a Rs.500-crore SME-focussed fund, offered a 14-15 per cent return and bank officials expect the new fund to outperform the first two funds. Sidbi has increased its lending rate by 150 basis points over the last two years, less than half the increase in the Reserve Bank of India's policy rate. It able to manage this difference due to its borrowing programmes from foreign institutions like the Asian Development Bank, International Finance Corporation, Japanese institutions and others.

The difference between the cost of funds raised in India and the cost of funds raised from international institutions is 150 basis points. Despite this difference, Sidbi's disbursements have slowed by 15-20 per cent, but that is because MSMEs have been affected by increases in raw material costs, wages and interest cost. The bank is hopeful that matters will improve in the remainder of the current financial year.

The bank's total outstanding with international institutions is around Rs.8,000 crore, of which Rs.1,200 crore was raised last year alone. The fundraising programme aims to facilitate the achievement of Sidbi's growth target of 15-20 per cent this year. The bank plans to invest around Rs.2,000 crore in the form of equity in micro, small and medium enterprises over the next five years. A bank official said equity investments offer massive potential for the bank, adding that it is estimated the MSME sector's debt and equity requirement is around Rs.250,000 crore, of which Rs.3,000 crore will be from formal mechanisms like venture capital and private equity. While the opportunity is big, one of Sidbi's greatest challenges is to reach out to the sector. To address this issue Sidbi is planning to join hands with banks. The first partner for the equity programme is Indian Overseas Bank. Since India's banks have a massive branch network across the country, Sidbi has decided to use their infrastructure to reach out to the MSME sector. This plan has proved successful in the Trade Guarantee Programme, under which Sidbi has so far disbursed some Rs.30,000 crore for 6.5 lakh guarantees.

Sidbi to Resume Investing in MFIs

Sidbi, is contemplating equity investment in microfinance companies after a year long hiatus. Sidbi will use a Rs.100-crore dedicated fund, created by the government, for investing in smaller MFIs to help them grow in a regulated environment. The bank is also open to the idea of investing in bigger firms using its own resources. It has sought the RBI's permission to do so.

Last year, Sidbi froze equity investment in MFIs on the RBI's insistence after the sector saw an unprecedented liquidity crisis. It forced many bigger micro-lending firms to scale down business and restructure their bank loans. The government and RBI had to step in to protect the sector from virtual collapse. The RBI then framed regulations for MFIs for the first time.

Sidbi may act as merchant banker for SMEs

Sidbi is eyeing greater participation while working with the ever-growing number of small and medium enterprises (SMEs). With a separate listing platform for SMEs in place, the public sector entity wants to move beyond simple financing and development requirements of the small scale sector.

Sidbi Venture Capital, which is a subsidiary of Sidbi, has launched a fund that can also invest in IPOs of SME companies listing under SME Exchanges of BSE and NSE. Interestingly, this approach will also help the SME platform. BCB Finance is the sole company listed on the SME platform and only a handful of trades are witnessed everyday.

SBI, 14 other banks to get Rs. 15,000-cr funds

Almost two months after the Moody's downgraded outlook on Indian banks on concerns over asset quality, the finance ministry has proposed to infuse Rs.15,000-16,000 crore in 15 public sector banks by the end of the current financial year. More than one-third (Rs.6,000 crore) of this amount is likely to go to the country's largest lender, State Bank of India. The demand for most other banks is less than Rs.1,000 crore each. SBI saw its financial strength rating cut by Moody's earlier this fiscal. Those who are not likely to get capital infusion by March 31, 2012, include Canara Bank and Central Bank of India.

To shore up the capital base of public sector banks amid rising bad loans, the Department of Financial Services, is seeking an additional Rs.10,000 crore in the third supplementary demand for grants to be tabled in the Budget session of Parliament in February. This might further disturb the fiscal consolidation story. The Budget had provided for Rs. 6,000 crore for bank recapitalisation in 2011-12 and nothing from this has been given to banks yet.

A finance ministry official said the government needed to strengthen the capital base of the banks at a time when non-performing assets (NPAs) were rising. "Almost all banks will be recapitalised," he said. These include those which have a tier I capital (core capital including equity and disclosed reserves) of 8 per cent and above". A final decision on the actual requirement of banks this year would be taken after looking at the capital adequacy ratio (CAR) and Tier I of the banks at the end of quarter ending December 31.

Banks to open SME branches in industrial areas of Uttarakhand

The State Bank of India (SBI), will open an MSME branch at the Selaqui industrial area, in Uttarakhand. A financial institution hub is also on the anvils, with the Uttarakhand government stating that it can be set up at the Sahastradhara Information Technology Park, where the Reserve Bank of India, Sidbi, Nabard and other public sector banks (PSBs) can open their regional offices. There are nearly 40,000 MSMEs in Uttarakhand, most of them micro-level enterprises.

The main objective of the SME bank branch will be to provide factoring services for the sector, which faces difficulties in accessing credit, for various reasons. SBI has also agreed to examine whether the services of existing organisations, such as SBI Global Factors and Canbank Factors, can be made available at the SME branch. SBI, along with Sidbi, has also agreed to set up dedicated portals for SME units, which will be used for filing loan applications.

Sidbi to invest Rs.5,000 crore in MSME sector

The Sidbi has said it would utilise the Rs.5,000 cr venture fund allocated to it for investments in micro, small and medium enterprises (MSME) in the next four years. According to it the small and medium enterprises (SME) sector, which contributes around 17 per cent to India's GDP, was facing a slow down. Sidbi CMD Shri Sushil Muhnot said that the utilisation of Rs.5,000 crore fund has started with a commitment of Rs.180 crores in the series one of the India Opportunities Fund. Sidbi Venture Capital Ltd, a subsidiary of SIDBI would float the fund that will have a corpus of Rs.600 crore. Its second fund, SME Growth Fund, has a corpus of Rs.500 crore and is under divestment phase at present.

Shri Muhnot said, SIDBI is working on a new business model in consultation with the government. The new business model envisages to fill not only financial gap but also non-financial gaps for the MSME sector. The non-financial gaps include, consultation, advisory services, loan syndication, etc. Moreover, Sidbi is also looking at a three-level development and support plan for entrepreneurs. At the first level, a website would be launched to guide a layman on how to start an industry. At the second level, these aspiring entrepreneurs are expected to approach Sidbi which would guide them through its credit facilitation centres on various nuances of setting up an industry including financing. In the last stage, Sidbi would assist them in preparing project reports that can help in getting loans for the project. 100 MSME clusters have already been identified for the establishment of credit facilitation centres.

Finmin tells PSBs to integrate HR operations with RRBs

The finance ministry has directed state-run banks to integrate their human resource operations with regional rural banks under their supervision, a move aimed at strengthening the array of financial services available in under-banked regions. As per the ministry's directive, sponsor banks will have to depute officers of assistant general manager and chief manager level from specialised cadres in the regional rural banks (RRBs). There are areas such as risk management, treasury operations and institutional finance where RRBs lack expertise. The idea is to train them so as to provide better exposure.

There are more than 80 RRBs in the country, which were set up as part of the government's financial inclusion programme. The government is working on strengthening these banks while maintaining their separate organisational character. HR development is a major challenge for RRBs. Sponsor banks are also expected to promote cross deputation of staff and reserve 10% of seats at their training centers for RRB employees. The RRBs have a network of 16,915 branches, of which nearly a fifth are sponsored by SBI. The Centre approved Rs.632 crore capital infusion into cash-strapped RRBs in June, 2012.

State-run banks are already in the process of integrating their operations with the RRBs to ensure seamless functioning. While a large number of RRBs have started investing in core banking solutions, banking service charges at such banks are being aligned with those of the sponsoring banks. Cheques and drafts issued by RRBs, too, are being treated at par with the sponsor banks. The government has set a lending target of Rs.4.75 lakh crore for the current fiscal, of which about Rs.51,000 crore is expected to come from the RRBs.

* * *

Stay Healthy With Natural Sweetners

* Sheela Rani Chunkath, IAS

If you have a sweet tooth and are not diabetic, you can sometimes indulge in sweets. Rather than using plain sugar, use our traditional sweeteners, many of which are packed with vitamins, minerals and enzymes. So if you want to make kheer, use jaggery rather than plain sugar. If you can get organic jaggery that would be the best. Organic jaggery is made by concentrating sugarcane juice and removing the impurities without using any harmful chemicals.

I have an organic farmer friend, who revels in the process of making jaggery. He takes quantities of the sugarcane juice and pours it into a huge iron vat and boils till it reaches a certain consistency after which he adds slaked lime. This removes impurities from it. Boiling is continued until the mixture turns a lovely brown. The next step is to bring down the temperature of the liquid. For this, some castor or coconut oil is added. At this point the liquid will have 12 per cent moisture. Once the oil is added and the seething, bubbling liquid calms down, it is transferred into a wooden vat. Once the mixture cools down they are shaped into round balls. In Tamil we call it mandai vellam or head-shaped jaggery. Organic jaggery has excellent nutritive value and contains iron and folic acid, B complex vitamins and calcium.

Palm jaggery is made from the juice that drips when the flower spathe of the palm tree has been tapped, cut or bruised. The crystalline form is palm candy. Ayurvedic vaidyars prescribe palm candy with turmeric in hot milk for a sore throat. Palm jaggery and candy contain carbohydrates, appreciable amounts of B complex, vitamins and minerals like iron in an easily assimilable form.

Yet another natural sweetener is honey. Ayurvedic vaidyars are very particular that honey should never be heated, not even gently or by double boiling. According to them heated honey releases toxins in the body and contributes to the build up of ama. Earlier I used to look for wild honey, now I have located a bee farmer, a young enterprising girl. I ask her to give me raw unprocessed honey. She takes the combs from the hive, carefully removes the wax caps and, with a centrifuge, extracts the honey in a container. She strains the honey and gives it to me. In commercial processing, the honey is heated gently in a double boiler to remove more of the wax etc. Honey is a wonderful food for all kinds of convalescents, for the tired and weary, in fact for most of us. Honey should never be heated, so it cannot be used for baking, in cooking sweets, in hot drinks etc.

Honey is a source of carbohydrates, containing mostly fructose and glucose. Due to the high level of fructose, honey is sweeter than table sugar. It contains 2 per cent minerals, vitamins, pollen and protein. The vitamins present in honey are B6, thiamin, niacin, riboflavin and pantothenic acid. The minerals found in honey include calcium, copper, iron, magnesium, manganese, phosphorus, potassium, sodium and zinc. This natural sweetener also contains antioxidants and is fat free and cholesterol free!

Among other natural sweeteners, stevia is a sweetener from a tropical plant. It is gaining popularity and is considered safe for diabetics.

Another sweetener is sucralose, not sucrose. This is a sugar substitute and is said to be safe for diabetics. I do use it sometimes but I am quite wary of all things new as further research will usually throw up some unwanted side effects. The comfort with classical and traditional foods and medicines is that we have had aeons of times to discover side effects, if any. The Sarangadhara says only the best remedies with few side effects have survived over the years.

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** The writer was earlier Health Secretary, Government of Tamil Nadu and is currently, Additional Chief Secretary and Chairman & Managing Director, Tamil Nadu Handicrafts Development Corporation*

What is the National Skill Development Corporation (NSDC)?

NSDC is s first-of-its-kind Public Private Partnership (PPP) in India set up to facilitate the development and upgrading of the skills of the growing Indian workforce through skill training programmes. The NSDC was set up as part of National Skill Development Mission to fulfill the growing need in India for skilled manpower across sectors and narrow the existing gap between demand and supply of skills. A large part of the organisation's efforts are directed at the private sector and towards developing the skills in the unorganised sector in India. NSDC supports skill development efforts, especially in the unroganised sector in India by funding skill training and development programmes. It also engages in advocacy and training programmes, in-depth research to discover skill gaps in the Indian workforce, and developing accreditation norms. The objective of NSDC is to contribute significantly (about 30 percent to the overall target of skilling 500 million people in India by 2022), mainly by fostering private sector initiatives in skill development programmes and providing viability gap funding.

Why is there a need for an organisation like NSDC?

A growing economy like India requires a large and skilled workforce. However, the lack of quality trainers and training institutes has created roadblocks to growth. Skills shortage is evident in every sector of the economy. NSDC seeks to fill the gap between the growing demand for and the scarce supply of skilled personnel across sectors, by funding skill training programmes. The primary goal is to foster private sector and industry participation in skill training and development.

How does NSDC function?

NSDC is a not-for-profit company set up by the Ministry of Finance, under Section 25 of the Companies Act. It has an equity base of Rs. 10 crore, of which the private sector holds 51 percent, while the Government of India controls 49 percent. This makes NSDC a one-of-its-kind public private partnership in education in India.

The Corporation has a tiered structure –a 12-member Board and the National Skill Development Fund (NSDF), a 100 percent government-owned trust – which work in sync to fulfill the NSDC's strategic objectives.

Who manages NSDC?

NSDC is a Public Private Partnership (PPP), and is managed by a team of experienced professionals. It has a team of professionals and an end-to-end decision-making process in place. A tiered decision-making structure – a Board, Board Sub-Committees and the Executive Council – helps the organisation formulate strategies and run it effectively.

Which sectors does NSDC provide services for?

The NSDC provides services for 21 sectors including :

- Automobile/auto-components
- Electronics hardware
- Textiles and garments
- Building and construction
- Food processing
- IT or software
- Media, entertainment, broadcasting, content creation, animation
- Healthcare
- Banking/insurance and finance
- Education/skill development
- Unorganized sector

What is the role of NSDC?

NSDC's key roles are : -

- Funding and incentivizing
- Enabling support services Shaping/creating

NSDC Role

The NSDC will facilitate or catalyse initiatives that can potentially have a multiplier effect as opposed to being an actual operator in this space. In doing so, it will strive to involve the industry in all aspects of skill development. The approach will be to develop partnerships with multiple stakeholders and build on current efforts, rather than undertaking too many initiatives directly or duplicating efforts currently underway.

To scale up efforts necessary to achieve the objective of skilling/upskilling 150mn people, the NSDC will strive to :

- Develop ultra low cost, high-quality, innovation business models
- Attract significant private investment
- Ensure that its funds are largely "re-circulating"; i.e. loan or equity rather than grant
- Create leverage for itself
- Build a strong corpus

Keeping this in mind, the NSDC will play three key roles:

- **Funding and incentivising :** In the near term this is a key role. This involves providing financing either as loans or equity, providing grants and supporting financial incentives to select private sector initiatives to improve financial viability through tax breaks etc. The exact nature of funding (equity, loan, grant) will depend on the viability or attractiveness of the segment and, to some extent, the type of player (for-profit private, non-profit industry association or non-profit NGO). Over time, the NSDC aspires to create strong viable business models and reduce its grant-making role.

- **Enabling support services :** A skills development institute requires a number of inputs or support services such as curriculum, faculty and their training, standards and quality assurance, technology platforms, student placement mechanisms and so on. The NSDC will play a significant enabling role in some of these support services, most importantly and in the near term, setting up standards and accreditation systems in partnership with industry associations.

- Shaping/creating: In the near term, the NSDC will proactively seek and provide momentum for large scale participation by private players in skill development. NSDC will identify critical skill groups, develop models for skill development and attract potential private players and provide support to these efforts.

What are the Focus Areas of NSDC?

Skill development : The challenges of skilling/upskilling 500 million by 2022 will require both fundamental education reform across primary, secondary and higher education and significant enhancement of supplementary skill development and strive to create seamless tracks within the education system.

Foster private sector initiatives: In strengthening supplementary skill development, NSDC will focus on fostering private sector led efforts that will include both non-profit and for-profit initiatives with the goal of building models that are scalable.

The NSDC will adopt a differentiated approach to supporting private sector initiatives depending on the target segment. Based on the marketability of the skill group and income level of the student population, there are three segments across which the NSDC will focus :

- Attractive segment: Given that the market automatically works, the NSDC will only play a reactive role and support the scale-up by various players.

- Viable segment but with marginal economics or involving high risk/uncertainty: This will be a key focus area of NSDC particularly in the near term, with the aim being to make this segment much more attractive for private investment.

- Completely unviable segment : Over time, NSDC will aspire to work in this segment in collaboration with government departments and help develop innovate, business models players from this segment to the viable segment.