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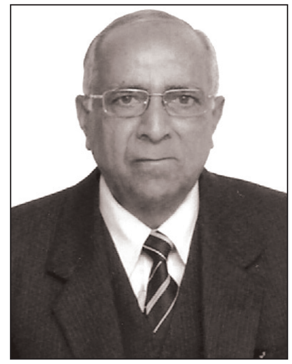
From The Editor's Desk

ACCOUNTABILITY OF STATUTORY AUDITORS

Like Lawyers and Judges in India, Chartered Accountants have always been placed on a pedestal one step higher than any other professional. In a developing country with liberalised economy, the Statutory Auditors play a very crucial role in facilitating close interaction between the corporate sector and the share-holders on one hand and regulators of the financial system on the other. The Statutory Auditors are required to certify the liquidity, profitability and solvency of a corporate entity by finalising its Balance Sheet and the audit report. The audited balance sheets of corporate entities including financial intermediaries are supposed to reflect the true and fair financial position of the company. They serve as a sound basis on which investment decisions are taken by the investing public and financial institutions. Further, the share-holders of corporate entities largely depend upon the audited statement of accounts to know about the safety of their investment in the company. The Statutory Auditors are therefore, expected to act as custodians of public interest, an important source of feedback to the Government for formulation of realistic corporate policies, assist the financial institutions in taking investment/lending decisions, as also facilitate regulators in regulating the financial sector. Notwithstanding, the useful role required to be played by the Statutory Auditors in the financial sector, our experience has been contrary to the above expectations and uniformly most disheartening and disgusting. I have been associated with the financial sector for nearly 35 Years and have functioned on the boards of several Commercial Banks and Public Limited Companies. I have observed that by and large the Balance Sheets of the corporate entities certified by the Statutory Auditors conceal much more than what they disclose. The auditors who are supposed to exercise independent judgement about the financial position of a company and realisability of its assets were found to be functioning under the pressure of the promoters/ management draw up the Balance Sheet showing a rosy picture of the company's financial position. With a view to window-dressing the whole situation and avoiding their statutory responsibility, they qualify the Balance Sheet by giving a long list of explanations in the audit report. If one carefully reads the said qualifications in the notes and then goes through the Balance Sheet, one would find the total earnings and profitability indicated in the Balance Sheet to be highly manipulated. I would like to give a few instances, which are borne out of my own experience. In one of the companies, the Statutory Auditors did not assess the realisability or exchangeable value of the company's assets invested in its subsidiaries by way of equity and loan and showed a net profit in the Balance Sheet. In the qualifications however, the auditor mentioned that the company's subsidiaries, where it had invested a substantial amount, had negative net-worth and their losses had eroded their entire assets. Without expressing their own opinion, they have simply agreed with the management that their investment will be recovered in due course. Had the auditors objectively assessed the realisability of company's assets such investments would have certainly been treated as bad assets affecting the company's profitability and consequently the



Shri K.K. Mudgil

company would have shown substantial loss instead of profit. In another case of a nationalised bank, the Statutory Auditors in collusion with the management showed a net profit in the Balance Sheet while on actual scrutiny it was found that the bank should have shown a substantial loss instead of profit. Since I was on the Board of that bank, the management was forced to recast the Balance Sheet accordingly and the Statutory Auditors were suitably brought to book. In yet another case of housing co-operative society, where I was also involved, the promoters had mis-appropriated 75% of the money collected from the Members. The Chartered Accountants who audited the society's accounts had certified a fictitious Balance Sheet in collusion with its management committee. I can say with all the emphasis at my command that let any one scrutinise any number of Balance Sheets pertaining to corporate sector, they would be found to conceal the factual financial position of the company in financial terms. It would not be an exaggeration to say that the scams, which had taken place in the financial sector during the last one decade with serious implications, were to a large extent the handiwork of the Chartered Accountants connected with the financial intermediaries.

Recently, accounting scandals of the Enron and World Com had cast their shadow over India too. When these scandals broke, public opinion was vociferous about the need for over hauling the regulatory frame-work for the Chartered Accountants. Many people highlighted the ICAI's poor record in handling disciplinary cases against its Members. It was also suggested that Auditors in the companies should be changed every 3 years and stressed the need for a Public Over-sight Board. While some others recalled that the Joint Parliamentary Committee on the 1992 Stock scam had rapped several Chartered Accountants for shoddy bank audits and called for strict disciplinary action on them the ICAI's follow-up action had left a lot to be desired. Added to this, Indian auditors too were part of the Modi/Xerox like scandals in the past. It has been generally observed that the Chartered Accountants instead of exposing the mal-practices perpetrating in the corporate entities including banks and financial institutions rather tend to assist them with their specialised knowledge of accountancy in their perpetuation and concealment. Recently, Naresh Chandra Committee on Corporate Governance constituted by the Government of India had submitted its report. The report exhaustively deals with the role of Chartered Accountants/ Statutory Auditors and the independent Directors in the corporate entities. The Committee has obviously not addressed the main issues pertaining to the conduct of Statutory Auditors and the need to impart transparency in the accounting standards. There is an imperative need to do away with the 'qualifications' in the Balance Sheets of corporate entities. The Statutory Auditors must exercise their independent judgement with regard to the 'qualifications' and incorporate such items in the Balance Sheet. The Balance Sheet should be a transparent document reflecting the financial worth of a company, without reading the finer prints of the audit report. This responsibility should be squarely put on the Statutory Auditor. He cannot take shelter under the 'qualifications' of the Balance Sheet. The then Union Finance Minister, Shri Jaswant Singh has observed that *"Chartered Accountants need to perform their jobs without any fear or pressure. They have to be more transparent in accounting practices. There is enough scope for improvement in the Professional Integrity and Accounting Systems".*

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{ K.K. MUDGIL }

APPOINTMENTS

- Shri Anand Prakash, IAS, has been appointed as Chairman & Managing Director, Delhi Financial Corporation {DFC}, New Delhi vice Shri Pradip Mehra, IAS.
- Shri Rakesh Sharma, IAS, has been appointed as Managing Director, State Industrial Development Corporation of Uttaranchal Ltd. {SIDCUL}, Dehradun vice Shri S. Ramaswamy, IAS.
- Shri S.P. Bhat has been appointed as Managing Director, EDC Limited {Panaji, Goa} vice Shri W.V. Ramana Murthy.
- Shri Rahul Khullar, IAS, Commerce Secretary has been appointed as Additional Charge of the Deptt. of Industry Policy and Promotion (DIPP).
- Shri Pradeep Kumar Chaudhery, IAS, Secretary, DIPP has been appointed as Haryana Chief Secretary.

- Close on the heels of successful test fire of Agni-V missile from the integrated Test Range (ITR) at Chandipur, its Director, Shri Saktipada Dash has been appointed as Director of the prestigious Defence Electronics Research Laboratory, Hyderabad.
- Shri M.V.K.V. Prasad, a Senior Scientist at Defence Research Development Laboratory (DRDL), Hyderabad has been appointed as Director of Integrated Test Range.

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CHALLENGES AND OPPORTUNITIES

By
Pinaki Chakraborty

High fiscal deficit number for the year 2012-13 cannot be compared with that of 1990s as fiscal fundamentals now are much stronger. Budget is also increasingly getting skewed towards soft sectors like education and health and other rights based entitlements that can provide long term growth dividend. However, if funds allocated for these programmes are not effectively utilized it can create long term fiscal problems.

The Budget 2012-13 has been presented in an uncertain global economic environment and declining Indian economic growth.Multiple challenges that had to be factored in while formulating the budget proposals were global economic uncertainty, eroding investors confidence in India and economic growth and above all the issue of access of government provided services to the poor and deserving particularly the subsidies. The budget seems to have followed fiscal expansion both on the direct tax side and on plan expenditure. The direct tax proposal, as estimated, would result in a revenue loss of more than Rs. 4000 crore. But in case of indirect taxes, particularly in case of excise duty and service tax there has been a general increase in the rate. Also, a welcome move is the introduction of negative list for service taxation which was recommended way back in 2004 by the Committee on Service Taxation. If implemented effectively, this measure in service taxation can really broaden the base of tax and improve revenues and be a major step towards a comprehensive GST. Indirect Tax measures seem to be the key to hold on to the fiscal deficit numbers at 5.1 percent of GDP which is way above the FRBM target of 3 percent. The real question is whether this fiscal deficit number of 2012-13 is credible. The other important trend that comes out from recent budgets is increased allocation for social sector especially health and education and also in various entitlement based spendings. The share of social sector expenditure which hovered around 5 percent of the total expenditure in 2003-2004 increased to 10.35 percent in 2010-2011 but expected to decline to around 9 percent as per the 2012-2013 BE. However, if we exclude various committed expenditure of the government like interest payment, defence subsidies and pension, the share of social sector increased from 11.84 percent in 2003-2004 to 25.16 percent in 2011-2012. This ratio will further go up, if the NREGA allocation is also added along with other entitlement spendings. The increase in the coverage of health services by introducing new programmes like urban health mission also shows emphasis on social sector spending. The critical question is how these programmes would be implemented so that desirable outcomes are achcieved without compromising fiscal sustainability.

Fiscal Consolidation

Coming back to the discussion on fiscal consolidation, marginal decline in fiscal deficit as evidenced from 5.9 to 5.1 percent of GDP between 2011-2012 (RE) and 2012-2013 (BE) is not only ambitious but also relies on heavy compression of non-plan expenditure. It appears that the arithmetic has been worked out on a difficult to comply assumption, i.e. compression of non-plan expenditure. If we look at the aggregate expenditure, the expenditure growth was estimated at 5.04 percent between 2010-2011 actual and 2011-2012 (BE) while the growth in expenditure when compared with RE of 2011-2012 has just doubled to 10.14 percent primarily due to the increase in revenue expenditure at a very high rate. The non-

The author is Professor, National Institute of Public Finance & Policy, New Delhi
Source : Yojana

plan expenditure growth is estimated to be 8.7 percent for the fiscal year 2012-2013. Again the expenditure growth in the last year was 9.02 percent as per the RE against the BE of -0.26 percent. If you look at the non-plan expenditure, the budget estimate for 2011-2012 was Rs.8,16,182 crores while the revised estimates shows an increase to 8,92,116 crores i.e. an increase to the order of around 10 percent. If such an overshooting of expenditure happens in the next fiscal year, we may not be able to achieve even the 5 percent fiscal deficit target proposed for 2012-2013. At the same time, the large revenue deficit of 3.4 percent estimated only shows that capital spending will be much lower than the aggregate fiscal deficit number even if one assumes that Government will be able to meet the disinvestment target of Rs.30,000 crore.

In the face of declining savings rate and policy induced increase in the interest rate to keep inflation under control in recent past has acted as a big deterrent for private investment. It is critically important that fiscal deficit does not add further pressure on interest rate and if the number goes up further it would definitely have adverse effect on growth. However, the silver lining is fiscal concerns now are fundamentally different than in the past. One has to remember that we have lived with bigger fiscal deficit in the past with incredibly weak fiscal fundamentals. Even if the fiscal deficit number is high for the year 2012-2013 and definitely not a happy number for the private investors, the fiscal fundamentsls now are not weak. Two important ratios would show that (a) the incidence of debt burden on the budget and (b) the debt to GDP ratio. Interest payment now contributing to around 25 percent of the revenue expenditure and that is almost half of what it used to be during 1990s. This certainly gives fiscal space for other expenditures. The debt to GDP ratio as reported is little more than 45 percent of GDP which is much lower than the 13th Finance Commission's proposed fiscal path of 50 percent by 2014-2015. Although these numbers give us some comfort, there is no alternative to fiscal correction especially when the savings rate is on the decline.

Social Sector Spending and Outcome

As mentioned, with globalizaion and concern for inclusive growth, fiscal policy focus has been shifted towards right based approach to development. India now has right to employment act, right to education act and in this budget, government has promised to make sufficient allocation as soon as the right to food act is legislated. Although, these entitlement based spendings would have their fiscal pressures it needs to be understood that given large gaps in social development government probably has no alternative choice. However, one has to ensure appropriate outcome of this expenditure by improving delivery of these services. Growth in government spending in social sector especially in education and health has increased at a trend rate of growth of 21 percent while the total government expenditure has increased at the rate of 15.22 percent during the period 2003-2004 to 2012-2013 (BE). It is important to see what happens to the outcome with increased allocation in the medium term.

However, much of these social sector spendings are being carried out through various big ticket centrally sponsored schemes (CSS) like Sarva Siksha Abhiyam, NRHM and MGNREGA. One of the major debates in recent times is "one size fits all" approach adopted in these schemes is a big hindrance towards effective utilisation of the funds allocated under these schemes. Also proliferation of CSS considered as a major problem compromising fiscal autonomy of states. The buget 2012-2013 highlighted that the recommendations of the Expert Committee to streamline the CSS will be considered seriously while implementing the 12th Five Year Plan. If CSS are rationalised and streamlined it would definitely bring in a lot of transparency in fiscal operations and would reduce the discretion in central transfers through multiple channels.

To conclude, this budget has tried to address concerns of fiscal consolidation in a difficult macroeconomic environment. However, the path of consolidation relies heavily on compression of expenditure, which may not materialise. As mentioned, some of the positive features of this budget are introduction of negative list for service taxation, introduction of national manufacturing policy, step towards financial inclusion through Swabhimaan campaign and proposal to strengthen regional rural banks. It would be interesting to see how some of these critically important measures are implemented without being choked under the compulsion of coalition politics.

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KILLING MICROFINANCE

By
Bibek Debroy

Among many Bills stuck in the legislative process is the Micro Finance Institutions (Development and Regulation) Bill. This is a 2011 Bill. An earlier 2007 Bill was introduced in the Lok Sabha, but lapsed with the lower House's dissolution in 2009. Financial inclusion shouldn't mean only credit. But de facto, financial inclusion has meant credit for an estimated 450 million unbanked people. These numbers don't necessarily have sanctity. For example, one also hears of 145 million unbanked households (not individuals), and there is a difference between unbanked and underbanked. Just because there is an account doesn't mean it is being used.

Since 2005-06, financial inclusion has been on RBI's agenda. One element of the strategy is through no-frills accounts, diluted know-your-customer (KYC) norms, banking correspondents (BCs) and use of IT. For example, Puducherry, Himachal Pradesh and Kerala have announced 100% financial inclusion in all districts and pan-India, all villages with population of more than 2,000 will be served through bank branches or BCs. But there are several villages with population less than 2,000 and this kind of financial inclusion for 6,00,000 villages isn't going to happen fast. Indeed, there is a patronising angle to microfinance. We don't talk of microfinance when we approach our banks for financial products. But for that, we need to wait for 2020, or later still.

For the moment, there is an unorganised market (euphemism for moneylenders), where there are no collateral or procedural problems, nor repayment issues. Credit is available 24x7. But exploitation apart, interest rates are high. There are reports of rates as high as 150%, though an average is probably in the 30-40% range. So, we have microfinance to an estimated 4.5 million self-help groups (SHGs), to cut collateral and procedural problems and ensure repayment. A limited Nabard-sponsored channel lets banks lend directly to SHGs. Banks and financial institutions also lend to microfinance institutions (MFIs), which then lend to SHGs, which then lend to individuals.

Since MFIs aren't banks and can't accept deposits, lending rates will be higher, compounded by administrative costs of delivery. A PRS briefing paper reports lending rates of 10-15% to MFIs, 12-24% for SHGs and 24-36% for individuals. At the individual level, average lending rates are probably around 30%. Is that 30% high, compared to higher rates charged by moneylenders or the rates charged on credit cards? Stated differently, do MFIs perform a useful function and do they offer competition to moneylenders? After all, competition drives down rates.

Most MFIs aren't regulated. Those registered as NBFCs are regulated by RBI. But that's a small part. So, we come to Andhra Pradesh and the Malegam Committee, fed on journalistic and anecdotal accounts of coercive recovery, high interest rates, multiple lending and suicides by borrowers. So, we first had an Ordinance and then the Andhra Pradesh Micro Finance Institutions (Regulation of Money lending) Act of 2010. This stipulates

The author is Professor, Centre for Policy Research
Source : Economic Times

registration of MFIs, maintenance of records and registers, publication of interest rates, quick dispute resolution, penalties on coercion by MFIs and a stipulation that no individual can be a member of more than one SHG.

As always, there are several problems with lawmaking. First, there is a tendency to assume every problem can be solved through legislation. For instance, farmer suicides is a complicated issue. Ascribing this to microfinance or Bt cotton and seeking to solve this through law will fail. Second, legislation often has perverse effects not anticipated by lawmakers. The road to hell is paved with well-intended legislation. Third, when government is a player, the roles of referee and player get blurred. Fourth, there is a difference between regulation and control, but more on that later.

There is enough stuff floating around on what happened in Andhra Pradesh after the Bill was passed. Microfinance has dried up. Because recovery has dropped, no new loans are being made. MFIs are unable to pay banks and financial institutions, and have gone bankrupt. MFIs cannot obtain either debt or equity. Effectively, the private MFI sector has been killed. Admittedly, these reports are based on anecdotes and journalistic accounts. But that was equally true of the triggers that led to the Ordinance and Bill. To the extent a central Bill over-rides state-level legislation, it is desirable and the regulatory baton passes to the RBI.

Having said this, there are reasons for discomfort with what the Bill and RBI's orders seek to do. Do we need to have interest rate capped at 26%? Should we impose capital adequacy norms of 15% on MFIs? Should we have a maximum monthly household income of Rs.5,000 for accessing microfinance? Should we fix a rigid template - amount, tenure and repayment - of loans? Should powers be delegated to Nabard, which is also a player? Are registration and compliance requirements too stiff? Eventually, Parliament will look at these issues.

But first, we have this confusion between regulation and control, such as fixing interest rates, household incomes for eligibility and templates. Second, some part of microfinance will be rendered unviable, pay scant attention to law and continue to function. Legislation is no guarantee of enforcement. The best laws are self-enforcing. Or, it will opt out and the unbanked and underbanked will continue to run to money lenders. Perhaps we should re-read Kautilya's Arthashastra, Book III, Chapter 11. An interest rate of 16% was thought 'just' and 60% 'commercial'. Below 60%, there was no case for intervention.

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A positive state of mind is not merely good for you; it benefits everyone with whom you come into contact, literally changing the world.

The XIV Dalai Lama

STATE INDUSTRIAL DEVELOPMENT CORPORATION OF UTTARANCHAL LIMITED. {SIDCUL}

About SIDCUL

SIDCUL, a Government of Uttarakhand Enterprise, was incorporated as a Limited Company in the year 2002 with an authorised share capital of Rs. 50 Crores and Rs. 20 Crores paid up capital through Government of Uttarakhand in order to promote Industrial development in the State, provide financial assistance in the shape of debt, equity, venture capital, develop infrastructure and assist private initiative in Industry and Infrastructure and implement, manage projects and provide specialized financial, consultancy and construction and all such other activities to promote industries and develop Industrial Infrastructure in the State of Uttarakhand directly or through Special Purpose Vehicles, Joint Ventures, assisted companies etc.

Besides the State Government, SIDCUL has equity participation from UBI, OBC and SIDBI. Other banks are also in the process of participating in its equity resulting in a high degree of professionalism and autonomy in the functioning of the Corporation. The spate of concessions available for Industrial ventures in Uttarakhand along with the proactive govt. and facilitative environment has lead to more than a thousand EOI's with SIDCUL, which entail an investment of around Rs. 20,000 Crores.

- Integrated Industrial Estate at BHEL Haridwar
- Integrated Industrial Estate at Pantnagar
- IT Park, Dehradun
- Pharma City - Selaqui, Dehradun
- Growth Centre at Pauri
- Integrated Industrial Estate at Sitarganj

The facilities in Integrated Industrial Estates include dedicated 220 KV Substation with a string of feeder substations, Common Effluent Treatment Plants, 60 mt. roads, All modes of connectivity, logistic centres, zonal distribution of Industries, residential and commercial areas. The maintenance of these Estates would be looked after by reputed O & M Contractors. Specialized Theme Parks are also contemplated within these Estates so as to garner all benefits of a cluster based development.

The Corporation would play a stellar role in the promotion of industries, providing adequate and timely finance, developing the required infrastructure, ensuring development, technology up-gradation and setting up of high technology pollution free industries. SIDCUL ensures the speediest clearances to enable the shortest lead time in setting up industrial projects. The Corporation would be administering all promotional schemes of the government for Industries and administer the Single Window System.

Vision

The new Industrial policy aims to provide a comprehensive framework to enable a facilitating, investor friendly environment for ensuring rapid and sustainable industrial development in Uttarakhand and, through this, to generate additional employment opportunities and to bring about a significant increase in the State Domestic Product and eventual widening of the resource base of the State.

- To create high quality world class infrastructure facilities in the State and enhance, in particular, connectivity to the National Capital Region (NCR) and other leading markets.

- To provide single window facilitation in the State to expedite project clearences and provide an investor friendly climate.
- To provide and facilitate expeditious land availability for setting Industrial ventures and Infrastructure projects.
- To promote and encourage private sector participation in the development and management of infrastructure projects such as Industrial Estates/Areas, Growth Centers, IIDCs, Special Economic and Commodity Zones and Parks, Theme Parks, Tourism infrastructure, development of new touristdestinations, Airports/ Halipads/ Airstrips, Roads, generation, transmission and distribution of power, and projects in the area of Horticulture, Floriculture, Bio-technology etc.
- To provide assured, good quality, uninterrupted and affordable power for industries.
- To simplify and rationalize labour laws and procedures in tune with the current day requirements, while ensuring that the workers get their due share in the economic prosperity of the state.
- To promote, in particular, Small scale, Cottage and Khadi and Village Industries and Handicrafts, Silk and Handloom sectors, assist them in modernization and technological up-gradation and provide the necessary common facilities and backward and forward linkages, including product design and marketing support so as to make them globally competitive and remunerative.
- To address problems of sickness and incipient sickness in Industry, particularly SSIs and facilitate required restructuring and rehabilitation, etc. in coordination with the Banks and financial institutions.
- To promote planned and scientific exploitation of mineral resources of the State and maximize value addition within the State.
- To develop Uttarakhand as a premier education and research centre by leveraging the presence of world-class Research and Technical Institutes existing in Uttarakhand .

State-of-the-Art Information Technology Park at Dehradun

Department of Information Technology & Industrial Development with SIDCUL as the nodal agency to promote the development of industrialization in the State of Uttarakhand, has prioritized the establishment of "International Quality" IT infrastructure in the state. It plans to develop a state-of-the-art Information Technology Park in more than 60 acres at Sahastradhara road, Dehradun, the State Capital with Intelligent Buildings and a Hi-tech Habitat Centre Manage IIE Sitarganj - Investors Paradise. SIDCUL is the nodal agency for promoting industrial development in the state to make a state of the art Integrated Industrial Estate (IIE) at Sitarganj in Udham Singh Nagar district.

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God began by forgiving us. And he invites us all to forgive each other.

Lewis B Smedes

LETTER TO THE EDITOR

23/04/2012

Dear Editor,

Pankaj Kumar

I am glad to see that bi-monthly Journal ~ COSIDICI COURIER which gives cogent and interesting news regarding the Economy; News from States; Micro, Small & Medium Enterprises; Manufacturing & Infrastrucure; articles etc. The Editorials on the various topics are very informative and the write ups on successful units are very inspiring. I congratulate you on bringing out such an informative journal. I request you to also include articles on options available in Renewable Energy in the upcoming issues of the journal.

I extend my best wishes for the successful publication of COSIDICI COURIER.

With best regards,

Yours Sincerely,

{PANKAJ KUMAR}
Dy. Project Manager
UNDP/GEF Global Solar Water Heating Project
Ministry of New and Renewable Energy,
New Delhi

Where there is injury let me sow pardon.
Francis of Assisi

SIDCUL

New industrial estates to boost SME growth in Uttarakhand

Small and medium enterprises (SMEs) in Uttarakhand are expected to get a big push following the recent transfer of ownership of 18 industrial estates spanning 2,000 acres of industrial land to it by the Uttar Pradesh government. Experts said the move has vast potential to boost the growth of micro and small units in the hill state. Most of these industrial estates, which are in poor condition, will now be developed by the State Infrastructure and Industrial Development Corporation of Uttarakhand Limited (Sidcul).

Some 803 acres are at Hempur in Udham Singh Nagar district, 205 acres are in the industrial town of Selaqui in Dehradun district and the remainder is in the hill region. Uttarakhand was facing a shortage of industrial land, especially in the key industrial estates of Haridwar and Pantnagar. "We will work vigorously to develop this land for industrial development, most of which will now be earmarked for SMEs," said Shri Rakesh Sharma, principal secretary, industrial development.

Though the hill policy had attracted over Rs.220 crore in investments during the past three years, it failed to entice manufacturing units, shortage of land being a major reason. Entrepreneurs who set up new units will get all the incentives under the policy - like transport subsidy and price purchase preferences - for 10 years if they commence production by 2015. For those commencing production in 2016, the incentives will be available for nine years; and production start-up in 2017 will mean that the incentives will be available for eight years. The policy will lapse in 2018. The policy envisages a capital subsidy on fixed capital investment in building, plant and machinery at the rate of 25 per cent, up to a maximum of Rs.60 lakh (the earlier ceiling was Rs.30 lakh).

TIIC

Small entrepreneurs to be hand-held by TN govt

In a move to boost the micro, small and medium enterprise (MSME) sector in Tamil Nadu, the state's government has come forward to address three major constraints – finance, infrastructure and marketing – of entrepreneurs. Besides, the state government has also said it would hand-hold entrepreneurs while they start their businesses and play the role of a facilitator in finding customers for them. In order to assist educated youth to become first-generation entrepreneurs, the state government announced in its Budget for 2012-13 that it will implement a new scheme called New Entrepreneur-cum-Enterprise Development Scheme (NEEDS) from 2012-13. Under this scheme, educated youth will be given entrepreneurial training, assisted to prepare their business plans and helped to tie up with financial institutions to set up new business ventures. They will also be helped to connect with major industrial clients. They will be assisted to avail of term loans from banks and the Tamil Nadu Industrial Investment Corporation (TIIC) with a capital subsidy of 25 per cent of the project cost (but not exceeding Rs.25 lakh) and soft loans with three per cent interest subvention. Around 1,000 entrepreneurs will be trained each year under this scheme, and at least 50 per cent of the beneficiaries will be women. The Entrepreneur Development Institute and TIIC will play a crucial role in this process. A sum of Rs.100 crores has been provided as capital subsidy and other assistance for this scheme in the Budget.

The state government also announced an allocation of Rs.150 crore for the MSME sector in its Budget for 2012-13. The sector in Tamil Nadu is the largest, with 700,000 registered units operating in the state and providing 5,000,000 jobs. According to the state government's estimate SMEs have made investments totalling Rs.32,000 crore in the state.

Tamil Nadu released the Vision 2023 document for the state recently, one of the strategic aims underlying Vision 2023 is to boost the creation and sustenance of SME clusters across the state. The expected dual benefit is geographically diversified growth in the state and high employment generation, the latter being a characteristic of the SME sector. As a long-term policy, besides promoting clusters in new areas, the government will also form and promote industrial estates in areas where MSMEs are scattered amidst residential areas, to encourage these units to migrate there to avail of better infrastructure and uninterrupted power. "I also expect that this initiative of facilitating the migration of units to defined areas of industrial estates will help in the upgradation of technology and reduce pollution and congestion in the residential areas," said the finance minister.

KSFC

Chronic Asset Resolution Scheme

Considering the large number of cases in Doubtful-III category pending for resolution for a long time, a scheme for resolution of these cases is framed by the Corporation namely. Modified Chronic Asset Resolution Scheme (MCAR). The brief details of the scheme is as below:

1. ACCOUNTS ELIGIBLE FOR SETTLEMENT :

- The loan should have been sanctioned on or before 31.10.2003: and
- The account should be in Doubtful–III category as on 31.03.2011, provided the account was in Doubtful-III category for a period not less than two years preceding the cut-off date.
- All accounts under MR category.

2. INELIGIBLE CASES :

- All loans sanctioned for CRE sector are ineligible for resolution under this scheme:
- Cases of willful default, fraud and malfeasance.

3. RESOLUTION FORMULA :

Category	Minimum Resolution Amount
Where the value of secured assets + 50% of the net value of PP assets is more than double the amount payable of SI basis	Disbursed amount + other debits + two times the SI demanded less repayments, without any write-off.
Where the value of secured assets + 50% of the net value of PP assets is more than the amount payable of SI basis	Disbursed amount + other debits + SI demanded less repayments, without any write-off.
Where the value of secured assets + 50% of the net value of PP assets is less than double the amount payable of SI basis	Value of secured assets + 50% of net value of PP assets or 50% of Principal + Other Debits whichever is higher
The secured assets are sold/realised and net value of PP assets is nil or negligible	50% of Principal + Other Debits.

GENERAL GUIDELINES :

- The Corporation reserves the right to accept or reject the proposal for resolution under the scheme at its discretion.
- An upfront payment of 25% of PD + OD amount shall be held in ARPA till final resolution of the account is decided upon. The said amount shall not be refunded.
- Accounts already settled under OTS scheme prevalent in the Corporation prior to 01.04.2009 and remain unsettled without OTS payment or part payment shall be placed before a committee constituted for this purpose for a decision.
- The MCAR scheme is valid for a period of 1 year.

GUIDELINES FOR VALUATION OF PRIMARY/COLLATERAL/PERSONAL PROPERTIES

Urban areas and semi-urban areas (for primary, collateral and PP assets)	The valuation is to be determined taking into consideration the 100% SR value of market value whichever is higher
Rural areas (for primary, collateral and PP assets)	The valuation is to be determined taking into consideration the 100% SR value

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When you hold resentment towards another, you are bound to that person or condition by an emotional link that is stronger than steel. Forgiveness is the only way to dissolve that link and get free.

Catherine Ponder

Karnataka budget at Rs.1 lakh crore; state accepts pay panel suggestions

Shri D.V.S. Gowda presented the budget for the state of Karnataka on March 21, 2012. The Budget envisages a total expenditure Rs.1,02,742 crore an increase of 20.42% over the previous year, with the fiscal deficit of Rs.15,312 crore estimated at 2.94% of the gross state domestic product. The State's plan size of Rs.42,030 crore reflects a 10.4% increase over the previous year. "The first objective of promoting growth is sought to be achieved through larger investment in agriculture and infrastructure sectors," Shri Gowda said, adding that the state expected to exceed its revenue generation targets for the current fiscal. The budget offered tax relief by reducing stamp duties and value added tax in certain segments, a sales tax cut of 1.25% on diesel and lower taxes on jewellery hoping it would boost consumption. Shri Gowda, however, levied higher excise duty on alcohol and also increased betting taxes to raise additional resources.

Haryana presents Budget' 13

A decision to set up a Skill Development Mission for youth and enhanced allocation of funds for sports and youth affairs, education and technical education sectors in Haryana's budget estimates presented by state finance minister Shri H.S. Chattha in the budget session of Haryana Vidhan Sabha on March 05, 2012 reflects the Spirit of the State Government which has already declared the year 2012 as the Year of the Youth. Shri Chattha has allocated Rs.127.17 crore for sports and youth affairs during, which is Rs.43.72 crore higher than the allocation for the current year. He also allocated Rs.8,894.28 crore for education sector including IT and technical education.

Maharashtra Housing Bill tabled in Assembly

The Maharashtra government tabled a legislation in the state assembly on April 12, 2012 to bring the much needed transparency and discipline in the reality sector, and protect the interests of flat buyers. The Maharashtra Housing (Regulation and Development) Bill also proposes to repeal the Maharashtra Ownership Flats Act, 1963, envisaging establishment of a housing regulatory authority that will also be an appellate tribunal so as to promote planned development of flats and other residential buildings, besides their construction, management, sale and transfer.

Minister of State for housing Shri Sachin Ahir, said the legislation proposes to provide a civil courts status to the proposed housing regulatory authority. "It can also initiate action under the Indian Penal Code against parties who have defied the provisions of the bill." The Bill also seeks protection of public interest in relation to the conduct and integrity of promoters and other persons engaged in the development of flats, facilitating smooth and speedy construction and maintenance of such properties. It mandates the promoters to make full disclosure of his housing project, register and display them on the website of the housing regulatory authority. For all transactions, including sale or marketing for sale of flats, a new project has to be registered and details displayed on the website of the authority. The responsibility of entering such record or details lies with the promoter. A defaulter will have to pay penalty ranging from Rs.50,000 to Rs.1 crore.

Cars, jeeps, cooking gas to become dearer in

Maharashtra

Shri Ajit Pawar, Finance Minister of Maharashtra presented the budget 2012-13 for the state of Maharashtra on March 26, 2012. The proposals are expected to mobilise an additional Rs.600 crore, and make the state revenue-surplus by Rs.152.5 crore by the end of the coming financial year. A number of things across the spectrum will become more expensive. Households will bear the brunt of a five per cent rise in LPG or cooking gas. Both petrol and diesel cars will be costlier by two per cent, and jeeps by four per cent. However, CNG-based vehicles will be cheaper by 2 per cent.

Explaining the rationale for the increases, the minister said the revenue surplus of Rs.58 crore, which was expected by the end of 2011-12, has now turned to a deficit of Rs.2,058.7 crore. This was due to the announcement of a package for farmers growing cotton, soyabean and paddy, grant to MahaVitaran on account of concessions in electricity bills for agricultural pump-sets and additional funds necessitated by subsidies for industrial promotion.

In order to simplify the stamp duty rate structure for conveyance deed of immovable properties, the government proposed a three per cent rate for areas falling under gram panchayats, four per cent for areas under municipal councils and influential areas and five per cent for other urban areas, including municipal corporations. The aim is to mobilise Rs.250 crore solely from the proposed amendments to the Bombay Stamps Act. The revenue deficit would be eliminated, as the government expects revenue receipts of Rs.1,36,712 crore against a revenue expenditure of Rs.1,36,559.2 crore for 2012-13.

After 10 years Bimarou states still miss the bus

Even after 10 years of growth, India's Bimarou states (Bihar, Madhya Pradesh, Rajasthan, Orissa and Uttar Pradesh) continue to underperform other states. An analysis of the Houselisting and Housing Census Data, 2011, shows despite improvement in all socio-economic parameters vis-à-vis 2001, in a national list, these states remain where they stood a decade ago—at the bottom.

The data showed Bimarou states, so called for their lag in development, underperform national averages on most socio-economic parameters, such as access to tap water, electricity, toilets and banking services. In some cases, however, their growth percentages surpassed national growth. But these states failed to introduce any substantial change in ground realities, owing to a very low base, which was also responsible for sharp percentage increases in most cases.

West Bengal budget sees higher Plan outlay of Rs.23,371 crore

Bengal finance minister Shri Amit Mitra presented the state budget on March 23, 2012 in the state assembly. He tried to keep his Budget in control by assuming that the state would get a debt waiver from the Centre, and thus announcing that 2012-13's net revenue deficit would be pegged at Rs.6,858 crore from Rs.17,273.52 crore in FY11. He proposed to tax the rich by levying a higher tax on "high-value luxury goods." So, taxes on cars priced above Rs.10 lakh, TVs costing more than Rs.25,000, mobile phones costing more than Rs.20,000 and so forth have been raised. The finance minister said he hoped to mop up Rs.200 crore with this proposal.

He proposed a total state Plan outlay of Rs.23,371.44 crore, up 11.56% from last year and announced a host of exemptions —for example, an amnesty scheme up to December 31, 2012, for dealers who have remained unregistered "despite having already acquired liability to pay tax". He also raised the exemption limit for payment of profession tax for salaried persons from the existing threshold of Rs.3,000 per month to Rs.5,000 per month. He banked on higher tax compliances to bring down the debt burden on whose account the state has to give Rs.22,000 crore as interest every year.

Total receipts were pegged at Rs.3,28,464 crore for 2012-2013 against Rs.3,18,104 crore in 2011-2012. Tax revenue receipts at Rs.31,000 crore, banking on higher compliances. The Budget's main focus has been agricultural marketing where allocation got an highest increase by 318%.

Petrol cheaper by Rs.11 in Goa; GDP target set at 15% for F.Y. '13

Goa chief minister Shri Manohar Parrikar on March 26, 2012 presented the state budget by slashing petrol prices by Rs.11, announcing a Rs.1,000 monthly allowance for housewives, proposing to stabilise domestic gas cylinder prices and setting a target of 15% GDP growth for the next fiscal. Shri Parrikar, who also holds the finance portfolio, said that VAT on petrol would be almost abolished. There would a VAT at 0.1%, just to keep a sale record. The CM also proposed that housewives from families with annual income less than Rs.3 lakh would be given a monthly 'remuneration' of Rs.1,000. Domestic gas cylinder prices would be frozen for the next five years. There will be an additional revenue mobilisation of 15% and revenue deficit would be wiped out.

Rajasthan imposes new taxes to earn Rs.300 crore

The Rajasthan government on March 26, 2012 imposed new taxes to earn about Rs.300 crore, but gave away about Rs.225 crore by reducing the VAT on petrol by 2% in the budget for 2012-13. Chief minister Shri Ashok Gehlot has presented an annual plan size of R33,500 crore with a fiscal deficit budget of Rs.8,650.60 crore for 2012-13.

Shri Gehlot announced a reduction in VAT on petrol from 28% to 26%, from 14% to 5% in automobile parts, and a similar reduction in the wood glue used in handicrafts. Taxes on machines and parts used in energy generation from bio-mass, solar and wind power, and waste paper have been exempted. He reduced the one-time tax on two-wheelers with 125cc power to 4% from 8%, and on two-wheelers with power more than 125cc to 6% from 8%.

TN proposes to mop up Rs.1,500 cr via fresh taxes

Tamil Nadu finance minister Shri O Panneerselvam has imposed fresh taxes on a number of items in the budget to mobilise up to Rs.1,500 crore and proposed to borrow Rs.18,387 crore, as a result of which the total debt is set to rise to Rs.135,060.47 crore.

The finance minister has levied taxes on liquor sourced from outside the state. It has also imposed a 5% levy on vegetable oil for companies that have a turnover of over Rs.5 crore, rationalised the tax structure on tourist taxis, maxi-cabs and construction equipment vehicles. On the other hand, he has given full exemption to wheat, oats and insulin and slashed the duty on e-bikes, CFL lamps and tubes from 14.5% to 5%. The state finance minister projected total receipts of Rs.100,589.92 crore for the next financial year with a revenue expenditure of Rs.98,213.85 crore, leaving a revenue surplus of Rs.2,376.07 crore in 2012-13. While the fiscal deficit for the next financial year is projected at Rs.19,832.13 crore— 2.87% of the GSDP — the total debt is expected to be around Rs.135,060.47 crore, constituting 19.6% of GSDP, well within the 13th Finance Commission's permitted level of 24.8% of GSDP.

The state's own tax revenue is projected to be Rs.71,460.55 crore and the state's non-tax revenue will be Rs.6,032.61 crore. The share in central taxes is estimated as Rs.15,032.47 crore and grants-in-aid from the Union government is estimated to be Rs.8,064.29 crore. The total expenditure will be Rs.20,856.08 crore and the total provision for loans and advances will be Rs.,1,352.12 crore, thereby leaving a fiscal deficit of Rs.19,832.13 crore. The state government had a revenue surplus of Rs.536.54 crore during the current financial year (2011-12), although it had projected it to be at Rs.173.87 crore. The finance minister said, "It is a matter of concern that the share of manufacturing in the state's GDP has declined to 17 per cent in 2009-10 from 20 per cent in 2004-05." "It is also our vision that Tamil Nadu should be among the top three destinations for investments in Asia, and the most attractive investment destination in India. This government will unveil a new industrial policy to facilitate the realisation of this vision,”.

Madhya Pradesh budget shows Rs.107-cr deficit

Madhya Pradesh finance minister Shri Raghavji — presented the 2012-13 budget in the state assembly with a deficit of Rs.107.19 crore on February 28, 2012. The minister said that during the next financial year, receipts would be Rs.80,000.24 crore, while expenditure would be Rs.80,030.98 crore. ‘Despite this, the year would end with a deficit of Rs.107.19 crore,’. Shri Raghavji said revenue during the next financial year was expected to be Rs.69,913 crore, of which Rs.28,311 crore would come from state taxes. Shri Raghavji said that the implementation of value-added tax or VAT in the state has been computerised and it had become more transparent and convenient for businessmen. He added that the state government believed that the tax administration should be convenient for taxpayers and its implementation should be done in an easy way.

He said that in the 2010-11 budget, in order to make industries more competitive, some were given exemption from entry tax and added that this will continue in the next financial year also. The minister said the entry tax exemption would continue for engineering industries and the manufacturing sector, including metal casting, ferrous and non-ferrous metals, iron and steel. The rate of VAT on petrol and aviation turbine fuel and multi-stage storage of petrol and diesel would be reduced and this would result in a revenue loss of Rs.50 crore.

Shri Raghavji said that setting up power projects was capital-intensive and, therefore, they were exempted from VAT, at least in the initial stages. Eight years ago, when the BJP came to power in Madhya Pradesh, commercial tax on petrol and diesel was 28.75%. This now stands at 23% for diesel, and it was proposed to reduce the VAT on petrol to 27%.

A provision of Rs.2,893 crore had been made in the next financial year for the police force, saying it was a measure of the importance the state government attached to maintaining law and order.

‘Enable states to plan manufacturing sector growth’

State governments must chart individual plans to boost their manufacturing sector so as to help make its contribution of 25 per cent of the country’s overall gross domestic product (GDP) by 2025, the Planning Commission said on March 07, 2012. “The way forward is not the central government directing states on the implementation of policies. The states have to themselves develop their own manufacturing plans,” Shri Arun Maira.

The Planning Commission had, during its recent interactions with states, sensed that their governments did not like receiving directions from the Centre on implementation of various decisions. The states had sought for a mechanism similar to what the central government had been planning in its bid to support effective implementation of the manufacturing policy.

Shri Maira, while explaining the efforts taken by the Commission and its 26 sectoral committees in shaping up the manufacturing policy, said the way forward includes taking the policy to the state level — and aligning sectoral schemes with the overall strategy. It also wants to communicate the plans to a broader audience.

* * *

QUESTIONS OF CYBERQUIZ ~ 35

1. What does the MS-DOS acronym FAT stand for ?

[a] Frequency Allocation Table; [b] File Allocation Table; [c] Favourite Access Technology; [d] Faster Access Time.

2. Microsoft's answer to UNIX is Windows NT. What does NT stand for/

[a] NeTworking; [b] Netware; [c] New Technology; [d] Technology.

3. What is the name of the penguin mascot of Linux operating system ?

[a] Pengu; [b] Litu; [c] Tux; [d] Pingus.

4. Creator of which operating system had planed to name it "Fareax" ?

[a] Minix; [b][Xenix; [c] Unix; [d] Linux.

5. What does the "smoke test" of a software product involve ?

[a] Putting the software to extreme use, like wrong key combinations; [b] A cursory examination of all of the basic components of a software system to ensure that they work; [c] Getting the product tested by actual end users; [d] Testing the product under actual use conditions.

For Answers See **Page No. 34**

Think positively and masterfully, with confidence and faith, and life becomes more secure, more fraught with action, richer in achievement and experience.

Swami Vivekananda

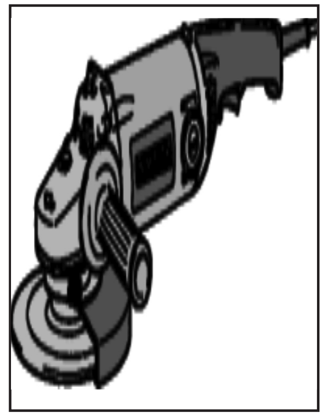
SUCCESS STORY OF KSFC ASSISTED UNIT

KARNATAKA OEM & SPARES PVT. LTD.

Karnataka OEM & Spares Pvt. Ltd, Gadag registered under the Company's Act 1956, started in the year 1991. The company is engaged in manufacture of Metal Products - Nuts and Bolts. The Company has two Directors namely Sri. V.R. Gowrishankar and Sri B. Sai Kumar. Both the directors are having rich experience in manufacturing & marketing of their products.

The company has availed several loans amounting to Rs.195.88 lakhs from the Corporation for expansion activities till date and are regular in repayment. The company has made turnover of Rs.242.13 lakhs, Rs.412.52 lakhs and Rs. 421.93 lakhs during the years 2007-08, 2008-2009 & 2009-2010 respectively.

The promoter directors of the company are also associated with M/s. Hiten Fastners and Structural and M/s. Steel Processors and M/s. Hiten Fastners Pvt. Ltd. located at Bangalore, Maddur & Hoskote respectively.



The Directors of the Company are also having rich experience in manufacturing and marketing of high tensile fastners. They have developed good market by capturing orders from Metro Rail, BEML, L&T, Neyveli Lignite Corporation, VRRB, Enercon India Ltd etc.

Further, KSFC wishes all the success in their future endeavours and looks forward to continue its association with them.

* * *

SUCCESS STORY OF ASSISTED UNIT

Shashwati Plastics Mysore

Shashwati Plastics was established by a group of technocrats in 1998 to cater to the needs of industries which require high quality injection moulded plastic components. The main promoters of the unit are Mr. Venugopal, Mr. Keshav and Mr. Anil Kumar. In the year 1999, the unit established an assembly line to manufacture precision auto electric products. The unit has availed financial assistance of Rs.56.55 lakhs from KSFC. The unit has come a long way since its inception and has successfully executed projects for premier organizations like Mica, L&T, HM Maruti Udyog Ltd. and Ashok Leyland. In addition to the domestic segment, Shashwati Plastics has also successfully executed projects for overseas customers in the Middle-East, the USA and the UK. The turnover of the unit in 1998-99 was Rs.2 lakhs, which increased to Rs.100 lakhs during the financial year 2004-05.

The unit was awarded the ISO 9001:2000 certification during the year 2000.

* * *

DO YOU KNOW ?

10 SURPRISING GOOD USES FOR SALT

- **Deter ants :** Sprinkle salt in doorways, on window sills and anywhere else ants use to sneak into your house. It's a sure way to keep them out!
- **Kill grass and weeds growing in cracks in your driveway :** Tired of weeding your driveway? Sprinkle salt on the grass and pour very hot water over it. Not only is this a highly effective way to kill unwanted plants, it's also eco-friendly and cheap.
- **Say goodbye to fleas :** If your dogs have fleas, simply wash their doghouse and blankets in salt water. If you're worried your dogs may have brought fleas into your house, simply sprinkle your carpets lightly with salt and then brush it in. Leave it for 12 hours and vacuum thoroughly.
- **Pick up a dropped egg :** If you drop an egg on the kitchen floor, sprinkle salt on the mess and leave it there for 20 minutes. You'll be able to wipe it right up.
- **Clean up oven spills quickly :** If a pie or casserole bubbles over in the oven, pour a handful of salt on top of the spill. It won't smoke, smell and, most importantly, will bake into a crust that makes the mess easier to clean once it's cooled.
- **Clean brown spots off your iron :** Simply sprinkle salt on a sheet of waxed paper, slide the iron across it and rub lightly with silver polish. Your iron will look like brand-new in no time.
- **Remove stains from your coffee pot :** Fill it with 1/4 cup of table salt and a dozen ice cubes. Swish the mixture around, let it sit for half an hour, fill it with cold water and rinse. Your coffee pot will look brand new.
- **Keep your windshield frost-free :** Dip a sponge into salt water and rub it on windows, and they won't frost up even when the mercury drops below zero.
- **Shell nuts more easily :** Soak pecans and walnuts in salt water for a few hours before shelling them. Doing so will make it easier to remove the meat.
- **Drip-proof candles :** If you soak new candles in a strong salt solution for a few hours, then dry them well, they won't drip when you burn them.

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Most of us can forgive and forget; we just don't want the other person to forget that we forgave.

Ivern Ball

Exports grow 4.2% in Feb; deficit widens

Impacted by economic and financial problems in the US and euro-zone countries, India's export growth slipped to three-month low of 4.2% to $24.6 billion in February 2012. As import growth has decelerated only to a lesser extent (20.6% to $39.7 billion), the trade deficit for the month stood at $15.1 billion. From a peak of 82% in July, export growth slipped to 44.25% in August, 36.36% in September, 10.8% in October and 3.8% in November 2011.

Commerce secretary Shri Rahul Khullar has expressed concern over the ballooning trade deficit. Though exports were showing a sign of slight pick up in December by growing at 6.7% and then continuing to over 10% in January, poor February number are showing the continuing slump in global demand.

"We are inching towards our target of $300 billion but we may fall short of it. We expect to close the fiscal (2011-12) at $290 billion or so. Growing protectionism will further affect global trade which will impact us in 2012-13 but new emerging opportunities like in Iran might help us to sail through rough weather," Shri Rafeeque Ahmed, president Federation of Indian Export Organisations (FIEO) said. Shri K.T. Chacko, director Indian Institute of foreign Trade said that next fiscal might also see slow-paced growth in exports and "one should not be surprised to see growth figures in single digit."

During the April-February period in 2011-12, export aggregated to $267.4 billion, a year-on-year growth of 21.4% lead by surge in the early months of the fiscal. Experts are also of the opinion that the country's exports would be around $292-$298 billion during 2011-12. During the 11 month period, imports increased by 29.4% to $434.1 billion. Trade gap during the period stood at $166.7 billion. Oil imports in February grew by 39.4% to $12.65 billion from $9 billion in the same period last year. Non-oil imports increased by 13.5% to $27.12 billion.

Solar sector sees $329-mn VC funding

The global venture capital (VC) funding in the solar sector announced a deals worth $329 million in January-March, 2012.

World Bank approves $500-mn education project

To make quality education accessible to youngsters at the secondary level, the World Bank on March 23, 2012 approved $500 million (Rs.2,540 crore) to support India's secondary education project. The project would support all activities envisioned in the Rs.65,000 crore Rashtriya Madhyamik Shiksha Abhiyan (RMSA) programme, a flagship government scheme for this segment. The project would be financed by the International Development Association, the World Bank's concessionary lending arm that provides interest-free loans with a maturity period of 25 years and a grace period of five years. Mr. Roberto Zagha, Bank country director for India, said, "RMSA is a young programme, expected to grow rapidly. Hence, it is an opportunity for the World Bank to support the government of India in building effective systems as the programme expands, while improving quality." Under the RMSA programme, expansion, repair and renovation of 60,000 government secondary schools would be carried out. It would also upgrade 44,000 upper primary schools to secondary ones and set up 11,000 secondary and senior secondary. Shri Venu Rajamony, joint secretary in the department of economic affairs, said, *"The skills and knowledge requirements of the labour force in a globalised economy require high-quality secondary graduates. This necessitates revamping the secondary education system in India."*

The net elementary enrollment rate in India stands at 96 per cent, with girls and boys being almost equally represented in elementary education. However, secondary education, for which the gross enrollment rate stands at about 50 per cent, needs immediate attention. Such education is not affordable for poor households, the statement said. Most of the economic and employment growth in India was seen in skilled services like information technology, financial services, telecommunications and skill-intensive manufacturing, which require at least a secondary education degree, it added.

Securitization of loans by MFIs

Micro finance company Bandhan Financial Services on February 28, 2012 said it has sold Rs.550 crore of its farm loan portfolio to three lenders i.e. Rs.500 crore worth farm loan with IDBI Bank and Rs.25 crore each with Axis Bank and Development Credit Bank.

As of January, Bandhan's total farm loan portfolio stood at Rs.5,360 crore to 3.5 million customers and its capital base stood at Rs.650 crore. The MFI sector, which has been facing fund crunch on account of lower bank financing, is seeing companies securitise their loan exposure with banks. In a securitisation arrangement, MFIs can transfer their loan and the risk attached to it to the bank that buys the loan. SKS Microfinance, securitised Rs.354 crore of receivables from 18 states, except Andhra Pradesh. The securitisation was done by a major public bank.

India achieves $300-bn exports target for 2011-12

Led by growth in engineering, gems and jewellery, textiles, chemicals and pharmaceuticals, Indian exports crossed $300-billion mark for 2011-12. Imports for 2011-12 reached $485 billion leaving a trade deficit of $185 billion, as per the provisional trade data released by the commerce ministry on April 13, 2012. Indian exports had also exceeded its target for 2010-11 by touching $246 billion against a target of $200 billion. However, the trade deficit clocked $104 billion due to import numbers which stood at $350 billion. Explaining the export numbers, commerce minister Shri Anand Sharma said, "Despite very difficult global scenario, the contraction of demand in some of traditional destinations...diversification into new markets has positively worked towards meeting our target."

"Petroleum imports rose to $150 billion. Gold and silver imports stood at $60 billion during 2011-12, which continued to maintain pressure on our trade and current account deficit," Shri Sharma said. However, experts have sounded the alarm bells for the current fiscal. Indian Institute of Foreign Trade director Mr. KT Chacko said the current fiscal may see slow-paced growth in exports. *"It is possible that the next fiscal is dominated by single digit growth numbers in the export data. This is due to growing protectionist measures across the globe which are likely to affect global trade in 2012-13,"* Mr. Chacko said. However, according to Federation of Indian Export Organisations (FIEO) president Shri Rafeeque Ahmed, the emerging opportunities like in Iran may help us to sail through rough weather.

India's Dec-end external debt at $334.9 billion

India's external debt rose to $334.9 billion at December end 2011, an increase of 9.4% in the first nine months of the current financial year, owing largely to higher commercial borrowings and short-term trade credit. These two components together contributed 84.7% to the total increase in India's external debt. The increase in commercial borrowings and short-term trade credits reflected improved access to global financial markets and the need for financing import demand. Data released by the Department of Economic Affairs showed that India's total external debt at the beginning of 2011-12 was $306.1 billion. It increased by $28.8 billion or 9.4% in the first three quarters of the fiscal. The government external debt stood at $81.2 billion, or 24.3% of total external debt. The proportion of external debt to the country's gross domestic product (GDP) increased to 20% at December-end 2011 as compared to 17.8% at March-end 2011.

The long-term debt, accounting for 76.7% to India's total external debt, rose to $256.9 billion at

December-end 2011, recording an increase of $15.8 billion or 6.5% over the March-end 2011 level. The short-term debt which contributes 23.3% to the total external debt, grew by $13.1 billion 20.1% to $78.1 billion during the period under review. Component-wise, the share of commercial borrowings stood highest at 29.9%, followed by Non-Resident Indian (NRI) deposits 15.7% and multilateral debt 14.9%.

Eight core industries grow 6.8% in Feb

The country's eight core industries grew 6.8% in February, much higher than the 0.5% growth in January. The expansion in February came mainly due to increased output of coal, cement, electricity and petroleum refinery products. Natural gas output fell sharply, which would put upward pressure on gas prices. The growth in the core industries, which account for 37.9% weight in the Index of Industrial Production (IIP), was 6.4% in February 2011. High core sector growth in February could buoy industrial output expansion. IIP expanded by 6.8% in January 2012 relative to the 7.5% growth in January 2011.

World Bank approves $4.3-bn aid to India

The World Bank has announced $4.3-billion financial aid to India through a new innovative and flexible financing arrangement to help the country fight poverty. This arrangement, while facilitating a $ 4.3 billion increase in support to India , is designed to maintain International Bank for Reconstruction and Development's (IBRD) -which is its lending arm - net exposure within the limit of $17.5 billion established by it.

The World Bank said the new arrangement will allow for special bonds to be issued by the World Bank and purchased by India, to offset additional planned lending. This will enable India to continue accessing long-term, low-interest IBRD finance for development projects aimed at improving the lives of its people, one third of whom are yet to make their way out of poverty.

The Bank said like other emerging economies, India is faced with the challenge of removing bottlenecks in infrastructure and human skill development that can constrain its ability to sustain non-inflationary, rapid and inclusive growth. In line with its aim to support India's development goals, the World Bank has nearly 80 active projects in India, with several large projects in the critical area of infrastructure.

Funding for active World Bank Group projects includes $9.2 billion in interest-free credits from the Bank's fund for the poorest, the International Development Association (IDA); $14.6 billion from (IBRD; and a committed portfolio of $3.57 billion from the Bank's private sector arm, the International Finance Corporation (IFC). The World Bank Group in its last fiscal year (ending June 2011) made $6.32 billion available to India, including $2.07 billion from IDA, $3.47 billion from IBRD and $ 775 million from IFC.

India's fiscal deficit to hit 5.6%: World Bank

The World Bank has said the Indian government is likely to miss the ambitious target for fiscal consolidation set in the 2011-12 budget of limiting fiscal deficit to 4.6% of the GDP by about one percentage point due to lower-than-expected revenues and increasing outlays on subsidies. In its India Economic Update, 2012, the World Bank said the slow growth expected in core OECD countries added to the urgency of the world's largest democracy overcoming its structural problems and enhancing domestic growth drivers. The key signals to spur growth could come from the reform of direct taxes, the implementation of the long-delayed GST and passage of the land acquisition and mining bills.

The slowdown in India's economic growth witnessed over the last two quarters is likely to extend into the coming fiscal year because of the weakness in investment. In fiscal 2012 and 2013, GDP growth is forecast to reach around 7-7.5%, a significant slowdown from the 9-10% growth in the run-up to the global financial crisis. In a worsening international scenario, macroeconomic policy room is much more limited now than it was in 2008, said the survey. It, however, said that fiscal stimulus could come from rationalising government expenditure by expanding investment and cutting subsidies. Investments in infrastructure could alleviate supply bottlenecks and crowd in private investment, with social safety nets cushioning the impact of rising prices.

The bank also said despite some decline in food inflation, food prices continue to be much higher relative to non-food prices than they were about five years ago. Production of high-protein foods, fruits and vegetables has not kept pace with the demand growth in recent years. At the same time, production and marketing of perishable agricultural goods is hampered by a lack of infrastructure, including roads and cold storage. Rules and regulations deter private investment in the supply chain to varying degrees in India's states, with some states adopting more liberal legal regimes than the others.

Marine product exports rise 3.48% in Apr 2011-Jan 2012

Exports of marine products from April 2011 to January 2012 have registered a growth of 3.48% in quantity, 25.55% in rupee value and 20.96% in US dollar realisation, compared to the same period last year. The unit value realisation has also improved by 16.89%, according to the latest Marine Products Export Development Authority (MPEDA) statistics. As per the provisional export figures for April 2011-January 2012, the Indian seafood exports have increased by Rs.850 crore from Rs.12,901.47 crore in 2010-11 to Rs.13,753.43 crore.

In dollar terms, exports have touched $3 billion during the period. MPEDA released the figures in Chennai on the eve of 18th International Seafood Show 2012 being organised in association with Seafood Exporters' Association of India (SEAI). The exports of frozen shrimps and fish have registered a positive growth both in volume and value, while South East Asia, Japan and the US have become key markets for Indian seafood. Significantly, South East Asia became top consumer of Indian marine products with a market share of 25.44%, valued at $ 745.65 million.

EU ranks second with a share of 22.41%, followed by the US (18.62%), Japan (13.70%), China (7.35%), Middle East (4.72%) and other countries (7.76%). However, exports of China have shown a drastic decline both in quantity and value terms. In the export basket, frozen shrimp continued to be the major item accounting for 50.75% of the total US dollar earnings. Shrimp exports during the period increased by 21.89%, 39.75% and 36.16% in quantity, rupee value and dollar value respectively.

Exports of frozen shrimp to the US has registered a growth of 41.83% in volume, 46.04% in rupee value and 43.67% in dollar terms. Similarly, frozen shrimp exports to Japan also showed an increase of 13.32%, 23.32% and 20.77% in volume, rupee and dollar terms. Exports of Vannamei shrimp during the period increased tremendously by 263%, 314% and 300% in quantity, rupee and dollar terms respectively, when compared to the same period an year ago period, said the MPEDA statement. The second largest item in the export basket, fish, accounted for a share of about 39.86% in quantity and 19.13% in dollar earnings. Accordingly, frozen fish exports during the period increased by 7.49% in quantity and 15.17% in dollar earnings. While frozen squid and cuttlefish exports decreased in quantity but showed an increase in value terms both in rupee as well as in dollar terms. The dried items export declined by 36.60% in quantity, 48.14% and 50.71% in rupee and dollar value respectively, the chilled items exports improved in value but decreased in volume. Live items exports have gone down both in dollar value as well as in volume when compared to the same period last year.

EPFO to begin end of inspector raj

The Employee Provident Fund Organisation (EPFO) plans to shift the entire compliance operation online. Senior officials says the EPFO will begin the process on April 01. That will eliminate the need for any EPFO officer to personally inspect company records. In the new system, the EPFO will ask companies to voluntarily disclose all information required to comply with the EPF Act. Based on the information, the EPFO will devise parameters to discover defaulters. The parameters will change each year to avoid companies being compliant with only certain parameters.

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ACTIVITIES OF COSIDICI

Executive Committee Meeting :

The Executive Committee of COSIDICI was held on March 09, 2012 at Scope Convention Centre, New Delhi. The members were concerned that SIDBI had sharply cut back the refinance limit provided by it to SFCs this year which had further aggravated the problem of low capital base and non-availability of funds for them. COSIDICI and some of the Members viz. RFC, TIIC, APSFC had held a series of discussions on the subject with the Government of India. SIDBI had, therefore, formed a sub-committee of SIDBI Board of Directors comprising Shri Janki Ballabh, Ex-Chairman, SBI, Shri T.R. Bajalia, E.D., IDBI Bank and Shri N.K. Maini, DMD, SIDBI to discuss the business models as also the difficulties being faced by the SFCs in sustaining their business operations as per the SFCs Act viz-a-vis the resources. This sub-committee had met with MDs of four SFCs viz. APSFC, KFC, KSFC and TIIC on 07.03.2012 at Hyderabad and with four SFCs viz. DFC, MPFC, RFC & WBFC on March 09, 2012 at New Delhi.

Shri Mohd. Nasimuddin, IAS, CMD, TIIC informed the Executive Committee that SIDBI had instructed the SFCs to approach the rating agency "CARE" for their ratings. The cost will be borne by SIDBI. Shri Kamal Chakrabarty, IAS, President COSIDICI and MD, WBFC informed the Executive Committee that from the discussions he had with SIDBI, he could infer that the refinance to SFCs was likely to be reduced further as SIDBI's low profitability did not allow it to continue with this facility. SIDBI, therefore, has instructed the SFCs to explore other sources of funds e.g. the state governments or the banks. Shri C.R. Rengaswamy, Corporate Secretary, KFC informed that KFC had already floated non-SLR bonds of Rs.200 crore @ 9.99%. Taking into account the guarantee fee of 0.75% charged by the state government and the arranger fee of 0.25% the interest rate for KFC was 11% for these bonds. Shri Kamal Chakrabarty said that WBFC had floated bonds @ 9.48% for a period of 10 years and the state government had not charged any guarantee fee. The Executive Committee felt that the source of funds should be assured which alone could enable SFCs prepare a business plan for the next five years. They could not depend any longer on SIDBI because of the unassured and tapering refinance. Shri Yaduvendra Mathur, IAS, CMD, RFC informed the Executive Committee that SIDBI had made a powerpoint presentation at the above meeting wherein it had brought out the negative aspects of SFCs. He had pointed out to SIDBI that it had an exposure worth Rs.4,200 crore to SFCs. The SFCs are paying back the refinance to SIDBI thus contributing towards its profitability. Further, the SFCs contributed substantially towards the state exchequer in the form of VAT and service tax could not be denied. The SFCs nurtured entrepreneurs specially those of first generation where the risk factor was very high. Shri Mohd. Nasimuddin, IAS, CMD, TIIC informed the Executive Committee that TIIC had a scheme "grow an entrepreneur". Other SFCs too had similar schemes where they guided these units in all aspects of business viz. financial, technical, and marketing etc. Their role in taking development to all the cross-sections of society as well as the far-flung corners of the country was laudable. The need of the hour was to help them to achieve their mandated goals by giving timely and adequate refinance.

The Executive Committee felt the level of refinance in a year, therefore, should not fall below the amount that SFC had paid in the previous year. If, the refinance was reduced without setting any benchmark, the SFCs would be forced to default as they had to give the salaries of their employees. The state governments had recognized the role of these SFCs and were giving a lot of support. SIDBI may, therefore, also try to do the same. It was imperative that SIDBI chalk out a roadmap of atleast five years for SFCs so that they could fix their goals and business plans to enable them to achieve concrete results. However, the members felt that

SIDBI is keen to disengage itself from its mandated regulatory role. At the above meetings, SIDBI did not make any commitment relating to restoration of old refinance limits. The SFCs felt that in the absence of adequate refinance the amount recovered by the Corporations from the units could not be used to pay to SIDBI as they had to also give salaries to their employees. SIDBI had then assured that they would soon come back with a concrete proposal to address the problem. The members also felt that the SFCs had complied with all the conditions of the tripartite MoU signed between SFCs, SIDBI and the state government. The state governments had fulfilled their role by giving either budgetary or equity support. But SIDBI seemed unwilling to carry out its role of providing refinance to SFCs. The Executive Committee felt that if the refinance levels were further brought down then the SFCs should repay only the 'interest due' and not the principal amount.

Shri Mohd. Nasimuddin, IAS, CMD, TIIC further informed the Executive Committee that, RBI at the time of issue of Master Circular dated 05.07.2011 on lending to priority sector has stipulated that loans sanctioned by Banks to SFCs for on-lending to Micro and Small Enterprises are not eligible for classification as direct or indirect finance to MSME Sector. However, such loans granted to Micro Finance Institutions (MFIs) are eligible for Priority Sector status. Due to curtailment of refinance from SIDBI SFCs have been borrowing from various commercial banks. The loans given by the Commercial Banks is utilized for MSME lending. The Banks consider such advances under priority sector lending-Indirect finance to Micro and Small Enterprises. It was felt the above measures will considerably increase the cost of the loans availed by SFCs from banks by 0.50% to 1%. The Executive Committee, therefore, Resolved that : -

"COSIDICI may take up with RBI/Finance Ministry to allow the Banks to treat loans sanctioned by them to SFCs for on-lending to Micro & Small Enterprises as eligible for classification as direct or indirect finance to MSME sector because they are lending to SFCs only after considering their viability, financial requirements and end use of funds".

The Executive Committee was then informed that MPFC, Indore had requested SIDBI to allow them to assist an industrial concern in respect of which the net worth exceeded Rs.30 crore in the Commercial and Real Estate (CRE) sector. SIDBI was not giving refinance for this activity so it was felt that its restrictions could be done away with specially in today's economic scenario of high costs resulting in greater credit requirements. The Sub-Committee of SIDBI had agreed to this suggestion as it felt that it was a reasonable demand and SIDBI may comply with it.

Amendment in SFCs Act, 1951 :

The Secretary General informed the Executive Committee that COSIDICI had been vigorously pursuing the matter with Government of India and SIDBI. SIDBI had recognized the restrictive role of the SFCs Act in the present day context of liberalised economy and had, therefore, taken up the matter with Government of India. It has now been learnt that the amendments proposed by COSIDICI have been cleared by the Ministry of Finance and are now pending with the Union Cabinet.

Appointment of a Liaison Officer by SIIDCs & SIIDCs :

The SIDCs and SIICs are engaged in developing industrial parks, industrial estates and other infrastructure in the states which helps to attract investment in industry in the region. COSIDICI had, therefore, been receiving enquiries from prospective investors regarding the business opportunities and incentives available in the states. COSIDICI had guided them to contact the SIDCs & SIICs. However, these investors experienced some difficulty in gathering the specific information required by them.

The Executive Committee felt that a liaison officer could be appointed by SIDCs and SIICs. It would serve to facilitate the flow of information to the prospective investors. The investors would then be able to approach this person for gathering the required information.

Training Programme at CAB (RBI), Pune :

The Executive Committee welcomed the proposal of specific training programmes which could be organised by the corporations on the subject of their expertise to further enhance the core skills of the officers of the SLFIs. The Executive Committee requested COSIDICI to prepare a tentative calendar of the training programmes where the subject and the suitable dates against the name of the corporation may be mentioned. If the dates were found to be unsuitable by any corporation then some alternate dates could be arranged.

Award Ceremony For The Successful Units Funded By SLFIs :

The Executive Committee welcomed the initiative of COSIDICI to organize an award ceremony for the successful units funded by its Member Corporation as it felt that such a ceremony would serve to highlight the achievements of these SLFIs. A lecture on the topic "The Role of SFCs and SIDCs in Promoting MSME Sector" may be delivered by an eminent personality. The Executive Committee suggested that COSIDICI may invite some of the stakeholders in the SLFIs viz. MSME, SIDBI, DPIP/ Commerce Ministry and Finance Ministry. The ceremony could be organized in collaboration with a media partner. COSIDICI may issue certificates as well as momentoes to the awardees. The members informed that there were many successful units which had been assisted by them. In fact many of the present day multinationals like Abhishek Industries, Infosys, Biocon etc. had initially been financed by the SLFIs. The award ceremony could be a regular feature enabling all the deserving units to get their due recognition.

Documents & Record Management Solution for SLFIs :

Space being at a premium nowadays storage of documents was becoming very difficult. In order to mitigate this problem COSIDICI had organized a presentation by CBSL. Shri Prakash Upadhyay, Vice President, Capital Business Systems Ltd. {CBSL} had made a presentation on "Records & Document Management Solution". They had informed that CBSL had been chosen by the Government of India for maintaining and scanning of records for one of its biggest projects viz. UIDAI (Aadhar Project). He then explained the whole process of sorting, segregation and scanning of documents, indexing and bar-coding technology and ultimate the storage of documents in their warehouses across the country. He assured the Members that it was easy to access the records and total confidentiality was maintained. The access of records could be both through telephonic and web based retrieval request.

* * *

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

Swami Chinmayananda

A game-changer

The economic upheavals of the last decade have turned the focus on innovations worldwide. Governments have realised the need for innovation in economies to withstand the ups and downs of the global economic system.

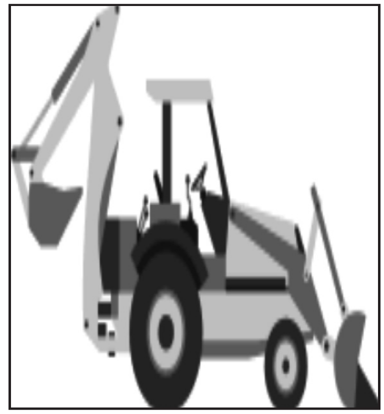
India has also taken the initiative and floated the National Innovation Council (NInC) under technocrat Shri Sam Pitroda. The broad mandate for NinC is to create an Indian model of innovation focused on inclusive growth and create relevant eco-systems by introducing multi-disciplinary and globally competitive approaches.

Among the various initiatives, a key focus area of NinC is cluster innovation centres (CICs). The primary responsibility of these centres would be to :

- Facilitate collaborations and technological/ business development;
- Act as an incubator for start-ups;
- Provide expert advice across domains to actors and stakeholders;
- Oversee initiatives and capture & share knowledge gathered;
- Help streamline interactions with various government agencies; etc.

The set of innovation centres was launched around four months back as a pilot project, and the NinC is now keen on a national rollout. Shri Pitroda said that on finishing the pilot project, the NInC would take up 50 such clusters this year. The key barriers to innovation in India, as identified the government, are skill shortages, lack of collaborations, insufficient capacity building and inability to manage innovation successfully. CICs would address these issues by creating eco-systems that would have multiple drivers of innovation, bringing together government, research & development (R&D) labs, universities, domain experts and stakeholders.

There are several examples of such innovation eco-systems globally e.g. the Silicon Valley. The region has been a fertile ground for innovators, housing some of the most successful industries in recent decades. The strength of the Silicon Valley ecosystem, apart from the merit and diversity of human capital available, has been the presence of professional services, including lawyers, accountants, venture capitalists and mentors. Along with the existence of relevant stakeholders in geographic proximity, formal and informal learning through various forums of interactions have been among the significant strengths.



In some cases, it has been the presence of vibrant universities that have aided the growth of clusters. Stanford University and Cambridge University are recognised as major contributors in the emergence of Silicon Valley and Cambridge Cluster. Other examples of successful clusters are the biotech clusters in Sweden and Switzerland. However, in India, innovation has remained an uphill task for the micro, small and medium enterprises (MSMEs), which contribute almost 40% of the total exports from the country. Industrial clusters usually have small entrepreneurs who have scanty resources to spend on research and innovation. Though there are many clusters across India like gems clusters in Surat, brassware in Moradabad, food processing in Tamil Nadu, auto components in Haryana, furniture in Kerala and textiles in Tirupur, most of them do not have adequate access to technology, R&D, risk finance and skills. *"There are about 200 large clusters, such as diamonds, pharma, food processing, bamboo etc. We plan to organise them and provide linkages with partners like the CSIR (Council of Scientific and Industrial Research), industry, R&D labs, financial institutions and universities,"* Shri Pitroda said.

However, innovation in these centres would not be limited product development. Innovations would be attempted in business models, business processes, capital raising etc. The centers would be established with a focus to boost the efficiencies of these clusters in terms of production, sales and marketing. The year 2010-2020 has been already declared as the ' Decade of Innovation' by the government. These cluster innovation centres will be one of major initiatives. The MSME ministry too has big plans to boost innovation. The ministry invests around Rs.100 crore per year towards setting up testing centres and R&D facilities.

Shri Samir Mitra, a senior expert at NInC, said CICs, acting as networking hubs for innovation ecosystems, are being created in eight clusters. In many instances, interactions between industry, R&D institutions, academia and others had happened for the first time within the cluster. The NInC has partnered CSIR, Infrastructure Leasing and Financial Services Ltd, Foundation of MSME Clusters, Tata Management Training Center and industry lobbies CII and Ficci for the six-month pilot phase of the initiative which started in November 2011. The government's aim is to herald a mindset change and create a push at the grassroots level so that more and more people in education, business, government, NGOs, urban and rural development engaged in innovative activities are co-opted and are part of shaping the national level innovation strategy. Obviously, MSMEs will be major beneficiaries of the initiatives. CICs could prove game-changers for the sector in the era of heightened global and domestic competition.

Loans to MSMEs rise to 15.1% of total bank credit

Bank credit to the country's micro, small and medium enterprise (MSME) sector rose to 15.1 per cent of total bank credit at the end of March 2011 (provisional), from 13.4 per cent at the end of March 2010. According to the RBI, total outstanding credit to this sector rose to Rs.3.76 lakh crore in March 2011, from Rs.2.78 lakh crore a year earlier. RBI has issued detailed guidelines to all scheduled commercial banks on lending to MSMEs which, among other things, provide for a time frame for disposal of loan applications and dispensing with the collateral requirements for MSEs.

According to the recommendations made by a task force on MSMEs under the chairmanship of the former principal secretary to the prime minister, RBI was asked to advise banks to achieve 20 per cent year-on-year growth in credit to MSEs and 10 per cent annual growth in the number of micro enterprise accounts. To ensure that sufficient credit is available to micro enterprises within the MSE sector, according to the RBI's guidelines to banks, 60 per cent of MSE advances should go to micro enterprises, according to Union Minister for MSMEs Shri Virbhadra Singh. Banks have been advised that the allocation of 60 per cent of MSE advances to micro enterprises is to be achieved in stages - 50 per cent was the target for the year 2010-11, 55 per cent in 2011-12 and 60 per cent in 2012-13.

Meanwhile, according to the Fourth All India Census of Micro, Small & Medium Enterprises 2006-2007, the total number of MSMEs in the country was at 261.01 lakh. The share of registered MSMEs is 5.94 per cent. According to an estimate by the Central Statistical Organisation, Ministry of Statistics and Programme Implementation, the share of micro and small enterprises (MSEs) in the country's gross domestic product (GDP) stood at 5.84 per cent in 2004-05, 5.83 per cent in 2005-06, 7.20 per cent in 2006-07, 8 per cent in 2007-08 and 8.72 per cent in 2008-09. Shri Singh said the government monitors employment generation in the MSME sector by conducting the All India Census of MSMEs periodically in the country. The latest Census (Fourth Census) was conducted with 2006-07 as the reference year.

Registered MSMEs, according to 'Final Results: Fourth All India Census of Micro, Small & Medium Enterprises 2006-07: Registered Sector' created jobs for 9,309,000 people. The unregistered sector, according to 'Quick Results: Fourth All India Census of Micro, Small & Medium Enterprises 2006-2007' created jobs for 502.57 lakh persons. As per the Economic Survey 2010-11, total employment in the organised sector of the economy, as on March 31, 2007 stood at 27,276,000. The registration of MSMEs is a necessary condition for availing of the benefits of financial assistance schemes of the MSME ministry. However, unregistered MSMEs are eligible for availing of assistance from the banking sector.

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RBI tells SLBCs to plan roadmap for unbanked villages

The Reserve Bank of India has mandated the state-level banking committees (SLBCs) to prepare a roadmap to cover all unbanked villages of population less than 2,000 and notionally allot these villages to banks for providing banking services in a time-bound manner. The monetary policy statement for 2012-13 states the penetration of banks in rural areas has increased. Banks are now providing banking services in rural areas through 1,38,502 outlets. This includes 24,085 rural branches, 1,11,948 business correspondent outlets and 2,469 outlets through other modes. In early March 2010, banks had only 21,475 brick and mortar branches in rural areas.

After the announcement made in the Monetary Policy Statement of April 2010, about 74,414 villages with population above 2,000 have been identified as unbanked. These were allocated to various banks, including regional rural banks (RRBs) for providing banking services by March 2012. Banks have covered 74,199 (99.7%) of these unbanked villages.

Banks have also been advised that the financial inclusion plans prepared by head offices are disaggregated at the respective controlling offices and further at the branch levels. The statement mentioned that the focus will now be more on the number and value of transactions in no-frills accounts and credit disbursed through information and communication technology (ICT)-based business correspondent outlets.

No-frills accounts have increased to around 99 million with an outstanding balance of above Rs.8,700 crore and with the addition of about 50 million new no-frills accounts since April 2010.

The RBI has also decided to constitute a working group to review the short-term co-operative credit structure (STCCS) of rural co-operatives. This is being done to examine issues of structural constraints and explore strengthening of the rural co-operative credit architecture with appropriate institutions and instruments of credit to fulfill credit needs.

To facilitate enhanced priority sector lending, RBI has also decided to permit urban co-operative banks (UCBs) to utilise the additional limit of 5% of their total assets for granting housing loans up to Rs.2.5 million that are covered under the priority sector. At present, UCBs are permitted to assume aggregate exposure on real estate, commercial real estate and housing loans up to a maximum of 10% of their total assets with an additional limit of 5% of their total assets for housing loans up to Rs.1.5 million.

RBI has scrapped the prepayment penalty on house loans

- **Banks** to scrap prepayment penalty on floating rate home loans
- **RBI asks** lenders to narrow variation in rates on retail and bulk deposits with more or less similar tenure
- **All customers** should have the right to basic savings and deposit accounts without having the need to maintain a minimum balance
- **Banks should** frame policy on unclaimed deposits, grievance redressal mechanism to quickly resolve complaints, record-keeping and review of such accounts regularly.

SIDBI Offers Rs.30-cr Support to MFIs

SIDBI has committed 30% of its Rs.100-crore microfinance development fund to some of the country's poorest microfinance companies, which are yet to get significant commercial funding post the liquidity crisis of 2010-11. MFIs, especially the smaller ones, operate in the country's interiors and provide a veritable financial link to the poorest sections of the population, which are not yet covered by the banking system.

MFIs lend to the poor at a maximum 26% annual rate. Sidbi's Rs.100-crore dedicated fund was created by the government for investing in smaller MFIs to help them overcome the liquidity crisis of 2011 and grow in a regulated environment. Sidbi will offer the debt for seven years and charge 8% interest rate a year on subordinated debt, with a clause that if any MFI converts itself into an NBFC in between, the debt may be converted into equities. The recipients will also enjoy a three-four year moratorium on principal payment.

RBI advocates self-help for UCBs

Highlighting the wisdom of self-help, the RBI has released the revised supervisory action framework (SAF) for urban co-operative banks (UCBs). The Central Bank on March 02, 2012 said that the SAF envisages self-corrective action by the management of UCBs themselves in the initial stage of deterioration in their financial position. Supervisory action by the RBI would follow if the financial position of the UCB doesn't improve, it said. If the CRAR dips below 9%, or there is a deterioration in asset quality, or a decline in profits, or liquidity constraints, the management of the bank should identify the causes and take necessary corrective actions on its own. Such action should be prompt as any delay could be detrimental to the interest of the depositors and other stake-holders of the bank.

The corrective action should include measures for augmenting capital, close monitoring of NPAs and their recovery, especially the large ones, improving profitability by curtailing expenses, mobilising low-cost deposits. The UCBs should also prepare a time-bound specific action plan for bringing about necessary improvement in their functioning and the board of directors should monitor the progress in its implementation at each meeting. The RBI said it will step in if necessary steps are not taken to improve the financials of an ailing UCB or the steps taken don't yield expected results.

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12th Plan strategy to boost MSME growth mooted

The working group on the growth of micro, small and medium enterprises (MSMEs) in the 12th Five-Year Plan [2012-2017] has said that if the sector has to grow, the focus should be on finance, including credit; infrastructure; technology; marketing and procurement; skill development and training; and strengthening institutional structures.

The working group was constituted by the Prime Minister, Shri Manmohan Singh and has recommended allocations to the tune of Rs 64,790 crore. The group also said that instead of launching a separate scheme for start-ups, it may be appropriate to address the issues listed above under their respective verticals.

The MSME sector is a blend of the traditional and the modern, with informal sector enterprises at the bottom of the pyramid. The process of liberalisation and global market integration has opened up wide opportunities for the sector, as also new challenges.

The new National Manufacturing Policy (NMP), which aims to make India a manufacturing hub and increase the sectoral share of manufacturing in GDP to 25 per cent in the next decade, from the present level of 15-16 per cent, requires substantial support from the MSME sector and a quantum jump in its growth rate from the existing level of 12-13 per cent per year.

This necessitates convergence of efforts and resources, the Group observed. The key issue, according to the working group, is build the capacity of small business service providers to become efficient and pro-active agents of change.

"This requires convergence of sound macro-economic policies, seamless institutional structures, outcome-based performance indicators, performance-based funding, good governance ~ transparency and accountability systems, independent monitoring and evaluation, effective participation by target beneficiaries," the group has said.

Some of the issues that obstruct the rapid growth of MSMEs, according to the working group, include regulation, technology, credit and finance, orthodox marketing, skill deficits, a dated institutional framework, advocacy and empowerment, and transparency. The group has recommended that during the 12th Plan period, modular industrial estates with plug and play facilities may be launched as pilot projects.

"For starting capital, globally angel/venture funds are the prime source of funds to the start ups. While these funds finance a project on the basis of their own risk analysis and valuation, the Groups opines that Government can provide some comfort which could be in the form of a guarantee or by co-investment through a Government promoted venture fund. The venture capital fund launched by Sidbi can play major role in this regard".

Towards protecting the intellectual property (IP) generated by start-ups, the government should assist in filing of patents or alternative IP protection mechanisms. The IP facilitation centres set up under the IPR component of the NMP may be nodal points in guiding, handholding and subsidising start-up entrepreneurs in protecting their IPRs, the working group said.

"Instead of launching a separate scheme for start-ups, it may be appropriate to address the above issues under the respective verticals," it added.

Setting up of modular estates has been taken up under the infrastructure vertical and of financing mechanisms under the credit and finance vertical. IPR-related issues are to be taken up by the IP facilitation centres, which may be funded under the NMP component of the technology vertical. However, a cell in the office of development commissioner, MSME, may be formed to function as a single window for start-ups.

Guidelines on responsible tourism soon

Sensing an imperative need for 'responsible tourism' in the wake of the much condemned tribal safaris in the Andamans, the tourism ministry is coming out with guidelines to benchmark the business. The draft guidelines lay out protocols that the hotels and travel agents would have to adhere to, like in case of local architectural designs they will have to keep the character of the destination intact. Other protocols are on energy and water conservation. Protection of wildlife and not hurting the sentiments of local communities are major points of the draft. There are various other codes of conduct such as the PATA guidelines too for the tourism industry. Enforcement and implementation are important. The incentives will go a long way in promoting best tourism practices.

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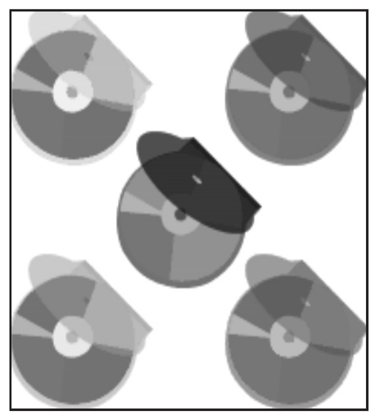
ANSWERS OF CYBERQUIZ ~ 35



1.[b] File Allocation Table : File allocation table is a patented file system developed by Microsoft for MS-DOS and is the primary file system for consumer versions of Microsoft Windows upto and including Window Me.

2.[c] New Technology : Though NT expanded to New Technology for marketing purposes, it does not carry any specific meaning now.

3.[c] Tux : It is said that the name Tux was the winning entry in the "Let's Name The Penguin While Linus Is Away Contest" with the "I" standing for Torvalds and the "U" and "X" for Linux. While some others claim that the name comes from the fact that "penguins look vaguely as if they are wearing a tuxedo".

4.[d] Linux : Linus coined the name from the words "free" , "freak" and the letter x to give the impression that the operating system is a Unix-like system. He himself thought that the name change could take place, his friend Ari Lemmke, who did not like the name Freax, had allotted a directory called Linux on his FTP server to Linus.

5.[b] A cursory examination of all of the basic components of a software system to ensrue that they work : The term comes from electrical enginneering, where in order to test electric and electronic equipments, power is applied and the tester ensures that the product does not spark or smoke.

BASEL III & INDIAN BANKS

What are the Basel III norms ?

These are guidelines framed by a committee of central banks that is based in Basel, Switzerland. The Reserve Bank of India is also a member of this Committee. The norms aim to toughen up the banking system in every country to withstand financial shock. They focus on the risks that banks are vulnerable too, particularly after the crisis in the banking sector, which was triggered by the problem in the US sub-prime mortgage market. Banks in the US were caught unawares as they had not maintained adequate capital to expand their businesses.

What is the Relevance of these Norms ?

Basel III aims to plug the gaps in the existing Basel II guidelines. The new norms will be made effective in a phased manner from January 01, 2013 and implemented fully from March 31, 2018. The guidelines will ensure that banks are well capitalised to manage all kinds of risks. The existing norms stipulate that banks should maintain Tier-I capital, or core capital, and Tier-II capital that comprises instruments with debt-like features.

However, Basel III has introduced many elements of capital, such as a clearly defined common capital that measures core equity capital in relation to its total risk-weighted assets and hence, assessee the bank's financial strength and capital conservation buffers at various levels. Besides, risk-based capital ratios will have to be supplemented with leverage ratio during a parallel run. Basel III rules propose to bring in more clarity and eliminate grey areas in the current rules by clearly defining different kinds of capital.

What are the main requirements under Basel III?

Banks to maintain a minimum 5.5% in common equity [as against 3.6% now] by March 31, 2015. Banks must create a capital conservation buffer [consisting of common equity] of 2.5% by March 31, 2018. Banks should maintain a minimum overall capital adequacy of 11.5% [against the current 9%] by March 31, 2018. Banks must supplement risk-based capital ratios by maintaining a leverage ratio of 4.5%

How will Basel III impact Indian Banks?

The incremental equity requirement in the Indian banking system may go upto as high as Rs.3.2-4 trillion over the next six years. According to ratings firm Icra, the government's share in this could be Rs.1.2-1.7 trillion. When banks with low core Tier I shore up their capital to around 9% [required 8% and 1% cushion], their return on equity (ROE) could drop by 1% - 4%, which they could seek to compensate by raising their lending yields [as long as competitive forces allow them to do so], increasing fee income, or rationalising costs, Icra adds.

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When you choose to be pleasant and positive in the way you treat others. You have also chosen, in most cases, how you are going to be treated by others.

Zig Ziglar

HEALTHY DIET TIPS

- Limit solid fat. Reduce the amount of solid fats like butter, margarine, or shortening you add to food when cooking or serving. Instead of cooking with butter, for example, flavor your dishes with herbs or lemon juice. You can also limit solid fat by trimming fat off your meat or choosing leaner proteins.
- Substitute. Swap out high-fat foods for their lower-fat counterparts. Top your baked potato, for example, with salsa or low-fat yogurt rather than butter, or use low-sugar fruit spread on your toast instead of margarine. When cooking, use liquid oils like canola, olive, safflower, or sunflower, and substitute two egg whites for one whole egg in a recipe.
- Be label-savvy. Check food labels on any prepared foods. Many snacks, even those labeled "reduced fat," may be made with oils containing trans fats. One clue that a food has some trans fat is the phrase "partially hydrogenated." And look for hidden fat; refried beans may contain lard, or breakfast cereals may have significant amounts of fat.
- Change your habits. The best way to avoid saturated or trans fats is to change your lifestyle practices. Instead of chips, snack on fruit or vegetables. Challenge yourself to cook with a limited amount of butter. At restaurants, ask that sauces or dressings be put on the side-or left off altogether.
- Avoid saturated or trans fats. Foods containing high levels of saturated fats or trans fats-such as potato chips and packaged cookies—can increase your cholesterol levels much more significantly than cholesterol-containing foods such as eggs. Saturated fat and trans fat both increase LDL ("bad") cholesterol. Even worse, trans fat lowers your levels of HDL ("good") cholesterol.
- Make smart choices. Choose foods rich in unsaturated fats, fiber, and protein. Fruits, vegetables, fish, beans, nuts, and seeds are all great cholesterol regulators. The best foods for lowering cholesterol are oatmeal, fish, walnuts (and other nuts), olive oil, and foods fortified with sterols or stanols-substances found in plants that help block the absorption of cholesterol.
- Remember that labels can be deceiving. Navigating food labels can often be complicated since packaged foods with labels like "cholesterol free" or "low cholesterol" aren't necessarily heart-healthy; they might even contain cholesterol that's heart-risky. Stick to basics whenever possible: fruit, veggies, nuts, and lean proteins.
- Cook at home, using spices for flavor. Cooking for yourself enables you to have more control over your salt intake. Make use of the many delicious alternatives to salt. Try fresh herbs like basil, thyme, or chives. In the dried spices aisle, you can find alternatives such as allspice, bay leaves, or cumin to flavor your meal without sodium.
- Substitute reduced sodium versions, or salt substitutes. Choose your condiments and packaged foods carefully, looking for foods labeled sodium free, low sodium, or unsalted. Better yet, use fresh ingredients and cook without salt.
- Breakfast better. For breakfast choose a high-fiber breakfast cereal—one with five or more grams of fiber per serving. Or add a few tablespoons of unprocessed wheat bran to your favorite cereal.
- Try a new grain. Experiment with brown rice, wild rice, barley, whole-wheat pasta, and bulgur. These alternatives are higher in fiber than their more mainstream counterparts—and you may find you love their tastes.
- Add flaxseed. Flaxseeds are small brown seeds that are high in fiber and omega-3 fatty acids, which can lower your total blood cholesterol. You can grind the seeds in a coffee grinder or food processor and stir a teaspoon of them into yogurt, applesauce, or hot cereal.
- Don't leave out the legumes. Legumes are fiber-rich, too. Eat more beans, peas, and lentils. Add kidney beans to canned soup or a green salad.
- Make snacks count. Fresh and dried fruit, raw vegetables, and whole-grain crackers are all good ways to add fiber at snack time. An occasional handful of nuts is also a healthy, high-fiber snack.

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