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

INDIAN AGRICULTURE - PRESSING ISSUES

Agriculture is a way of life, a tradition, which, for centuries, has shaped the thought, the outlook, the culture and the economic life of our people. Although Indian agriculture has come a long way, there are certain issues that have to be addressed for national and nutritional security. Our population is expected to be 1.4 billion by 2020; this coupled with growing income will generate increased demand for food grains and non-food grain crops. Therefore, Indian agriculture has to achieve a higher growth rate per annum on a sustainable basis. Acceleration of growth of this sector will not only push the overall GDP growth upwards, it would also make the growth more inclusive. Agriculture is and will continue to be central to all strategies for planned socio-economic development of our country.

India has as much usable farmland as the European Union - 180 million hectares, covering approximately 60 percent of the country's total land area. The Indus and Brahmaputra regions in the north of the country (including the Assam plain, Uttar Pradesh and Punjab), traversed by the Ganges and graced most by the benefits of the monsoons, are the country's most fertile regions where most agricultural production takes place, sugar cane and wheat production in particular. These *"natural"* advantages in part explain India's leading position with regard to many agricultural products. However, with little scope for increase in net sown area, further increase in agriculture production has to come through multiple cropping, coverage of more area under irrigation and improvement in the productivity levels. In order to achieve sustained growth in Indian agriculture in future, certain key issues as mentioned below need to be addressed effectively.

Agricultural Research :

One of the unintended outcome of the green revolution in India has been the weakening of agricultural research. Without such research, comprehensive understanding of changes in ecosystem cannot be achieved. There are hardly any experiments in the country running for 30-40 years to provide basis for developing long range forecasts for different type of technologies (*particularly for soil and water conservation, and also for input use*). Long term challenges cannot be addressed unless basic research is supported in different agro-climatic regions of the country. The regionalization of agricultural research, based on identified agro-climatic zones, application of frontier sciences like bio-technology, remote sensing technologies, pre and post-harvest technologies, energy saving technologies and technology for environmental protection through a national research system as well as proprietary research needs to be accorded high priority. There is a need to build a well organized, efficient and result-oriented agriculture research and education system to introduce the much needed technological changes in Indian agriculture.

V.S. RATHORE
Secretary General, COSIDICI

Agricultural Inputs :

Farmers across the country have to be provided adequate and timely supply of quality inputs such as seeds, fertilizers, bio-pesticides and agricultural machinery at reasonable rates. Development, production and distribution of improved varieties of seeds and planting materials should receive high priority. Soil testing and quality testing of fertilisers and seeds, balanced and optimum use of fertilizers together with use of organic manures and bio-fertilizers to optimize the efficiency of nutrient use has to be promoted.

Water Resources :

Although our country has abundant water resources, there is an urgent need to pay special attention to water quality and the problem of receding ground-water levels in certain areas as a result of over-exploitation of underground aquifers. We, therefore, need to conserve our abundant water resources both - surface as well as ground water and ensure rational utilization of our water resources. Proper on-farm management of water resources including proper upkeep of irrigation pipelines to minimize water loss during transportation has to be ensured for the optimum use of irrigation potential. Completion of all on-going irrigation projects, bridging the gap between irrigation potential created and utilized, restoration and modernization of irrigation infrastructure including drainage, evolving and implementing an integrated plan of efficient management of national water resources is essential for augmenting the availability and efficient utilization of water for irrigation purpose.

Electrification :

Rural electrification has to be given high priority as the prime mover for agricultural development. The quality and availability of electricity supply should be improved to meet the demand of the agriculture sector in a reliable and cost effective manner. The use of new and renewable sources of energy for irrigation and other agricultural purposes should also be encouraged.

Marketing Infrastructure :

Agriculture sector needs well functioning markets to drive growth, employment and economic prosperity in rural areas of the country. Emphasis should be laid on development of marketing infrastructure and techniques of preservation, storage and transportation with a view to reducing post-harvest losses. Storage facilities for different kinds of agricultural products need to be created in the production areas or nearby places, particularly in the rural areas, so that the farmers can transport their produce to these places in the shortest

possible time after harvest. The provision of pre-cooling facilities to farmers and the establishment of cold chains and cold storage in the terminal markets has to be given priority. The retail marketing arrangements in urban areas also needs to be improved to provide dynamism and efficiency.

Risk Management :

Vagaries of weather affect agriculture the world over, but Indian agriculture is highly sensitive to these variations, given that most of our agricultural production depends on the monsoon. Precipitation falls from June to September, and its level of intensity determines the production levels for the year, particularly for wheat, which is a staple food in India. "Bad" monsoons, which bring insufficient or excessive levels of precipitation, can cause significant drop in yields, thereby exposing agricultural production in India to a high degree of variability. In order to reduce this risk and to impart greater resilience to Indian agriculture against droughts and floods, there is a need for greater flood-proofing of flood prone agriculture areas and drought-proofing of rainfed agriculture areas in order to protect farmers from vagaries of nature. For this purpose, contingency agriculture planning, development of drought and flood resistant crop varieties, watershed development programmes, desert and drought prone areas development programmes and rural infrastructure development programmes are needed.

In addition, Agriculture Insurance Schemes need to be made more farmer-specific and effective by covering all farmers and all crops throughout the country with built-in provisions for insulating

farmers from financial distress caused by natural disasters. Providing a package insurance policy to farmers, right from sowing of crops to post-harvest operations, including market fluctuations in the prices of agricultural produce is necessary.

Human Resources :

Over 200 million Indian farmers and farm workers have been the backbone of India's agriculture. Despite having achieved national food security, the well being of the farming community continues to be a matter of concern. Higher and sustained growth of agriculture is necessary not only to achieve self-reliance at national level but also for household food security and to bring about equity in distribution of income and wealth, resulting in reduction in poverty levels. Human resource development of the persons engaged in agriculture is necessary not only to have greater penetration of better technology but also because new skill sets would be necessary to enable underemployed labour in this sector to get absorbed in other fast growing sectors.

Value addition :

Setting up of agro-processing units in the producing areas to reduce wastage, especially of horticultural produce, increased value addition and creation of off-farm employment in rural areas is very important. Collaboration between the producer cooperatives and the corporate sector has to be encouraged to promote agro-processing industry so as to build up a substantial base for production of value added agro-products for domestic and export markets. ***The development and growth in manufacture of value added agro-products would offer immense potential and opportunities to the State Level Financial Institutions (SLFIs), COSIDICI's Member Corporations, for financing agro-processing units and for the development of industrial infrastructure in the rural and semi-urban areas.***

Conclusion – Sustainable Agriculture, the way forward :

Going forward, focus should be on sustainable agriculture. Some random suggestions on sustainable agriculture are **:**

- Increasing cropping intensity through multiple-cropping and inter-cropping.
- Synchronization of sowing schedules of certain crops to avoid synchronization with pest reproduction cycle in crops where this is a major problem.
- Synchronized sprays coupled with pest reducing crop rotations and mixtures to minimize use of chemicals in the short run and total elimination in the long run with the use of biological pest control.
- Providing incentives for genetic diversity in high growth regions so as to counter genetic uniformity, till alternative genetic sources of resistance and yields are achieved.
- Watershed management of both arable and non-arable land belonging to individuals as well as villages, as also of forest land.
- Containing biotic pressures on land and not allowing indiscriminate diversion of agricultural lands for non-agricultural purposes.
- Unutilized wastelands be put to use for agriculture and afforestation.

Indian agriculture has, since Independence, made rapid strides in taking the annual foodgrains production from 51 million tonnes in early fifties to over 250 million tonnes at present; it has contributed significantly in achieving self-sufficiency in food and in avoiding food shortages. Our country needs to promote technically sound, economically viable and environmentally friendly use of country's natural resources – land, water and genetic endowment to promote sustainable development of agriculture which would ensure food and nutrition to India's more than a billion people, raw materials for its expanding industrial base and surpluses for exports, and a fair and equitable reward system for the farming community.

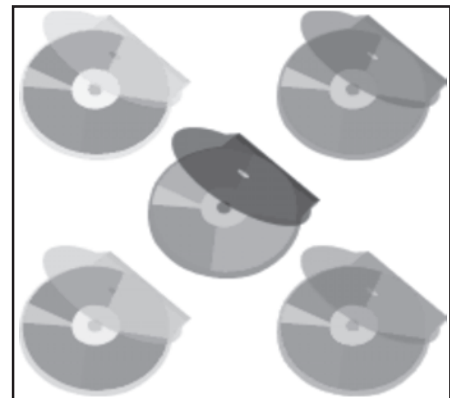
(V.S. RATHORE)

APPOINTMENTS

- Shri Arvind Ray, IAS has been appointed as Chairman & Managing Director, Delhi Financial Corporation {DFC}, New Delhi vice Shri B.V. Selvaraj, IAS.
- Shri Ramesh Ch. Jain, IAS has been appointed as Managing Director, Assam Financial Corporation {AFC}, Guwahati vice Shri Imdadul Haque, IAS
- Shri Arun Kumar Pandey, IAS has been appointed as Managing Director, Madhya Pradesh Financial Corporation {MPFC}, Indore vice Shri K.C. Gupta, IAS
- Shri Sumit Bose, IAS has been appointed as the Finance Secretary, Ministry of Finance, Government of India.
- Shri Ratan P. Watal, IAS has been appointed as the Expenditure Secretary, Ministry of Finance, Government of India.
- Smt. Aradhana Johri, IAS has been appointed as the Secretary of the Department of Pharmaceuticals (DoP), Ministry of Chemicals and Fertilisers, Government of India.

- Smt. Usha Ananthasubramanian has been appointed as Chairman & Managing Director of Mahila Bank (India's first all – women Bank).
- Shri Harsh Kumar Bhanwala has been appointed as the Chairman, NABARD.

QUESTIONS OF CYBERQUIZ~45



1. Which website is the first syndicated comic strip site available on the Internet ?

[a] Cartoon Network; [b] Netoons.com; [c] Disney online; [d] Dilbert Zone.

2. Which was the first company co-founded by Bill Gates ?

[a] Limited Unlimited; [b] Corporate Incorporated; [c] Traf-O-Data; [d] Sterling Software.

3. *Passages from the Life of a Philosopher* is the autobiography of which legend in the field of computers ?

[a] Wilhelm Schickard; [b] Blaise Pascal; [c] Charles Babbage; [d] Gottfried Wilhem Leibniz.

4. This well-known CEO from the Silicon Valley is a strong proponent of networks and advocates networking all technologies to each other. So much so that he has even named his dog "Network" ! Who is this CEO ?

[a] Vinod Khosla; [b] Scott McNealy; [c] Steve Jobs; [d] Andy Grove.

5. Who has committed to donate 85% of his fortune to the Bill and Melinda Gates Foundation ? It is the largest charitable contribution in the history of the United States so far.

[a] Bill Gates; [b] Melinda Gates; [c] Paul Allen; [d] Warren Edward Buffers.

For Answers See Page No. 15

FDI REFORMS IN INDIA : STEPS IN THE RIGHT DIRECTION

Pravakar Sahoo*

One of the remarkable features of globalization since the 1990s has been the flow of private capital in the form of foreign direct investment (FDI), which is an important source of development finance for developing countries, and which contributes to productivity gains by providing new investment, better technology, management expertise, and export markets. Given resource constraints and lack of investment in developing countries like India, market forces and the private sector are increasingly been relied on as the engines of economic growth by increasing investment and its efficiency. Therefore, all countries, more so developing countries and least developed countries (LDCs), seek FDI. Foreign investment, especially FDI, not only supplements domestic investment but acts as a source of foreign exchange and eases pressure on the balance of payments (BoP).

Considering the economic benefits of FDI, India has adopted wide-ranging reforms since the early 1990s and more so in recent months to attract FDI to ease the pressure of rising current account deficit (CAD), depreciating rupee, stagnating investment, and the slowdown of the growth rate. Although India was selectively receptive to FDI before the 1990s, successive Indian governments realized that FDI is an important determinant of investment, economic growth, and employment, and therefore acted as 'facilatators' since the 1990s. Some of the recent reforms such as FDI in retail, insurance, civil aviation, broadcasting services, etc. are welcome steps and will have significant outcome in years to come. However, some significant issues remain, which need to be addressed to realize India's potential in attracting FDI as China, Singapore, or Brazil does.

Importance of FDI: A Macro View:

Economic growth in any country depends upon the sustained growth of productive capacity, supported by savings and investment. Foreign direct investment, which brings new technology and knowledge along with capital, is considered a good substitutes for debt in developing economies for higher investment and, thereby, growth.

In traditional Solow-type standard neoclassical growth models, FDI is considered an addition to the host economy's capital stock and facilitates the incorporation of new inputs and new varieties of intermediate goods in production. As the size of the host country's physical capital stock per capita increases, its productive capacity and per capita output growth increases too. However, with diminishing returns to capital, FDI is expected to have a short-run impact on output growth, which depends on the transitional dynamics of capital to the steady state growth path.

New or endogenous growth theories incorporate the role of knowledge or technology as an endogenous factor of production and provide for the reason of increasing returns to capital. Foreign direct investment may lead to increasing returns to production via externalities and productivity spillovers through channels such as imitation, competition, linkage, technology transfers, and training. Therefore, FDI can have substantial and sustainable growth impact on the host economy in the long run. The literature on technology transfer indentifies four main channels of technological spillovers from FDI to the host country- (1) learning by doing; (2) competition; (3) labour skills; and (4) linkage-although, in practice, it is rather difficult to distinguish between these four channels.

The direct route through which FDI contributes to growth is investment based on the 'crowding in' hypothesis. Foreign direct investment may produce investment spillovers beyond the direct increase in

capital stock through linkage among firms, and may provide new investment opportunities (forward linkages) for local firms and increase their profitability through the provision of machinery, technology, training, managerial skills, and finance. Further, it generates demand for specialised inputs (backward linkages) increasing the marginal productivity of investments in those inputs and thereby profit margins. In addition, demand for local inputs such as labour and suppliers create local demand of domestically produced goods and services. This increases domestic investment (DI) through multiplier effects (investment multiplier). Therefore, the relationship between FDI and DI is likely to be complementary.

Further, FDI helps integrate developing countries into the global economy by easing access to foreign markets and including local enterprises in global production chains. The FDI inflows to East Asia helped modernisation of the exports sector, more so the manufacturing sector, leading to growth in export competitiveness and volume by (1) augmenting domestic capital for exports; (2) helping transfer of technology and new products for exports; (3) facilitating access to new and large foreign markets; and (4) providing training for the local workforce and upgrading technical and management skills. As has been well established, exports facilitate better resource allocation, efficient management style, economies of scale, and efficiency of production and, thereby, growth.

To upgrade primary and labour-intensive exports into higher value added items, developing countries move into new, more advanced inputs and technology. Developing countries such as India can attain these objectives by improving and deeping the capabilities of domestic enterprises, or tapping into networks of transnational corporations (TNC) and conduits of trade, or by attracting FDI into export activities.

FDI Reforms in India: A Brief Summary:

Though India had been receptive to FDI since independence, until 1991 FDI policies were designed to meet domestic requirements and were ad hoc-without any consistent direction or proper institutions. The new economic policy of the early $1990_{s,}$ triggered by the 1991 BoP crisis, aimed at creating a conducive environment for foreign investors, initially by raising foreign equity caps in many sectors, diluting provisions of the Foreign Exchange Regulation Act (FERA), and allowing automatic approvals. The 1991 reforms were a 'big bang' approach intended to attract FDI to modernize India's industrial base, improve export competitiveness, and integrate the Indian economy with the rest of the world. Since reliance on external debt in the 1970_s and 1980_s was one of the major reasons for structural imbalances resulting in the 1991 crisis, FDI policy during the post-reform period emphasized attracting non-debt-creating long-term capital flows to supplement domestic resources.

During the post-reform period, a number of controls were dismantled in the areas of industrial policy, taxation, export-import policy, and foreign investment. The de-licensing of industry, de-reservation of the public sector, easing of competition controls, trade reforms, deregulation of interest rates, and opening up of capital markets were some of the reforms undertaken to encourage investment and capital formation. Furthermore, FDI policy is now reviewed on a regular basis and changes in sectoral policy or sectoral equity caps are notified through Press Notes by the Secretariat for Industrial Assistance (SIA) and the Department of Industrial Policy and Promotion (DIPP). Foreign direct investment can enter most sectors or activities under the Automatic Approval Route, except for a few sectors where there are additional restrictions on FDI such as equity caps, divestment conditions, and lock-in periods on investment. These restrictions have been imposed in view of sectoral requirements, security, and strategic concerns and in the interest of domestic investment. Industrial licensing policies and procedures have also been liberalized from time to time. The post-liberalisation period has been remarkable in many ways as it has created a much more positive environment for foreign investors. Some major FDI reforms are listed below;

- Industrial licensing has been abolished and many sectors opened for foreign participation, except for a few industries on the ground of strategic and environmental concerns. After 2000, sectors marked for automatic approval of FDI were expanded to include most

sectors, and foreign equity caps raised to 100 per cent.

- The FERA was revamped into the Foreign Exchange Management Act (FEMA) in 1999 to facilitate foreign exchange management in the capital account.
- Automatic permission for high technology agreements or technological collaboration in priority sectors and removal of conditions related to technology, such as restrictions on FDI in low technology areas.
- The Reserve Bank of India (RBI) introduced an automatic approval channel for 100 per cent foreign equity in priority sectors. The automatic route has been extended to up to 51 per cent foreign equity in priority sectors.
- Abolition of high local content requirements, dividend balancing requirements, and export obligation condition except for 22 consumer goods. The condition on 22 consumer goods were subsequently withdrawn in 2000.
- Major institution set up to promote and facilitate FDI inflows, such as Foreign Investment Promotion Board (FIPB), Foreign Investment Implementation Authority (FIAA), and SIA.
- Privatisation of public sector.
- Aggressive signing of bilateral investment and double tax avoidance agreements (currently with 69 countries) to benefit and assure foreign investors. The law on trademarks and the Geographical Indications of Goods passed in 1999 to protect intellectual property rights.
- Fiscal incentives such as tax subsidies and concessions offered by both central and state governments to foreign investment.
- Reforms at the state government level and institutions established to help implement FDI projects.

Recent FDI Reforms:

The past few years have witnessed a slowdown in investment and growth in India owing to the global financial crisis, policy paralysis, and deterioration of business environment. Consistent deficits in trade and current accounts along with weak macro fundamentals resulted in a sharp fall in the value of the rupee and business confidence. Realising the seriousness of the situation, the Government of India (GoI) has pursued aggressive policy reforms, including in FDI, to regain the confidence of both domestic and foreign investors. Some reforms such as the revision of fuel prices, allowing 51 per cent FDI in multibrand retailing, allowing international airlines to invest in domestic airlines, hiking FDI equity in broadcasting services from 49 per cent to 75 per cent, disinvestment of four public sector undertakings (PSU), etc, are nothing less than big bang reforms. Though each major policy decision is contentious, pushing through all these long-pending reforms would certainly bring back investor's confidence and growth momentum in the near future. Some major FDI reforms since September 2012 are listed below:

- Allowing 100 per cent FDI ownership in single brand retail trading and up to 51 per cent FDI in multi-brand retail trading.
- Allowing foreign airlines up to 49 per cent FDI in the capital of Indian companies in the civil aviation sector operating scheduled and non-scheduled air transport.
- Increasing FDI equity from 49 per cent to 74 per cent in certain broadcasting sectors.
- Allowing up to 49 per cent FDI in power exchanges registered under the Central Electricity Regulatory Commission (Power Market) Regulation, 2010.
- Increasing FDI limit in the insurance sector from the current 26 per cent to 49 per cent.
- Allowing 49 per cent FDI in several sectors such as petroleum and natural gas, commodity and stock exchanges, power exchanges, asset reconstruction, single brand retail, and telecommunications. Foreign investment up to 49 per cent in these industries may be made under the automatic route, which does not require approval from the RBI or the Indian government.

- Sectors such as asset reconstruction and telecommunications are eligible for 100 per cent FDI upon approval by the FIPB.
- The defence sector will also be eligible for greater FDI under the recent changes. While the standard cap for the sector remain 26 percent, according to a government press release, the Cabinet Committee on Security will be allowed to approve defence projects for up to 100 percent FDI if the projects 'are likely to result in access to modern and state of the art technology'.
- Further increases in the pension sector have been proposed and await parliamentary approval.

Implications of FDI Reforms:

The comprehensive reform of FDI policy since 1991 has resulted in a substantial increase in FDI inflows into India-from less than US $1 billion in 1991 to US $42 billion in 2008 but slowed down after Global Financial Crisis reaching US $27 billion in 2012. The per capita FDI stock also rose dramatically from less than US $1 per person in 1991 to US $ 188 in 2010. Although presently ranked Third, India was ranked the second-most desirable FDI destination for many years. Further, actual FDI inflows as a percentage of the approvals, which used to be negligible before 1991, have become substantial during the post-reform period, particularly since 2000. The number of source countries of FDI has increased from 29 in 1991 to 130 in 2012, which shows the enhanced interest of foreign investors in the Indian economy.

The recent FDI reforms will have implications in future. The clearance of 51 per cent FDI in multi-brand retailing in September 2012, which was approved by the Cabinet in November 2011 after two years of deliberation but suspended due to the ensuing political furore, is a big step and will change the way business is conducted in India. There are many economic advantages, particularly for consumers and producers. The scale economies and assured supply chains of organized multibrand retailing would offer better varieties of products at lower and stable prices to consumers. Further, big retailers would buy products directly from farmers and producers, cutting middleman, and making way for better price realization since competition would increase manyfold offering alternative opportunities to producers. The provision of 50 per cent FDI fund going to back-end infrastructure such as storage, logistics and better extension services would substantially reduce wastage and trade and transcation costs. All these would go a long way in reducing volatility in supply and thereby prices, particularly for perishables. The provision of 30 per cent sourcing from SMEs in India would help them to expand capacity, improve quality, and be exposed to international supply chains. Another reform measure announced in 2012 is allowing foreign airlines to invest up to 49 per cent in the civil aviation sector. FDI would be very useful in the civil aviation sector which is short of capital and on the verge of collapse. An early clearance of 49 per cent FDI in the insurance sector will assure international investors that India is committed to reforms to attract investment. The potential for FDI inflow to the insurance sector (unlike other sectors) is huge as it is free from common difficulties such as land acquisition and environmental clearances and many layers of other clearance from both Centre and state. Over the years, the participation of private and foreign companies (with 26 per cent limit) has improved the insurance penetration (ratio of premium underwritten in a given year to GDP) remains low-4.1 per cent for both life and non-life insurance together. India is ranked 52 worldwide for non-life insurance; penetration in 2011-12 was 0.7 per cent (but 2.8 per cent worldwide). However, life insurance penetration is 3.4 per cent (but 2.8 per cent worldwide, 12.5 per cent in the UK, 10.5 per cent for Japan, 10.3 per cent for Korea and 9.2 per cent for the US). Another indicator that shows that the insurance density (per capita premium): the per capita premium in India is $49 for life insurance but $99 and $64 for China, respectively. In 2012, the IRDA estimates that insurance companies require Rs. 61,200 crore to deliver innovative insurance products, better distribution networks and risk management. The increased FDI cap can finance this requirement and will bring better insurance products, technological capabilities, awareness efforts, and expertise and skills in underwriting, actuarial, claims management and data standardization to India.

Challenges and unfinished agenda:

Though FDI inflows to India have increased over last two decades, India still lags behind countries like China, Singapore, or Brazil. FDI inflows to India are still concentrated in a few sectors and a few states because of unresolved issues and India is yet to receive FDI inflows to its full potential. With all the advantages India has, there are still factors and issues that hinder FDI flow into India, including:

- Infrastructure bottlenecks,
- Rigid and complicated labour laws,
- Lack of coordination between the centre and states,
- FDI caps/ceiling in many sectors where 100 per cent FDI equity is not allowed for feasible investment projects, and
- Difficult bureaucratic controls and procedures to get the necessary cleareances and approvals. First time investors in India are always skeptical about whether projects will progress from screening to operation.

In this backdrop, a few reforms that are essential to sustain and increase FDI into India include the following. Relaxation of ceiling for foreign equity in many sectors such as civilian goods used by defence forces or dual use equipment used in the production of civilian goods, public sector refineries and oil marketing, banking, small-scale industry, power generation etc. Similarly, the equity limit for FDI should be raised to 100 per cent from 49 per cent for investment companies for infrastructure. India could attract a huge amount of FDI in real estate, provided the plethora of controls was removed and rules and regulations were properly designed, and clear. Any early decision on allowing 51 per cent FDI in e-commerce would be useful. The Government at present permits 100 per cent FDI in only business-to-business (B2B) e-commerce transactions in goods. Putting more and more sectors under automatic route is certainly useful for more FDI realization.

The establishment and strengthening of the FDI institutions such as Foreign Investment Promotion Board (FIPB), Secretariat of Industrial Assistance (SIA) and Foreign investment Implementation Authority (FIIA) to facilitate FDI moving beyond approval to implementation has certainly helped. However, the next level of reforms and policies need to address these issues and set up appropriate institutions. Some of the necessary reforms are:

- a better environment for infrastructure development with an appropriate institutional framework such as a dispute resolution mechanism, independent regulatory authority, and special investment law;
- a uniform Labour Code after an independent review and proper consultation with stakeholders;
- proper design and planning of SEZs, including local level solution for land acquisition and sector-specific policies with incentives to attract FDI into SEZs;
- proper infrastructure connectivity to SEZs and allowing the private sector to provide infrastructure services to SEZs;
- increasing FDI caps in sectors with FDI potential and allowing more sectors under the automatic route;
- revisiting outdated laws, controls, regulatory systems, and government monopolies affecting the investment environment;
- encouraging non-governmental facilitation services for foreign investors; and
- further trade reforms and reforms in public services to attract foreign investment.

Overall, India needs to address its lack of adequate infrastructure, rigid labour laws, bureaucratic delays, and state level reforms to realize its FDI potential.

Endnote

On the other hand, crowding out of DI might occur in several ways. Domestic firms may not be as competitive foreign investors since foreign companies may be more efficient or may form oligopolies and sell at cheaper prices than domestic firms.

Before 2000, FDI statistics were understated because they included only equity capital, whereas the definition of the International Monetary Fund includes equity capital, reinvested earnings and other direct investment capital (intra-company loans and debt transactions). Since 2000, FDI statistics in India have been revised to address the understatement and follow international best practice.

The policy comes with a few riders keeping in mind the interests of 'mom-n-pop' (Kirana Store), improving supply chains and getting Indian SMEs adopt to the latest technologies. The riders are that FDI in multibrand retail is to be allowed in 51 cities with population of more than one million; 30 per cent of total procurement is to be made from Indian SMEs; investment of 50 per cent of total FDI fund in back-end infrastructure; and veto power is to be given to states to allow foreign multi-brand retailers.

However, there is no free lunch and FDI supported by big retailing will affect impact on Kirana shops, as they lack the financial muscle to stand up to the challenge in terms of variety, quality, packaging, offers etc. it is most likely that unorganized retailing would have comparatively slow growth. However, with proper financial support, unorganized small retailers may evolve over time adding more to product varieties carry out their store renovations, and innovative customer catering such as home delivery and credit sales to survive in the market. In fact, it would make them competitive.

**** The author is Associate Professor,***
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Your hand opens and closes, opens and closes. If it were always a fist or always stretched open, you would be paralysed. Your deepest presence is in every small contracting and expanding, the two as beautifully balanced and coordinated as bird's wings.

Jalaluddin Rumi.

PROFILE OF MEMBER CORPORATIONS

Tamilnadu Industrial Development Corporation Ltd. {TIDCO}

Shri Hans Raj Verma, IAS, joined TamilNadu Industrial Development Corporation Ltd. {TIDCO} as Chairman & Managing Director in November, 2012. Some of his assignments since he joined Service have been Commissioner, Geology & Mining; Chairman, TamilNadu Mktg. Corp.; Chairman, State Electricity Board; Spl. Secretary, Planning & Dev. Deptt.; Principle Secretary, Labour Deptt. Chennai; CMD, Small Industries Dev. Corp. Ltd., TamilNadu. TIDCO is scaling new heights of achievements under able stewardship of Shri Hans Raj Verma.

Introduction

TamilNadu Industrial Development Corporation Ltd. {TIDCO}, a Government of Tamil Nadu Enterprise, was incorporated as a Limited Company in the year 1965; in order to identify and promote the establishment of large and medium scale industries within the State of Tamil Nadu in association with the private sector. The company's authorized share capital is Rs.1250 million of which Rs.720 million has been issued and has been entirely subscribed by the Government of Tamil Nadu. The Government of Tamil Nadu has also extended loan assistance aggregating of about Rs.2368.71 million as at March, 31st 2011 to the company. TIDCO is also registered with the Reserve Bank of India as Non-Banking Financial Company. TIDCO stopped fresh/ renewal of deposits with effect from 15.02.2007. The Public deposits outstanding as on 31.03.2011 is at Rs.0.43 crores TIDCO has been specified as Public Financial Institution within the meaning of Section 4A of the Companies Act, 1956.

TIDCO assists promoters in exploring opportunities, project evaluation, obtaining statutory clearances, land procurement, sourcing of technology, securing financial tie-ups and in positioning utilities sources like power, water, etc.

TIDCO has promoted several joint ventures for manufacturing products such as wrist watches, auto parts/components and metal halide lamps and products in sectors such as textiles, chemicals, petrochemicals, fertilizers and Pharmaceuticals. It has also ventured into Agra, information technology, bio-technology sectors and SEZs.

Shri Hans Raj Verma, IAS
C.M.D., TIDCO

TIDCO's MISSION : Partnership for Industrial / Infrastructure development. Interfacing high technology & growth. Business excellence.

TIDCO's VISION: To support the Govt's drive to make Tamil Nadu the Number One State in India.

INFRASTRUCURE

- Modern ports (with container handling facilities) and airports with direct links to Europe and East asia.
- Tamilnadu has 3 major Ports: Chennai Ennore and Tuticorin with twin port advantage at Chennai and Ennore apart from 14 minor Ports.
- 270 passenger flight and 28 cargo flights per week at ChennaiAirport-The Largest in SouthIndia.
- A total road network of 150,000 kms.
- The only Power surplus state in India.
- World-class health care facilities-Chennai is the health care capital of India
- Availability of World-class bandwidth connectivity and telecom infrastructure for high speed large volume data transfer.
- well-developed network of industrial parks offering plug and play infrastructural facilities.

JOINT VENTURES

Titan Industries Ltd

Titan Industries Limited (TIL) was promoted as a Joint Sector Company to manufacture watches during 1985 in association with Questar Investments Limited, one of the TATA Group companies. TIL commenced commercial production in the month of March 1987. TIDCO's holding in the paid up capital of this company is 27.88%. TIL clocked its best ever performance in the year ended

31-3-2006 with a sales turnover of Rs. 1481 Crores (growth of 30% over the previous year) nearly three fold increase in profit after taxes of Rs. 73.62 Crores (an increase of 195%). The Watch Division (Titan Brand and Sonata Brand) was able to achieve a sales turnover of Rs. 655 Crores; Jewellery Division (Tanishq) Rs. 791 Crores and other products Rs. 35 Crores. TIL continues to declare dividend on its equity shares since from the year of commercial production.

TIDEL Park Ltd.

- A State-of-the-art Information Technology Park promoted by TIDEL Park Ltd., a Joint Venture of TIDCO and ELCOT with capital outlay of Rs.292 Crores. M/s TIDEL Park Ltd, was inaugurated on 4th July 2000.It is the first IT Park in Tamilnadu located in the heart of the city at Taramani on the six-lane " IT - Express Way" and connected by Metro rail.
- 1.28 million sq.ft. of quality business space for IT/ITES companies.
- Employment potential: 12000 software professionals and 2000 service providers (approx.).
- Located at 32 Major IT/ITES companies and support services like ATM,Food Court, Post office, FOREX, Insurance Bookshop, Medical&Fitness Centers @ TIDEL PARK LTD, Taramani, Chennai.
- Maintaining 100% occupancy since 2001. Declaring Dividend continuously from the year 2002-2003 onwards.

MAHINDRA WORLD CITY

Mahindra World City Developers Limited (MWCDL), an associate sector company of Tamilnadu Industrial Development Corporation Limited (TIDCO) has developed a World Class industrial complex at an estimated project cost of about Rs. 350 crores. TIDCO invested Rs.2.2 crores in this project being 11% of the equity capital of the company. The project area covers about 1500 acres, which includes 3 product specific Special Economic Zones (SEZ) such as IT, Auto and Apparel. Apart from SEZ area the project area also contains non-–SEZ areas, residential and social infrastructure. The park's World Class facilities have attracted investments from leading Multinational and Indian companies such as Infosys Technologies, BMW, B Braun, Nera Electronics, TTK Group, TVS Group, etc. In Mahindra World City some of the companies have started functioning and some other companies are in commissioning stage.

About 325 acres of land is being developed by the company for residential, business support & social amenities.Over 5000 families expected to live at Mahindra World City with Multiple format housing options and supporting lifestyle amenities- School, Medical Centre, Hotel, Recreation center, Shopping Mall etc.Mahindra World City is the first operational Greenfield SEZ in the country.

Employment Generated/Potenital :

- Employment Generated - Direct - 23,000 persons Indirect - 40,000 Persons
- Employment Potential - Direct - 1,00,000 persons Indirect - 1,50,000 Persons

Tamilnadu Petroproducts Limited

Tamilnadu Petroproducts Limited (TPL) was formed in association with SPIC in Joint Sector after executing promoters agreement between SPIC and TIDCO on 6.1.84. TPL is in the manufacture and marketing of Petrochemicals and Chemical intermediates such as Linear Alkyl Benzene (LAB). Epichlorohydrin (ECH), Caustic Soda and Chlorine. These products cater to the needs of the industries as basic chemicals and also serve as intermediates for manufacture of several household materials. Chlorine, a co-product of caustic soda, finds variety of applications as a bleaching and chlorinating agent.

LAB continues to be the major raw material for manufacture of synthetic detergents and other cleaning products. In India, LAB is primarily used for manufacture of synthetic detergent cakes and powders used in household sector after conversion to LAB Sulfonate (LAS). TPL continues to enjoy dominant position in the South India LAB market. TPL also continues to be the preferred supplier of LAB to international detergent manufacturers like Unilever, P&G and Henkel.

TPL continues to be the sole producer of Epichlorohydrin (ECH) in India. ECH is used in the production of synthetic materials including Epoxy Resins, Wet-strength resins for the Paper industry, Water Treatment resins and Elastomers.

- **Project cost : Rs.292.65 crores.**
- **Project commissioned : April 2008.**
- **Employment Generated : 700 Persons.**

TAMILNADU ROAD DEVELOPMENT COMPANY LIMITED (TNRDC)

Tamilnadu Industrial Development Corporation Limited (TIDCO) and Infrastructure Leasing and Financial Services Limited (IL & FS) has jointly promoted a company styled Tamilnadu Road Development Company Limited as a Public – Private Partnership (PPP) Company. TNRDC has been formed to develop, finance, build, operate, maintain and manage highway systems, design and engineering for integrated toll road management of highways. Tamil Nadu Road Development Company, is the Concessionaire for East Coast Road Project (ECR) and Managing Associate for i) Outer Ring Road Project of Chennai by Government of Tamil Nadu, ii) Guindy Industrial Estate Infrastructure Upgradation Company, SPV of SIDCO iii) NHAI Projects. In addition, TNRDC has created a Special Purpose Vehicle, viz. IT Expressway Ltd. for improvement and Maintenance of Rajiv Gandhi Salai (IT Corridor) from Madhya Kailash to Mahabalipuram in two Phases.

UPCOMING PROJECTS :

Nanguneri – SEZ; Pearl City Food Port – SEZ; Ennore – SEZ; Hosur – SEZ; Perambalur – SEZ; Rakindo – SEZ; IT & ITES SEZ – TIDEL-II; IT & ITES SEZ – TIDEL-III; TIDEL Park coimbatore Ltd.; Iron Ore Project; Winery Project; Marine Biotechnology Park; Vishnu Fabrics; Bio - Pharmaceuticals SEZ; Cashew At Cuddalore AEZ; LNG - Import Terminal Project; Petroleum Refinery Project By NOCL

Tamil Nadu Industrial Guidance & Export Promotion Bureau

In January 1992, Government of Tamil Nadu constituted Guidance Bureau with the objective of attracting major investment proposals into Tamil Nadu. Since inception, during the period 1992 – April 2001, Guidance Bureau successfully attracted 48 major investment proposals with an aggregate investment of Rs.10,070.96 crores. Encouraged by the success of Guidance, many other State Governments subsequently constituted similar specialized agencies for promoting investments.

The Guidance Bureau Services to attract industrial projects and promote investments in Tamil Nadu; provide comprehensive information to support investors about federal and State Government policies, infrastructure support, taxation, investment opportunities etc. and also to provide Export guidance to potential exporters and disseminate details of export enquiries for different products.

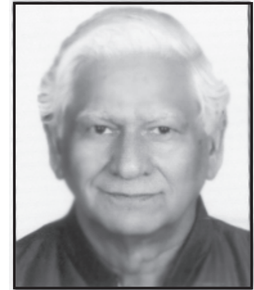
If the mind becomes balanced and detached, and comes to dwell in its own true home, imbued with reverence for the Divine, then it enjoys the essence of supreme spiritual wisdom; it shall never feel hunger again.

Sri Guru Granth Sahib.

LETTER TO THE EDITOR

Dt.: 18th December, 2013

Dear Editor,


Shri Sudarshan Sareen

It gives me immense pleasure to note that your Council has been regularly publishing a bi-monthly Journal titled ~ "*COSIDICI COURIER*". I have gone through its previous issues and find the information published therein to be very useful. This information, I'm sure, is a very useful tool for development of both the entrepreneurs and the MSME sector. I, therefore, heartily congratulate the Council, not only for delivering such a pragmatic and valuable magazine, but also the team for their dedicated work.

With kind regards,

Sincerely,

Sd/-

(SUDARSHAN SAREEN)
Ex-Chairman, DSIIDC &
National President
All India Confederation of Small
Small & Micro Inds. Association
New Delhi

ANSWERS OF CYBERQUIZ~45

1[d] ***Dilbert Zone :*** Created by Scott Adams, Dilbert cartoon strip is syndicated in 1900 newspapers and other periodicals in 56 countries.

2[c] ***Traf-O-Data :*** The other co-founders of the company were Paul Allen, and Paul Gilbert. The company developed hardware and software to count traffic data.

3.[c] ***Charles Babbage :*** Charles Babbage was a nineteenth century English mathematician, philosopher, mechanical engineer and computer scientist. He was the first to put forward the idea of a programmable computer.

4.[b] ***Scott McNealy :*** Scott McNealy was the CEO of Sun Microsystems from 1984 to 2006. He is one among very few to enjoy a term for more than two-decades.

5.[d] ***Warren Edward Buffett :*** Warren Buffett, rated as the second wealthiest man after Bill Gates, is a legendary American investor, businessman and philanthropist.

MEMBER CORPORAPTIONS THEIR ACTIVITIES

KFC

Kerala Financial Corporation kick started its Diamond Jubilee Celebrations with a year-long programme starting from December 2013. The series of programmes will include work-shops, entrepreneur meets, academic discourses, launch of new schemes, welfare programmes, Corporate Social Responsibility initiatives etc. all aimed at strengthening KFCs commitment to the industrial development of Kerala and the nurturing of entrepreneurial culture in the State.

The inauguration of the Diamond Jubilee Celebrations was held at Kanakakkunnu Palace, Thiruvananthapuram on 05.12.2013. Hon'ble Governor of Kerala, Shri.Nikhil Kumar was the Chief Guest and Hon'ble Minister for Finance and Law, Government of Kerala, Shri.K.M.Mani had presided over the function. KFC organized a day's workshop on the theme 'Innovation led and Technology-Intensive Entrepreneurship—the Way Ahead for Kerala' on 03 December 13 at, Trivandrum and on 22-1-14 at Taj Hotel, Kozhikode.

KFC has 16 Branch Offices with its Head Quarters at Thiruvananthapuram and Zonal Offices at Kozhikode, Ernakulam and Thiruvananthapuram. The main objective of KFC is the rapid industrialization of the state by extending financial assistance to Micro, Small and Medium Enterprises in manufacturing and service sector. Since inception KFC has assisted more than 45,000 projects, spread over the length and breadth of the State.

The Corporation is one of the best State Financial Corporations in the country with a competent tech savvy team of professionals at the core of services. All along, its constant endeavour has been to bring a sharper focus on the requirements of its customers and to provide the highest levels of service. The Corporation provides term loans, Working Capital finance and Short Term Finance apart from schemes focused at the weaker sections of the society. Modernisation schemes for MSMEs, Special schemes for Resorts, Hospitals, TV Serial Production etc are some of the innovative schemes introduced to suit changing customer requirements.

KFC added another feather to its cap when it became the only State Financial Corporation in the country to get Reserve Bank of India (RBI) permission to raise deposits in recent years. The Corporation also recorded its highest profit during

the last Financial Year and distributed the highest dividend among any Public Sector Undertaking (PSU) in Kerala.

The remarkable and rather dramatic improvement in the performance of KFC is attributed to its improved financial management which includes introduction of highly objective and scientific appraisal methods for loans, non-discriminatory and pragmatic policies for settlement of stressed loan accounts, introduction of credit rating continuum to promote principles of good governance among borrowers and a system based approach to all issues rather than individual based approach. KFC charges the lowest rate of interest in the market.

KFC has also come out with innovative schemes to finance film making and theatre renovation to encourage investment in areas where the State of Kerala has conventionally been strong, the entertainment industry being one such area.

Considering the growing demand from MSME sector, a new scheme has been devised to provide financial assistance upto 90% of the project cost for modernisation or expansion of existing tourist resorts, hotels, hospitals and manufacturing units at attractive interest rates. KFC has also lived up to its corporate responsibility by offering soft loans on easy terms to energy saving projects, for installation of waste treatment plants, for installation of quality food testing laboratories, etc.

The Kerala State Entrepreneur Development Mission (KSEDM) announced by Government of Kerala has brought about a paradigm shift in the attitude of people towards entrepreneurship and to reduce unemployment of the educated youth of the State. The KFC is chosen as the nodal agency for implementing the scheme. Under the scheme, interest free financial assistance up to Rs.20 lakh with a repayment period of five years including one year moratorium is provided after selecting persons with aptitude, training them meticulously and providing necessary hand holding support. The effort of KFC is bringing about a silent revolution in promoting entrepreneurship. More than 300 units

by first generation entrepreneurs have already started commercial operations and more than 700 units are in various stages of establishment and have given a new direction to the youth under the scheme. The large numbers of startups thus incubated by KFC will bring a multiplier effect on the economy of Kerala.

J&K SFC

J&K SFC Generates Profits

The Government of Jammu & Kashmir has been focusing on creation of job opportunities for the educated unemployed youth of the State in all the sectors of its economy. As one of the many measures taken in this direction, the State Government resolved to revive the J&K State Financial Corporation which earlier, used to play a very important role in promoting industry, tourism and transport related ventures all through its glorious past but was in the last throes in the year 2009 when Jenab Abdul Rahim Rather took over as the Chairman of J&K SFC. With a negative net worth of Rs. 104.58crore and a huge unsettled & unpaid liability of about Rs. 180.40crore, the task of its revival was truly formidable. He stressed upon the need of strengthening all the financing institutions operating in the State as an imperative requirement for the speedy growth of its economy. The task of turning around J&K SFC was therefore started so that it could once again discharge its proactive role in the development of MSME Sector, exploitation of the rich natural resources of the State and thereby creation of sizeable employment opportunities for the youth. A sub-committee of the Board of Directors of J&K SFC was constituted to prepare a comprehensive plan for its revival which submitted its proposal promptly. The Corporation was put on a well conceived, well defined and comprehensive path to its revival duly supported by the liberal financial assistance released by the Government from time to time.

Due to the ceaseless efforts of the Board and the Management of the Corporation and the financial backing of the State Government the Corporation is back on its rails. During the last four years period, the Corporation has cleared all its outstanding liabilities with SIDBI and IDBI on a negotiated settlement basis, liquidated almost all its old liabilities to other institutions, cleared the huge backlog of audit of its annual accounts/ balance sheets, got rid of most of its chronic non-performing assets (NPAs), re-started sanctioning and disbursement of loans to MSME, Tourism, Transport and other sectors at an encouraging scale and turned its net worth into a positive figure of Rs 3.67crore as on 31.03.2013.

The highlights of the achievements made by J&K SFC during the last four years are summarized as follows:

- It has now re-started generating net profits after a very long gap of about 15 years.
- After a gap of 9 years, it has updated the matter of preparing its Audited Balance Sheets and the Profit & Loss Accounts and presenting them to the shareholders.
- It has cleared a 7 years back log of audited accounts.
- Its sanctioning and disbursement of term loans has increased by three times.
- It has managed recoveries from its decades old sticky debts to the extent of Rs. 79crore.
- It has settled liabilities of Rs.173crore against total liability of Rs. 181crore which had been in default from year 2006-07.

The Corporation has reduced its NPA portfolio from Rs. 105.40crore to Rs. 66.23crore through its consistent recovery drives supported by 'One Time Settlement Scheme' brought in the year 2010 and various other measures.

Fresh loaning coupled with very close monitoring of the recoveries against the new loans has improved its standard portfolio from Rs. 11.65crore to Rs. 32.55crore during the last four years.

During the financial year 2012-13, the Corporation sanctioned loans of Rs. 18.80crore and disbursed loans of Rs.15.23crore. These figures are lower than the corresponding figures for the previous financial year. However, the Corporation was able to generate gross income of Rs. 16.86crore as against the income of Rs.13.27crore earned during the previous financial year. After continuously suffering huge losses during the previous 15 years, the Corporation started generating profits again from the year 2011-12 when it registered a net profit of Rs. 4.38crore. In comparison, the Corporation posted only a nominal net profit during the year under report. This nominal profit is to be viewed against the fact that the Corporation had to pay an amount of Rs.18.43crore to the Airports Authority of India on account of the bond liabilities inclusive

of the interest amount of Rs. 8.03crore which had accumulated over the previous three years, in compliance of a court direction after the protracted correspondence with the litigant AAI for a negotiated mode of payment failed to yield any results.

In addition to the restructuring of the Corporation on the professional lines, efforts have been persistently directed towards its financial restructuring and strengthening of its capital base. For this purpose, a three pronged strategy was pursued in the following manner:-

Firstly, the Corporation introduced a One Time Settlement Scheme called OTSS-10 coupled with a modified mandate to the Default Review Committee (DRC) to provide an exit route to such funded units as could not be revived; and at the same time facilitating viable units to settle their loan liabilities in one go and start their operations afresh with a clean slate. An effective recovery drive was simultaneously launched for recovery of decades old debts. The record recovery of Rs. 79.00crore during the span of the last four years gave the initial fund support to help the Corporation in carrying forward its main business of lending.

Secondly, the State Government provided a substantial fund support of Rs.72.80crore which helped the Corporation in clearing the institutional liabilities.

Thirdly, the Corporation has sought fund support of Rs.137crore from the Planning Commission of India in accordance with the recommendations of the Prime Minister's Task Force on Ministry of MSME concerning creation of job opportunities for J&K Youth.

Due to the persistent efforts of J&K SFC a high level team of SIDBI officers headed by its CMD visit Kashmir in October 2013. The Corporation's impressive efforts of revival and achievements as well as the support of the State Government, have resulted in SIDBI agreeing to restore its refinance facility. The stipulations contained in the SIDBI's communication are being examined in consultation with them and J&K SFC is hopeful that its credit line shall become operational during the next financial year. It will mark the beginning of a new journey of the Corporation on the path of progress.

The Corporation has also taken a new initiative to forge a tie up of extending concessional credit under the refinance scheme of the National Minorities Finance & Development Corporation for meeting very substantial credit requirements of the weaker sections of the State.

The acid test of adequacy of credit flow to various sectors of the economy is reflected in the CD Ratio of the financing institutions. Despite a significant increase in the CD Ratio during the last few years, it is still much behind the benchmark of 60% set for Jammu & Kashmir. The entry of J&K SFC on the lending scene will go a long way to support these efforts in a significant manner and improve credit flow to the MSME Sector as well as the other sectors of the economy.

UPSIDC approves sanction of Rs 50 crore to metro

Infrastructure and Industrial Development Commissioner, Shri Alok Ranjan at the UPSIDC Board meeting in December, 2013 has approved sanction of Rs.50 crore towards metro-rail project in city. He said that after approval from the government, Rs.10 crore can be invested every year. He also gave instructions to sign MOUs for Tehri hydroelectric Development Corporation, Bharat Electronics Limited and setting up of ancillary unit of Rail Coach Factory in Rae Bareli district. It was also decided to allot 5 acre land free of cost in the plastic city of Auraiya district to develop Central Institute of Plastic Engineering and Technology into a technological institute.

Govt. orders package to revive Uttar Pradesh Financial Corporation

The Uttar Pradesh government in November, 2013 ordered the revival of the Uttar Pradesh Financial Corporation (UPFC). The revival package, which includes an immediate cash infusion of Rs 275 crore towards settlement of subsidy dues, also precedes grants of Rs 425 crore over four to five years to the statutory body for giving out loans to small-scale industries in UP. The final sanction for the revival of the corporation will be done by the state cabinet once the final proposal is readied and presented to it. The government has also approved its nod to the sale of the corporation's non-performing assets - buildings located in Faizabad and Moradabad, while also ordering the purchase of UPFC's Ghaziabad property from the Ghaziabad Development Authority.

DO YOU KNOW !

USES OF PEPPERMINT OIL

Alertness : Use oil of peppermint to wake up your senses first thing in the morning, or during the mid-day slump by using it aromatically or topically.

Antioxidant : Great for immunity, you can use it aromatically, topically or probably best yet, find empty capsules, add one drop of peppermint and create your own peppermint oil capsules. Or add a drop to a large glass of water.

Bacterial Infections : May help fight off infections when applied over the infection. Be sure you know your own skin sensitivity before apply to already sensitive skin.

Brain Injury : Because of the links oil of peppermint has shown to the nervous system, it's also thought to be helpful with brain injuries when diffused or used topically.

Chronic Fatigue : Peppermint is uplifting and invigorating and will aid in increasing energy levels and alertness. Diffuse through the room or apply to the skin.

Congestion : It's incredible at clearing the sinuses and breaking up phlegm. Inhaling from the bottle, diffusing through the room, using topically or even gargling in warm salty water for sinus drainage causing congestion in the throat.

Cooling to the body : Rub a small drop or dilute it in oil, or even a small spritz bottle to cool the body down during hot weather. Avoid close proximity with the eyes though!

Fainting : Peppermint may help revive anyone who has fainted with its strong (even eye-watering) aroma. Just hold the bottle under your nose and you'll see why.

Gastritis : Peppermint oil uses are best known for their soothing the digestive tracts and can be used topically and internally for gastritis.

Headaches : Peppermint oil seems to increase blood flow by dilating blood vessels. use just a tiny dab over the source of the pain, being careful to avoid the eyes, or use aromatically through the room with a diffuser.

Hypothyroidism : According to Modern Essentials, you can use peppermint topically or aromatically to support a healthy thyroid function.

Indigestion : Soothe the digestive system by taking oil of peppermint internally, massaging into reflex points and over abdomen in a clockwise direction or diffusing in the air.

Itching : Peppermint oil uses include soothing itching skin. I'd recommend diluting it in a small amount of coconut oil and gently massaging it into the affected areas.

Migraines : Massaging a small amount over the areas of pain can increase blood flow and relieve pain with its analgesic properties. You can also diffuse it through the room if the aroma is too strong otherwise.

Nausea : Use in the same manner described above for motion sickness.

Throat Infection

You can diffuse, but the most potent peppermint oil uses include massaging a drop into the throat and chest, gargling with warm salt water and adding a drop to each glass of water throughout the day.

Typhoid

Diffuse aromatically, use in homemade cleaning solutions, massage it into feet and consume in water or peppermint oil capsules to fight infection.

The world will be balanced when we are balanced.

Tarthang Tulku.

SMEs generate cheap power, and cleanly too

Small and medium enterprises (SMEs) in the food processing and paper manufacturing industries in Haryana have access to a round-the-clock supply of power. This power is available to them at a price that is cheaper than the state's power tariff, and it has a zero carbon footprint - these SMEs generate steam and power for captive consumption, using agri waste that is available in the vicinity of their factories.

Pradeep Saini, managing director of Sainsons Paper Industries Ltd (SPIL), located near Pehowa in Kurukshetra district, added a 1 Mw cogeneration power plant in 2012-13 to the company's existing 3 Mw plant. He is installing new boilers that will run on bird and animal litter, and these are slated to be commissioned in March 2014. *"We use the 4 Mw power generated for captive use. It costs about Rs 3.50 per unit, compared to Rs 7.25 per unit of power purchased from the state power utilities,"* Shri Saini said. The example set by the small players is in contrast to that of the big companies that had been awarded biomass-based power project by HAREDA (Haryana Renewable Energy Development Authority). In the past few years many of them have shelved their plans. As a result, while Haryana had envisioned the addition of 500 Mw of renewable power generation capacity by the year 2012, it has commissioned projects totalling only 200 Mw so far. Challenges like regulatory uncertainty, logistics of adequate fuel supply and a competitive tariff in the state led to some projects being deferred, and the escalation in land prices in the past five years was the final blow that upset the companies' plans.

Unicap Venture floats Rs.200 crore MSME fund

Unicap Venture Fund, a unit of mid-market financial advisory firm Unicap Advisory, has floated a fund with a corpus of Rs 200 crore for making investments in small and micro enterprises. The fund, which is in resource raising mode, will be sector-agnostic fund focused on asset-light micro and small companies. The sectors it would look at includes infotech, information technology-enabled services (ITeS), logistics, ancillaries, service-oriented companies, media-related companies, import/export enterprises. The fund does not have a mandate to invest in real estate and would follow

regulatory norms prescribed by the Securities and Exchange Board of India (Sebi).

Manufacturing MSMEs improve their returns

CRISIL has analysed the profitability trends of 9,200 micro, small, and medium enterprises (MSMEs) in the manufacturing, service, and trading sectors from 2009-10 to 2011-12 (refers to financial year, April 1 to March 31).The analysis reveals that MSMEs in the manufacturing sector were better able to prevent erosion of their return on equity (RoE) as compared to their counterparts in the service and trading sectors.

The RoE (profit after tax divided by tangible net worth) in the manufacturing sector improved from 16.96 per cent in 2009-10 to 17.86per cent in 2010-11 and was able to hold on at 17.63 per cent in 2011-12. In comparison, RoE in the services sector deteriorated continuously from 18.77 per cent in 2009-10 to 15.30 per cent in 2011-12. RoE in the trading sector showed some improvement by increasing to 22.88 per cent in 2010-11 from 21.18 per cent in 2009-10, but declined eventually to 19.72 per cent in 2011-12.

ACMA, UNIDO float cluster programmes to boost SMEs

Amid the slowdown, the Automotive Component Manufacturers' Association (ACMA) has joined hands with the United Nations Industrial Development Organisation (UNIDO) to develop small-scale auto cluster programmes across the country. The association expects to end the current fiscal with near-flat growth or marginal degrowth. It also moved the government with a memorandum for excise duty sops and scrapping of old vehicles.

Incremental credit to mid-sized units to qualify as priority sector

RBI has included incremental credit, including export credit, extended to the medium enterprises by the scheduled commercial banks (excluding RRBs) over the outstanding credit as eligible priority sector lending as on November 13, 2013. The facility will be available up to March 31, 2014 and will be within the overall target of 40% priority sector lending norm.

SIDBI given Rs.5,000 crore to refinance receivables of MSEs

RBI will provide refinance of R5,000 crore to the Small Industries Development Bank of India (SIDBI) for direct liquidity support for finance receivables to micro and small industries (MSEs), by SIDBI or selected intermediaries like banks, NBFCs and state finance corporations. The refinance will be available against receivables, including export receivables, outstanding as on November 14, 2013 onwards. The facility will be available at the 14-day term repo rate for 90 days. During this 90-day period, the amount can be flexibly drawn and repaid. At the end of the 90-day period, the drawal can also be rolled over. The refinance facility will be available upto November 13, 2014.

Small units left IN THE LURCH

A high rate of bad loans has remained a major deterrent to granting banking credit to micro and small enterprises (MSEs). Though non-performing assets (NPAs) as a percentage of outstanding debt to the sector have been coming down in the last two years, NPAs of about Rs.31,000 crore is still pretty high. However, this is peanuts compared to the massive debt restructuring being done for large enterprises by the banking system (at Rs.3.25 lakh crore in June 2013, and still counting).

A disturbing trend is that banks found only 5.1% of sick MSE units as potentially viable in March 2013, compared to 12.1% in March 2012. Furthermore, banks placed only 36% of viable units under nursing in March 2013 against 64.4% a year before. As a percentage of sick units, the number of units puts under nursing came down from 7.8% in March 2012 to 1.8% a year later. This shows the number of sick MSEs found viable and those put under nursing were insignificant. This is in sharp contrast to the bank attitude towards corporates, the loan portfolios of which are routinely rescheduled. A recent report of the 'inter ministerial committee for accelerating manufacturing in the MSME sector' has noted that the number of sick MSEs has gone up from 85,591 in March 2012 to a surprisingly high 2,49,903 in March 2013. The committee, headed by MSME Secretary Shri Madhav Lal, has lamented that the Sarfaesi Act (The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002) has no clauses specifically for MSME borrowers and there are also no other remedial mechanisms for MSMEs under any other law, unlike for the corporates. This tends to prevent the revival of sick but potentially viable MSME borrowers. The committee suggested that the Sarfaesi Act may be re-examined for 'deferring the commencement of recovery proceedings against the sick MSE borrowers so that these small borrowers get more time to revive their business.'

A major complaint of industry associations to the committee was that the highly punitive, colonial-era personal insolvency laws created a strong disincentive to take reasonable business risks by entrepreneurs. This also kept SMEs small, risk-averse and starved of commercial credit. Another issue was that if an SME is declared sick, even if its commercial creditors wish to restructure loans, 'the rehabilitation process is often undermined by the uncoordinated exercise by state and central institutions of statutory claims.' This results in loss of value and potential harm to multiple stakeholders.

As there is no mandatory stay of enforcement and no single institution coordinating the various claimants, even while the loan restructuring exercise is on, the owner faces immediate enforcement claims and even imprisonment. So the panel has suggested that 'the MSMED Act of 2006 may be amended to provide a mechanism for the orderly handling of financial distress by introducing a temporary stay, followed by orderly and speedy liquidation, revival or sale options.' For the longer term, the panel suggested that 'a process of statutory reform at the state level may be initiated to introduce reasonable limitations on personal liability and allowing rehabilitation by modernising the punitive and value-destructive laws governing personal insolvency dated from 1910/1920.' The ease of closing down business, the panel said, is crucial for a good entrepreneurship ecosystem.

Banks told to clear proposal pending under employment generation scheme

The Ministry of Micro, Small and Medium Enterprises (MSMEs) has asked bankers to ensure sanction of pending proposals and settlement of pending claims under the Prime Minister's Employment Generation Programme (PMEGP), so that targets for the year 2013-14 can be achieved.

The ministry has stated that around Rs.757crore of unspent funds meant as margin money subsidy are already with the banks under the PMEGP. It has also said that there is need for transparency and accountability, and a system of e-tracking PMEGP applications has been made mandatory from 2014-15 onward.

The Minister of state for MSMEs Shri K. H. Muniyappa, recently held a review meeting on the PMEGP with Chairmen and Managing Directors (CMDs) of all the public sector banks. At the meeting he said that since the inception of the PMEGP in 2008-09, more than 221,000 new entrepreneurs have been assisted as of March 2013, over two million employment opportunities across the country created and Rs.5,037crore released as margin money subsidy.

The Minister said that more than three lakh applications were received under the PMEGP in 2013-14, of which one lakh have been recommended by the district-level task force committees (DTFCs) to all banks. Of this, banks have approved 81,000 cases, involving a total margin money subsidy of Rs.1,879 crore. They have sanctioned 14,966 applications involving margin money of Rs.327crore, and disbursed funds in around 6,000 cases. During the preceding years the targets set have been achieved, while physical verification of PMEGP units has revealed that 82 per cent of the units that were set up are working successfully. If banks sanctioned even 72 per cent of project proposals, which is the observed trend under the PMEGP, margin money of Rs.1,353 crore would be utilised during the year, and targets would be achieved.

He also appealed to all banks to process eligible cases from among the remaining applications without the subsidy component, by covering them under the collateral-free Credit Guarantee Scheme of the ministry. Under the proposed e-tracking of PMEGP applications, each applicant would be provided a unique online ID through which they could track the status of their PMEGP applications at various stages and find out the reasons why projects were rejected.

Gujarat IT SMEs to explore global opportunities

The Gujarat Electronics and Software Industries Association (GESIA) took a group of the state's electronics and ICT businesses on a trade mission to visit GITEX-Dubai, which was held from October 20 to 24. It had a successful trade mission. This was the first such business delegation for Gujarat-based SMEs. It saw a trade of over $5 million and expects to garner more in the near future.

The Association is exploring opportunities in the European and South East Asian countries. It intends to participate in a global IT exhibition in Germany for the first time with a view to strengthen business ties and boost Gujarat's exports. A separate committee for international branding has also been created to promote the electronics and IT sectors in the world market. It is also planning to conduct many activities to boost exports from the region-such as trade delegations to participate in international exhibitions, B2B meetings in overseas markets, and workshops and seminars on how to export.

My philosophy is that not only are you responsible for your life, but doing the best at this moment puts you in the best place for the next moment.

Oprah Winfrey.

IT's TIME TO ALLOW NBFCs TO TAKE FINANCIAL INCLUSION STORY AHEAD

We have committed enough atrocities on public sector banks," was financial services secretary Rajiv Takru's response on why policy makers want to have more private sector banks for financial inclusion. Flip side of Takru's analysis is that if rules and regulations of banking do not change, the same atrocities will be played on private sector banks.

In after four decades of bank nationalization, more than half the country's population does not have a bank account, it is a reflection of the reality that banks cannot serve majority. Along with banks, we also have many other models like non-banking finance companies such as Shriram Transport Finance and Mahindra and Mahindra Financial Services and dozens of micro finance companies. It may be time to think beyond banks for financial inclusion.

Banks, by their very nature of existence, will tend to concentrate on where easy money is available. In this context, the cities and industrial clusters qualify to be profitable. However, much the regulators would like banks to see financial inclusion as *"an opportunity and not an obligation"*, lending a few thousand rupees cannot be a business for banks.

"For financial inclusion to be a successful model, two things are required-last mile connectivity and low-cost model," says Shri V. Kannan, Executive Director at Oriental Bank of India. *"In fact, the Regional Rural Banks (RRBs) model was doing very well for several years since it was a low-cost model as employees were locals. However, later the government said they should have the same salary structure as PSU banks. The cost rose and the model became unsustainable."*

The definition of financial inclusion is also being widened thanks to the new governor. It is beyond opening of accounts and depositing the subsidy money in their accounts to avoid corruption. "Financial inclusion does not just means credit for productive purposes, it means credit for healthcare emergencies or to pay lumpy school or college fees," Reserve Bank of India, Governor, Shri Raghuram Rajan said recently. *"It means a safe means of remunerated savings, and an easy way to make payments and remittances. It means insurance and pensions. It means financial literacy and consumer protection,"* he added. Unfortunately, the rigidity in the banking system does not permit, or make banks the best suited vehicle to deliver these.

But the Shrirams and Mahindras have been more successful than banks in fueling the rural economy with loans. These companies, with costs a lot higher than the banks, are still profitable since they have mastered the art of rural India and are not stifled by the rigidities of banking.

Of the every Rs.100 that banks lend, they do Rs.6 to Non Banking Finance Companies. What do the NBFCs do? They just lend to businesses and consumers. If NBFCs such as Mahindras and Shrirams are more profitable than some of the banks, there is something that they have mastered, but not the banks.

"A country as vast as India, with 1.2 billion people, there is a great need to utilize all possible channels to help the population with financial inclusions and we believe all financial intermediaries, including NBFCs, MFIs, etc can be utilized effectively," says Shri V. Lakshmi Narasimhan, CFO, Magma Fincorp. "We have a great reach and business model and expertise to reach out to the vast population who are otherwise unbanked," he added. One of the main problems is that banks expect customers to walk up to them, but with NBFCs, the staff reach out to customers. Even the new banking license norms stipulate that winners have to have a rural bent of mind. They have mandated at least a fourth of their branches to be in villages and 40% of loans have to be in priority sectors.

"To ensure that the banks give adequate attention to financial inclusion, they must view this as a viable business proposition rather than as a corporate social responsibility or a regulatory obligation. For the business to remain viable, it would be important to focus on increasing usage of existing banking

infrastructure," said Shri K.C. Chakrabarty, Deputy Governor of RBI, and one of the vociferous proponent of financial inclusion for several years.

Any banker, of course in private, will tell you how ridiculous these rules are and how much time they have to spend to overcome these, rather than fulfilling them. Public sector banks are the ones who have borne the burnt of these rules. In the process, part of their poor profitability may be due to that.

Past experiences show that these rules may achieve very little. ICICI Bank, HDFC Bank, Axis Bank, Yes Bank and Kotak Mahindra Bank though have superior technology, have not yet made much headway in reaching the bottom of the pyramid. Critics say that even the existing policies are not well thought of. While new players are asked to open one-fourth of their banks in unbanked region, the existing set of private banks are way below the limit.

Data compiled by RBI shows that share of branches of new private banks in rural India is 10% against 32% for PSU banks. In fact, the ratio for PSU banks has fallen because many of the rural locations *(where PSU banks opened branches earlier are now redefined as semi-urban centres)*.

The recently-launched Bharatiya Mahila Bank, ostensibly to help women, will again be focusing on metropolitan cities and state capitals. Its branch in the Air India building in Mumbai's business district of Nariman Point will hardly have a visitor from the slums of Dharavi.

So, what should be the way forward towards inclusion?

Abandon the thought that banks will deliver on financial inclusion. Liberalise the rules for non banking finance companies and reduce their cost of funding. These institutions should be allowed to take more deposits directly. The past experience of some NBFCs duping savers is no excuse to continue to strangulate them.

In fact, some banks like Global Trust Bank of the United Western Bank might have duped, but for the RBI's rescue act. SKS Microfinance episode led to all micro finance companies painted with the same brush.

"We need to go beyond the definition of the term and focus on providing basic financial services to the unbanked population at an affordable cost," says Shri Chandra Shekhar Ghosh, Chairman and Managing Director of Bandhan Financial Services, the country's largest microfinance company with outstanding loans of Rs.4,457 crore and 48 lakh poor borrowers.

MFIs in the country have lent a whopping Rs.22,138 crore to 2.5 crore borrowers, mostly women and in the rural belts, as per the September issue of MFIN Micrometer, published my Micro Finance Institutions Network, an association of 42 NBFCs-MFIs.

"If MFIs were allowed to offer savings products, a vast unbanked section would have got avenues to save. Then capacity to raise low-cost deposits would also allow MFIs to lower lending rates," Shri Ghosh said.

It is not just the availability of funds to villagers, but taking it to them when they want and to help them in their entrepreneurship. For these issues, the lenders must literally dirty their hands.

"Credit delivery alone can't ensure success of small businesses. Cost competitiveness, availability of energy, infrastructure, land and labour is as crucial. The co-existence of ease of doing business with credit delivery, through increased supply of banking and finance companies, may get us there," says Shrinjini Kumar, leader banking and capital markets group, PwC India.

Courtesy : The Economic Times

Do you want to know who you are? Don't ask. Act! Action will delineate and define you.

Thomas Jefferson.

Indirect tax collection up 5.3% in Apr-Oct

Collection of indirect taxes-excise, customs and service tax-stood at about Rs.2,69,100 crore during the first seven months of 2013-14 fiscal, up 5.3% from the same period last fiscal year. Excise collection during the April-October period was Rs.89,600 crore, while realisation from customs stood at Rs.98,000 crore. Service tax collection, which has become a new, focus area for revenue officials, stood at Rs.81,500 crore during the period.

In October, total indirect tax collection was Rs.42,520 crore, up 7.5% from the same month last year. The Centre has set indirect tax collection target of Rs.5.65 lakh crore for 2013-14, up from Rs.4.73 lakh crore last fiscal.

Exports zoom 13.47% to $27.27 bn in Oct

The rupee's depreciation against the dollar might have left many worried but it has a bright side, too. Boosted mainly by the rupee's weakness since July 2013 and a demand revival in key markets, India's merchandise exports in October 2013 soared to $27.27 billion from $24.03 billion in the same month last year-an increase of 13.47 per cent, the highest since 23.7 per cent seen in October 2011.

The increase in October, the fourth straight month of double-digit export growth rate, was in stark contrast with a dull phase from the beginning of last financial year to June this year. In 2012-13, the country's total exports had fallen 1.76 per cent from the previous year to $300.60 billion. The contraction had continued in May and June this year. But India's exports have grown at a double-digit rate in each of the four months since July. During the July-October period, the rupee's value against the dollar declined 13 per cent compared with the year-ago period.

"We are seeing consistent double-digit export growth rates. All major sectors with significant contribution in the export market have shown a positive trend....We are confident of reaching the export target ($325 billion) this financial year," Commerce Secretary Shri S. R. Rao said while releasing the data. Exports to all major regions of the US, Europe, Africa and Asean were rising. Those to South Asia and Latin America were, however, marginally low.

Imports, on the other hand, have been falling continuously since June-at double-digit rates since

September. In October, imports stood at $37.82 billion, down 14.5 per cent from $44.24 billion in the same month a year ago. This narrowed the trade gap in the month to $10.56 billion, almost half that in the same month last year.

However, on a month-on-month basis, imports were higher than September's $6.7 billion. This was partly due to $1.3-billion gold imports in October 2013-62.5 per cent higher than the previous month's $0.8 billion but 80 per cent lower than $6.8-billion gold imports in October2012. The total imports of gold and silver during the April-October period this year dipped 12.86 from those in the year-ago period to $24.5 billion, mainly due to various curbs imposed by the government.

IT exports from Chandigarh, Mohali to reach Rs.2,500 in FY15

IT EXPORTS from Chandigarh and Mohali may reach Rs.2,500 crore in next fiscal as software exports posted a growth of 20% last fiscal. "IT exports from this region (*Chandigarh, Mohali*) grew by 20% to Rs.2,300 crore and it is likely to reach Rs2,500 crore in next fiscal," STPI Director General Shri Omkar Rai said.

Exports Account for 70% of GDP growth in Q2

The quarter ended September saw the first sequential improvement in GDP (gross domestic product) growth in five quarters. This has improved the prospects of an export-led economic recovery in India. According to Central Statistical Office data, financial, real estate and business services, including information technology (IT) services, were the biggest growth contributors, growing 10 per cent

during the second quarter. Analysts expect the export momentum to result in rising capacity utilisation and a boost to investment and consumption demand in the coming quarters.

Export growth (net of imports) accounted for 70 per cent of the incremental growth in GDP during the September quarter. At 2004-05 prices, exports of goods and services rose 16.3 per cent year-on-year basis, the most in eight quarters. Imports were flat, growing 0.4 per cent, the least in 14 quarters. The sequential growth in GDP was led by export sectors, which gained from the rupee's depreciation and the mild economic recovery in North America and Europe. In the near term, it directly raises output and the utilisation rate in export-oriented industries and their vendors and suppliers.

Gross direct tax collections grow 13.2% to Rs.3.7 lakh cr in April-Nov

Gross direct tax receipts of the government in April-November 2013 period rose by 13.18% from a year ago to Rs.3.7 lakh crore, a bit lower than the 18% growth officially projected. Net direct tax receipts in the same period rose 14.6% to Rs.3.1 lakh crore.

The revenue department had received Rs.3.2 lakh crore gross direct tax receipts and Rs.2.7 lakh crore net direct taxes in the first eight months of 2012-13. Gross collection of corporate taxes grew 9.6% to Rs.2.2 lakh crore while gross collection of personal income tax rose by 19.6% to Rs.1.39 lakh crore. Securities Transaction Tax collections stood at Rs.3,053 crore, showing a growth of 4.7%, while Wealth Tax receipts rose 13.3% to Rs.712 crore.

FII inflows cross Rs.1-lakh-cr mark

Foreign Institutional Investors (FIIs) continue to pump in money into Indian equity markets, with their net inflows touching Rs.1,01,441 crore as on 6th Dec'13 for the year. Of the total net inflow, about Rs.40,000 crore came in the last three months, following measures taken by the Reserve Bank of India (RBI) to boost the weakening rupee and revive economic growth. A delay in US Federal Reserve's quantitative easing tapering, coupled with better-than-expected September quarter earnings, ensured FIIs kept foreign money flowing into Indian equities.

Since their entry into Indian capital markets in 1992-93, net FIIs inflows have exceeded Rs.1,00,000 crore in 2010 and 2012. In 2012, FIIs had net invested Rs.1,28,360 crore ($24.4 billion), while in 2010, they made a record net inflow (in rupee terms) of Rs.1,33,266 crore ($29.36 billion). Currently, market capitalisation is heavily skewed in favour of large companies. But analysts say there is ample potential for companies with strong fundamentals and sound business models in the mid-cap space.

GDP grew 4.8% in the second quarter

India's economic growth picked up in the July-September quarter from the preceding one as demand and investment showed signs of revival, raising expectations of a stronger fiscal second half and even a possible recovery. Gross domestic product grew 4.8% in the second quarter of the fiscal year on impressive agriculture sector performance and improvement seen on the industry side, according to data released by the Central Statistics Office. The growth in the agriculture sector was 4.6% as compared to 2.7% in the first quarter. The industry sector grew by 1.55 % up from 0.8% in the previous quarter.

Exports Growth Slows to 5-mth Low of 5.86% in November

India's exports grew by 5.86% in November 2013 below the double-digit rise in the previous four months. However imports dropped 16.37% from a year ago to $33.83 billion, leaving a trade gap of $9.2 billion, nearly half the year-ago $17.2 billion and below $10.56 billion in October. *"The figures are positive for India's external financing needs, with the current account deficit on course to halve between FY2013 and FY2014".* Reserve Bank of India governor Shri Raghuram Rajan said in December he expects the current account deficit to narrow to below 3% of gross domestic product from an all-time high of 4.8% in the year to March.

The lower current account deficit, largely because of higher exports and lower gold imports, has raised hopes that the country would not be too badly hit by the unwinding of the monetary stimulus by the US Federal Reserve.

Exports were mainly dragged down by slower growth in refinery, pharmaceuticals and gems and jewellery products. Refinery exports were affected due to scheduled maintenance work in November, which will likely rebound in December. Besides, international crude oil prices fell by $5-7 a barrel in November, which took a toll on exports as well sectors such as agriculture, textiles, leather, handicrafts and engineering have been performing well in the current year. Currency depreciation is also believed to have supported exports.

RRBs Told to Follow 9% Capital Adequacy Rule from This Year

The RBI has directed all regional rural banks to follow the minimum 9% capital adequacy rule from this year, marking the end of their transitory phase. The Central Bank said the rule was made applicable to banks in India with a view to strengthening their capital base. The banking regulator introduced the capital to risk weighted assets ratio (CRAR) framework for RRBs in December 2007 and 22 out of 84 RRBs had the ratio below 1% at the end of the 2007-08 fiscal. Thirty three banks had CRAR below 7%. The number of rural banks has come down to 51 after several rounds of amalgamation and consolidation.

The risk-weighted assets ratio system as the basis of assessment of capital adequacy takes into account the element of risk in the various types of assets in banks' balance sheet and off balance sheet exposures. The government had last infused capital in 33 weak RRBs between 2010 and 2012. Before the introduction of the CRAR framework, RRBs received capital dose several times.

Loan recast requests pile up, could cross Rs.I lakh cr this year

With corporates approaching the corporate debt restructuring (CDR) cell to recast loans worth Rs.23,425 crore of debt in October-the largest quantum in a single month-referrals to the cell this year could cross Rs.1 lakh crore. Since April, companies have requested recasts of close to Rs.88,000 crore. While there was some respite in the July-September period when the requests stood at Rs.24,859 crore compared with Rs.39,251 crore in the April-June period, the trend seems to be reversing. While only six corporates approached the cell in October, four of these were large exposures.

RBI Extends Rs. 5k-cr Loan to SIDBI for Lending to Micro & Small Enterprises

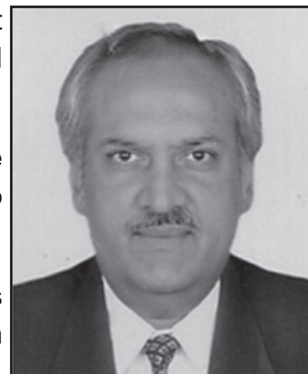
The Reserve Bank of India has extended Rs.5,000 crore of refinancing to SIDBI for a year to ease liquidity stress in the micro and small enterprises sector in the wake of slowdown in the economy, particularly due to delayed settlement of receivables from large corporate, public sector undertakings and government departments.

I do not believe in a fate that falls on men however they act; but I do believe in a fate that falls on them unless they act.

Gautama Buddha.

SUCCESS STORIES OF UNITS ASSISTED BY RAJASTHAN FINANCIAL CORPORATION

M/s Hotel Kesar Bhawan Palace



Shri M.K. Daivat Singh is the proprietor of Hotel Kesar Bhawan Palace, Sunset Point Road, Mount Abu. Hotel Kesar Bhawan Palace has yielded an annual sale of 87.59 lacs during 2008-09.

The hotel began in 1997 with an investment of Rs 86 lacs which was made possible through RFC and since then RFC is regularly providing financial aid to Shri Singh.

For RFC, Shri Singh is a man of his words as he has been repaying all his loans on due time. He is a first generation entrepreneur and has taken seven loans of about 385.50 lacs till date and has been able to repay them timely.

M/s Nav Durga Minerals

Shri Dharmendra Singh Umat is the Proprietor of M/s Nav Durga Minerals, Arbuda Industrial Area, Abu Road. Shri Dharmendra Singh Umat first procured financial aid from RFC in 1999 for his business of mineral powder. The unit set up by him is doing well and a sale of Rs 81.32 lacs has been reported for the year 2008-2009.

As a first generation entrepreneur, Shri Umat's involvement with RFC reports five loans of about Rs 32.64 Lakhs till the year 2010. He has been able to repay his loans as per the timeline and that is why RFC has continuously assisted Shri Umat in his business. They are both satisfied with each other's performance.

The practice of philosophy helps to build bridges between peoples and cultures and heightens demand for quality education for all.

Irina Bokova.

FANTASTIC BENEFITS OF SKIPPING
by Keith Colladow

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

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

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

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

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

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

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

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

RBI RATES AND WHAT IT MEANS

What is the repo rate?

It is the rate at which the RBI lends to banks.

How does repo rate influence retail interest rates of banks?

A higher repo raises banks' borrowing costs goading them to raise interest rates for final home, auto and corporate borrowers.

So, can consumers expect their equated monthly installments (EMIs) to go up?

Banks usually decide on interest rates that they charge from consumers based on their cost of funds, which are analysed by the respective bank's asset- liability committees (ALCOs).

What about loans on automobiles and consumer goods?

Automobile and consumer goods loans are fixed interest rates, so existing customers are not affected by changes in RBI's policy rates.

What if I have an existing home and want to shift to new loan offered by a different bank at a lower interest rate?

RBI had already banned banks from levying foreclosure charges or pre-payment penalties on home loans on a floating interest rate. So if you want to close an existing loan by borrowing from another bank on a lower interest rate, you would not be required to pay a penalty to the first bank.

What is CRR?

Cash reserve ratio or CRR is the proportion of deposits that banks have to maintain with the Central Bank.

What does a CRR cut achieve?

A cut in CRR allows banks to unlock funds for lending. According to estimates, the 0.25 percentage point cut in CRR will give banks an additional Rs.18, 000crore to lend.

Does a reduction in CRR reduce borrowing rates for customers?

In a very indirect way. With more cash in hand to lend following the cut in CRR, banks may not need to woo customers with higher interest rates to shore up deposits. Some banks may even lower the interest they pay to customers on fixed and savings deposits to cut costs, which could in turn help them reduce lending rates.

What is reverse repo rate?

It is the rate at which RBI borrows from banks to absorb or release cash from and into the system. The reserve repo rate is always one percentage point lower than the repo rate. It currently stands at 8%.

How does it influence banks' lending rates?

At a higher reverse repo rate, the central bank would take out cash from the system, which brings down demand and cools prices. A lower reverse repo implies that banks would be encouraged to lend to other borrowers to earn more, rather than park its funds with the RBI for lower returns.

What is the marginal standing facility (MSF)?

The MSF is the rate at which banks borrow from RBI during periods of acute liquidity shortage, as they are willing to pay a higher interest rate to borrow extra money.

What has the RBI announced on the MSF front?

It has raised the MSF rate by 0.25 percentage points to 9%.

What are policy rates?

The policy rate acts as the guide for final lending rates that banks charge from borrowers. In tight liquidity situations, the repo rate acts as the policy rate. In situations of excess liquidity, when banks park money with the RBI from their pool of lendable resources, the reverse repo rate is the policy rate. A higher reverse repo would give banks incentive to park money with RBI, reducing liquidity and demand. A higher reverse repo means it would suck cash from the system.

What prompts the RBI to raise repo rate?

India's inflation rates- both wholesale and retail- at present are worrisome at 6.16% and 9.87% respectively. This can prompt RBI to increase interest rates to suppress prices.

Base Rate:-

In a far-reaching reform measures, the RBI in 2010 asked banks to be more transparent in the way they charge interests rates from borrowers introducing a new concept called "base rate" that would serve as the minimum rate for all loans. Banks are not allowed to lend below their base rates. The base rate system replaced the existing benchmark prime lending rate system.

Each bank can decide its own base rate. It is calculated on the cost of deposits, the banks' administrative and operational costs and statutory costs. The system does not allow "teaser loans" offering lower interest rates initially and higher in the later years as it is not transparent. RBI had earlier stipulated that banks should not discriminate in the the matter of interest rate paid on deposits.

Punjab nets Rs.65,000 cr worth of investments

Progressive Punjab Investment Summit, the first investor's meet in Punjab received a huge response, with 117 companies committing investments worth Rs.65,000 crore. These projects after take off will generate about 300,000 jobs. The investments were mainly in sectors such as textiles, housing, information technology (IT), education, manufacturing, agro-processing and others. The Punjab Bureau of Investment Promotion (PBIB) would facilitate clearances in a hassle-free manner for the investors and the Chief Executive Officer of the bureau had been made accountable to give sanctions with regards to the departments.

CIDCO prepares for country's largest planned city

Maharashtra's town planning agency, City and Industrial Development Corporation (CIDCO), is planning to build the largest city in the country even bigger than Mumbai and its suburbs put together. The new planned city called 'Naina' or Navi Mumbai Airport Influence Notified Area is expected to be spread over 600 sq kms or 60,000 hectares, which is 8,000 hectares more than the 52,000 hectares

area occupied by Mumbai and its suburbs, and almost double the size of Navi Mumbai (320 sq km or 32,000 hectares), the first planned township of Mumbai.

The city is expected to house a population of 80 lakh in the next 30 years. Though no official estimates have been reached on the cost of developing this new city, the development cost will be roughly around Rs.3,500 per sq m (about Rs.2.1 lakh crore). This will include development of metro line and roads, etc, and will be spread around a radial distance of about 25 kms from the proposed airport in Navi Mumbai.

The intricacies of spiritual philosophy and theologies are just a thought within Emptiness.

Adyashanti.

Wise men speak because they have something to say; fools because they have to say something."

Plato.

Two new technology centres for Haryana

Foundation was laid for two new MSME Technology Centres in Haryana-one each at the Industrial Growth Centre in Saha, 10 km from Ambala, and the Industrial Model Township in Rohtak in October 2013.

The Saha facility, to come up on 10 acres of land provided free of cost by the government of Haryana, will cost Rs.100 crore. The Rohtak facility, which will come up on a 19.8 acre plot that has also been provided free of cost by the state government, will cost Rs.125 crore.

The two cetnres are expected to help the 3,500-plus MSMEs in Ambala district (manufacturing scientific instruments, glassware, electrical appliances and steel) and the over 4,500 units in Rohtak (manufacturing auto components, general engineering items and fasteners) in developing world-class dies, tools, moulds, jigs and fixtures, testing facilities and trained technical manpower. The MSME ministry recently launched the Technology Centre Systems Programme to provide technological support to MSMEs, and thereby make them globally competitive.

30 SEZ developers get extension for projects

The Centre has given additional time of six months to a year to 30 SEZ developers, including Tata Consultancy Services and Parsvnath, to execute their projects. The decision was taken by an inter-ministerial BoA, chaired by Commerce Secretary Shri SR Rao, in its meeting in November 2013.

The board after deliberations, extended the validity of the formal approval to the requests for extensions beyond fifth year for a period of one year and those beyond sixth year for a period of 6 months from the date of expiry of the last extension.

Govt relaxes outsourcing norms for SEZ units

With a view to facilitate manufacturing and augment exports, the Commerce Ministry has allowed manufacturing units in Special Economic Zones (SEZs) to sub-contract work for up to three years, instead of just one year allowed at present.

However, the relaxation would apply to only those manufacturing units that have substantial exports, with average annual shipments of Rs.1,000 crore or more in at least two out of four years. This relaxation further eases investment norms in SEZs as in August the government had amended SEZ rules and said that multiservices special economic zones will be treated on a par with single-product SEZs, with the minimum area slashed to half from 100 hectare. The move allowed multi-product SEZ developers with a minimum land requirement of 500 hectare to set up multiservices SEZ on an additional 50 hectare of land.

Moreover, addition of land to an existing SEZ that contains a port or a manufacturing unit will not be eligible for any duty benefits, but any addition to these structures after their inclusion in an SEZ will be eligible for fiscal benefits. “The unit should have annual average exports of not less than 51% of its total turnover in the block of five years. The units should have an unblemished track record and no penalties against the unit for any violations should have been imposed,” the statement said. Besides, the DTA unit (unit outside SEZ) to which the sub-contract is to be awarded should be registered with the central excise department. The move assumes significance as exports from SEZs declined 4.25% in the last three months to Rs1.13 lakh crore.

You talk when you cease to be at peace with your thoughts.

Kahlil Gibran.