COSIDICI COURIER

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

VOL. XXXXVIII NO. 4 | **SEPTEMBER-OCTOBER, 2012**

EDITORIAL BOARD

Chairman of the Editorial Board

Shri. Yaduvendra Mathur, IAS
Chairman & Managing Director,
Rajasthan Financial Corporation (RFC)
Jaipur

Vice-Chairman

Shri U.P. Singh, IRS (Retd.)
Ex-Chief Commissioner, Income-Tax &
TRAI Member

Members

Shri R.C. Mody
Ex-C.G.M., RBI

Shri P.B. Mathur
Ex-E.D., RBI

Shri K.C. Ganjwal
Former Member, Company Law Board,
Government of India

Shri V. S. Rathore
Secretary General, COSIDICI

Editor

Shri K. K. Mudgil
Ex- C.G.M., RBI

Associate Editor

Smt. Renu Seth
Secretary, COSIDICI

CONTENTS

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

FROM THE SECRETARY GENERAL's DESK

IMPORTANCE OF THE MSME SECTOR AND THE ROLE OF SFCs IN FINANCING THIS SECTOR

World over, the Micro Small and Medium Enterprises or MSMEs have been recognized as engines of economic growth. Over the years, the MSME sector has performed well and enabled our country to achieve balanced industrial growth with diversification. By its less capital intensive and high labour absorption nature, MSME sector has made significant contribution towards employment generation and rural industrialisation. MSME sector in India creates largest employment opportunities for the Indian populace, next only to agriculture.

On the one side, the capability of Indian SME products to compete in international markets is reflected in its share of about 34% in national exports. In case of items like readymade garments, leather goods, processed foods, engineering items, the performance has been commendable both in terms of value as well as their share in national exports; while in some items like sports goods they account for almost 100% share of the total exports of the sector. On the other side, this sector is also ideally suited to build on the strengths of traditional skills and knowledge, by infusion of technologies, capital and innovative marketing practices. The diversity in production systems and demand structures in India ensure long term co-existence of many layers of demand for consumer products / technologies / processes. There will be flourishing and well grounded markets for the same product/ process, differentiated by quality, value addition and sophistication. This characteristic of the Indian economy will allow complementary existence for various diverse types of units spanning from micro & small to large/very large units.

However, if we compare the growth of MSMEs in India with those in the neighbouring countries in South East Asia like South Korea, Thailand, Malaysia, China, Japan etc. it is found that we lag behind. The major hurdles/bottlenecks faced by the sector which do not allow this sector to flourish well have been - inadequacies of finance, capital, technology and marketing.

V.S. RATHORE
Secretary General, COSIDICI

Role of State Financial Corporations (SFCs)

SFCs, which are basically Development Financial Institutions (DFIs), were set up under the SFCs Act, 1951 with the prime objective of financing and promoting small and medium enterprises for achieving balanced regional growth, catalyzing investment, generating employment and widening the ownership base of industry by fostering entrepreneurship. The SFCs have helped decentralise economic development and have created employment opportunities by assisting artisans, crafts persons, SSI units and most important the first generation entrepreneurs. The units assisted by the SFCs have also contributed to the States' exchequer by way of sales tax, local duties etc. A recent study conducted by KSFC has found that for every crore of loan assistance by the corporation, there was a yield of VAT and ST revenue of Rs.18.49 lakhs per annum. When extrapolated, the annual tax revenue to the Karnataka State exchequer from units financed by KSFC during the FY 2010-2011 was around Rs.100 crore, besides generation of 13,500 skilled jobs and 1500 indirect jobs annually. The SLFIs are, therefore, instrumental in fulfilling the socio-economic objectives of the government by bringing 'inclusive growth'.

The Gupta Committee (set up by the Government of India in 2000 under the Chairmanship of the then CMD, IDBI, Shri G.P.

Gupta) opined that no other financial institution has the wherewithal and outreach to penetrate into the far-flung areas of the States for promotion and financing of first generation entrepreneurs – an activity which commercial banks in the country do not undertake. The credit deposit ratio of commercial banks in rural and semi-urban areas of the States has been much below the stipulated ratio of 60% and further, the loans extended to SSI and tiny units by commercial banks in such areas was almost negligible. This was despite the fact that nearly 70% of the total number of branches of Commercial Banks were located in rural and semi-urban areas of the States. It is, therefore, imperative to have such institutions to provide assistance and support to the micro, small and medium entrepreneurs who more often than not are overlooked by the commercial banking sector. The closure of SFCs could impact adversely on a dynamic segment of the India economy and undermine industrial growth.

The SFCs were performing very well in the first 3-4 decades, but their fortunes declined after opening up of the economy in 1990s since the economic reforms did not embrace these DFIs. The SFCs suffered owing to indifference on the part of stake-holders in providing affordable and adequate resources to SFCs leading to their inability to compete with commercial banks which have access to cheap public deposits. Keeping in view the strategic importance and relevance of SFCs, SIDBI alongwith the Government of India provided a financial package for revitalizing SFCs in 2003. The package was availed by thirteen out of eighteen SFCs which entered into tripartite agreement with SIDBI in which the State Governments concerned were also a party. The above relief provided by SIDBI to these SFCs yielded positive results and have helped SFCs turnaround and show better performance. A number of these SFCs have recorded increase in their sanctions and disbursements over the years and have also brought down their NPAs. Eight out of these thirteen SFCs have been showing operational/net profits and consequently their cumulative losses are steadily coming down, while two SFCs i.e. APSFC and KFC have completely written off their losses.

With a view to putting these corporations on sound footing, a number of State Governments namely Andhra Pradesh, Rajasthan, West Bengal, Madhya Pradesh, Kerala, Odisha, Haryana, Tamilnadu, Karnataka and Assam have come forward to provide some equity support during the last couple of years and have also extended other reliefs in the form of interest free loans, pass through arrangements etc. However, the steps taken by the respective State Governments as also the SFCs have not been uniform and to the extent required. While some of the SFCs have implemented most of the improvement measures, others have partially implemented them. This has resulted in less than optimum improvement in the performance of these SFCs.

The need of the hour is for various State Governments to provide a comprehensive financial package in strengthening the equity base of the respective SFCs and also to strengthen the Human Resources through necessary training and professionalization. Once this has been accomplished, the continued viability of the SFCs would then depend upon the cost of their resources / funds. If SFCs have to function as viable entities, they must get sufficient resources at affordable rates of interest so that they can compete with the commercial banks and also continue to perform their development role. It is, therefore, suggested that following measures be under taken to help the SFCs raise necessary resources : -

- Strengthening of the equity base by infusion of fresh capital by the State Govts./other stake-holders and also raising fresh capital from institutions and general public by floating IPOs.
- Once the financial position and networth of SFCs is strong, SIDBI could be requested to continue/resume refinance to the well-performing SFCs.
- The Reserve Bank of India may be requested

to consider restoring the facilities hitherto being enjoyed by SFCs such as allocation of SLR Bonds quota, soft terms for raising fixed deposits and ad-hoc borrowing limit. The withdrawal of these facilities by RBI had aggravated the financial crisis facing SFCs as the average cost of their funds had gone up forcing them to curtail their lending programmes and consequent losses.

- The SFCs also provide finance to agro industries in the rural, semi urban, backward regions of the state which fall under the ambit of NABARD. Refinance may be provided by NABARD to SFCs for financing village, forest/ agro based industries.
- The National Housing Bank may also be requested to provide refinance of SFCs against their lending to construction activities such as industrial housing, EWS housing as also group housing undertaken by State agencies.

The objective of Government of India / RBI of augmenting the flow of institutional credit to MSME sector in the country would be accomplished to a considerable extent if the SFCs in all the States are strengthened. SFCs are undoubtedly the most suitable institutions at the grass-root level to dispense credit to the decentralized sector in the rural, semi-urban and backward regions of the States and have immense potentiality for accomplishing the national objective of decentralized economic development and ensuring inclusive growth.

V.S. RATHORE

Shri V.S. Rathore, former Executive Director, SIDBI has taken over as Secretary General, COSIDICI w.e.f. 1st November, 2012. Shri Rathore has over 36 years of experience of working in Financial Institutions and Banks. As Executive Director of SIDBI, he has been a part of top management team for Business Planning & Strategy, including devising long term business model for SIDBI as a DFI for playing an effective role as apex development bank for the MSME sector. He has headed Credit Department and Resource Management Department also.

Shri Rathore has been part of negotiating team for raising Lines of Credit from leading multilateral/ bilateral institutions viz., World Bank, DFID (UK), KFW (Germany), JICA (Japan) and AFD (France). Earlier, he headed the Project Management Division of SIDBI for negotiating and implementing an SME Financing and Development Project (partnered by World Bank, DFID and KFW) which included innovative cluster development interventions/ initiatives, besides financing of SMEs.

Shri Rathore has also overseen refinance to the SLFIs and was a part of the top management team for strengthening of these institutions through a comprehensive package of restructuring with active support from Ministry of Finance, Government of India. This has helped certain SFCs to improve their performance in a significant manner.

APPOINTMENTS

- Smt. Shalini Misra, IAS has been appointed as Vice Chairman & Managing Director, Andhra Pradesh Industrial Development Corporation Ltd. {APIDC}, Hyderabad vice Shri B.R. Meena, IAS.

- Dr. Sandeep Dave, IAS has been appointed as Managing Director, Karnataka State Industrial Investment & Development Corporation Limited {KSIIDC}, Bangalore vice Dr. Rajnesh Goel, IAS.

- Shri Vikas Pratap, IAS has been appointed as Managing Director, Punjab State Industrial Development Corporation Ltd., {PSIDC}, Chandigarh vice Shri Samir Kumar, IAS.

- Smt. Vandita Sharma, IAS has been appointed as Managing Director, Karnataka State Financial Corporation {KSFC}, Bangalore vice Shri M. Madan Gopal, IAS.

- Shri Faizi O. Hashmi, IAS has been appointed as Managing Director, Goa Industrial Development Corporation {GOA-IDC}, Panaji vice Shri Neeraj Semwal.

- Shri Sushil Srivastava, IFS has been appointed as Managing Director, Himachal Pradesh Financial Corporation {HPFC}, Shimla vice Shri K.K. Pant, IAS.

Subscribe To COSIDICI COURIER

ANNUAL SUBSCRIPTION

a.	For Individuals	Annual (6 Issues)	Rs. 200/-
		Single Copy	Rs. 35/-
b.	For Officers and and staff of Member Corporations	Annual (6 Issues)	Rs. 150/-
c.	For Libraries	Annual (6 Issues)	Rs. 300/-
d.	For Corporations/Other Institutions	Annual (6 Issues) with 8 copies	Rs. 5000/-

Send your subscription amount by M.O./Draft/Cheque

Add Rs. 20/- for outstation cheque drawing it in favour of COSIDICI to:

Council of State Industrial Development & Investment Corporations of India

SCOPE Complex, Core - 6, Floor-1, 7 Lodhi Place,
Post Box No. 3067, New Delhi - 110003

THE HIDDEN TRUTH TO PSB PROFITABILITY

Malini Bhupta & Abhijit Lele *

The banking sector's June quarter earnings "pleasantly" surprised the market. The country's largest lender, State Bank of India (SBI), has seen its net profit grow 137 per cent in the quarter, which has helped push up the profitability of the benchmark indices. On the back of such a stellar performance, the bank has been trying to convince analysts to give its shares a better rating, since its profitability puts it in league with companies like Oil and Natural Gas Corporation, Reliance Industries and Tata Consultancy Services.

The Street, however, is in no hurry to re-rate either SBI or the larger universe of public sector banks (PSBs), even though shares of these banks are available at throwaway prices. This is not surprising because state-owned banks have seen a pile-up of bad loans at a faster pace, compared to their private sector peers. For PSBs, the fresh inflow of non-performing loans (NPLs) in the quarter, also known as slippages, has sharply moved up in the opening quarter of FY13. For instance, SBI's slippage ratio or share of impaired assets in Q1 has more than doubled to 4.59 per cent.

This sharp deterioration in asset quality of PSBs implies two things. First, the accretion of bad debt and loan restructuring signal financial stress. Second, the sharp rise in bad debt calls for a review of the lending process of state-owned banks, considering the borrower profile of private sector banks is no different and yet their non-performing assets are lower. Kotak Institutional Equities says it is intrigued by the low levels of NPLs of certain private banks versus the high levels of restructured loans and NPLs of state-owned banks. The brokerage notes that the loan profile of both is not very different.

What makes the situation worrisome for state-owned banks is the inadequate provisioning for these bad loans. In 2009, the Reserve Bank of India (RBI) had made it mandatory for banks to put aside Rs.70 for every Rs.100 that had become an NPL. Last April, the central bank unexpectedly relaxed the norms on this provisioning coverage ratio (PCR), under which banks were not required to maintain a PCR of 70 per cent for bad loans after September 2010.

The consequence of this relaxation is visible in the earnings of PSBs this fiscal. SBI's PCR is down from 68 per cent in Q4FY12 to 64 per cent in Q1. Had SBI provided adequately for its bad loans, its profits would have been lower. BRICS Securities says while the profitability of the sector seems reasonable, it's debatable if one adjusts for higher provisioning. Shri Anish Tawakley of Barclays explains: "The balance sheets of PSBs have been deteriorating. If the PCRs had been maintained, the reported profits would have been lower. However, a liquidity crisis is not imminent here. Since most of the banking system is government-owned, depositors don't get concerned about the safety of their deposits."

For the top 10 PSBs, the average PCR has come down to 50.64 per cent from 53.63 per cent year-on-year. In contrast, the large private sector banks have a PCR of 80 per cent. According to analyst estimates, incremental provisioning (for the fresh accretion of bad loans every quarter) has come down sharply from the prudential 70 per cent levels for many PSBs. Investors and analysts believe that these banks are only deferring pain. Emkay Global's analysis shows that the PCR of 10 PSBs has come down to 50.64 per cent from 53.63 per cent compared to last year. SBI's Managing Director and Chief Financial Officer Shri Diwakar Gupta says: "The first priority is to ensure that the balance sheet is robust and we will improve the PCR."

Provisional Profits

Bank	Adjusted Pat (Rs. Core) in Q1FY13	Net slippages in Q1Fy13 (Rs. Core)	Provision coverage ratio in Q1Fy13& (%) in Q1TY13*	Incremental provisioning coverage ratio	Gross NPA in Q1FY13 (%)
Andhra Bank	362	691	60.38	22.77	2.7
Bank of India	888	1,193	60.86	47.71	2.6
Canara Bank	775	840	66.53	56.79	2.0
Corp Bank	370	510	61.02	46.86	1.7
Punjab National Bank	1,246	1,040	62.81	86.54	3.3
Union Bank of India	512	1,170	59.00	37.35	3.8
State Bank of India	3,752	7,562	64.29	36.90	5.0

*Incremental provisioning ratio is calculated by emkay's analysts

Source : Emkay Global

Even as most PSBs are confident that the trend in asset quality deterioration will reverse soon, this optimism is questionable. The trend in asset quality deterioration suggests that currently medium and small corporations are stressed. In the June quarter, SBI's reported net slippages were to the tune of Rs.7,500 crore, of which Rs 3,400 crore has come from medium and small companies. This is expected to spread to large corporate and retail borrowers in the coming quarters. Bad loans have increased to 9.5 per cent of gross assets for PSBs in the June quarter, while it has held steady for private banks at 3.2 per cent of gross advances, explains BRICS Securities. Given that PSBs account for 70 per cent of the banking sector, the sharp pile-up in bad debts is not good news.

Over the last few quarters, both restructured assets and fresh slippages have been high. In the fourth quarter of F.Y. '12, slippages for the 10 PSBs stood at Rs.12,631 crore, and loans worth Rs.37,435 crore were restructured. In the first quarter of FY13, the value of restructured loans is down to Rs 22,105 crore but slippages have doubled to Rs.22,926 crore.

Although banks could improve their PCR, it could come at the cost of lower net profit. It will hit the capital adequacy at a time when they are preparing for the roll-out of Basel III norms, for which the RBI governor has indicated the government will need to infuse Rs.90,000 crore over the next six years. Shri Prabhakar said setting aside higher amounts (as provisions) will impact the bottom line and capital adequacy. Raising extra capital in the current market situation then becomes a challenge.

Going by the nature of companies headed for corporate debt restructuring, analysts believe that PSBs will have to write off at least 20 per cent of their restructured portfolio. Late last year, a consortium of 25 lenders agreed to restructure the Rs.16,000-crore debt of GTL Group. Similarly, 27 lenders have agreed to recast the Rs 3,300-crore debt of Hindustan Construction Company. Says one analyst, knock-offs will be high for these banks a few quarters down the line. Shri Anish Damania, co-head equities at Emkay Global, says: "Asset quality woes will haunt PSU banks, thereby increasing credit cost requirement and eventually lowering return on assets. If slippages stay elevated, then revenue visibility will be lower and net interest income will decline."

With growth slowing and interest rates high, companies are finding it increasingly difficult to service loans. The quarterly numbers of banks show that corporate borrowers are either defaulting on payments or seeking easier repayment terms along with lower interest rates. Not only has the fresh accretion of bad loans increased but the queue of companies outside the corporate debt restructuring (CDR) cell has grown longer. According to an analysis by Emkay Global, over FY09 and Q1FY13, the CDR cell has cumulatively restructured 309 cases amounting to Rs 160,000 crore. Either way, banks have to take a hit on their books.

* * *

NATIONAL E-GOVERNANCE PLAN : VISION, CHALLENGES AND THE WAY FORWARD

Rajendra Kumar *

E-governance in India owes its origins to the in-house development of applications during the 1970s and 1980s in defence, economic planning, census, tax administration and elections. Subsequently, massive efforts were made during the 1980s by the National Informatics Centre (NIC) to connect all the district headquarters in the country through a VSAT network. However, all these efforts were mainly government centric with the primary objective of exploiting information and communication technologies (ICTs) for automating internal government functions. Citizen centricity with a focus on improving delivery of services to the citizens was not the primary goal during this period.

In the late 1980s, a few computerization initiatives in the government started making an impact on citizen services. The most prominent among these was the computerization of the passenger reservation system by the Indian Railways (Ramani, 1991). E-governance during this period received a major thrust with the launch of NICNET in 1987, followed by the launch of DISNIC that aimed at computerizing all the district offices in the country (2ndAdministrative Reforms Commission, 2008). During the 1990s, several government departments at both central and state levels launched projects aimed at deploying ICTs for improving services to citizens. Initial attempts were made by some government departments during the latter half of this decade to use the World Wide Web mainly for providing information to the citizens. Several states, particularly the southern states, achieved significant successes in using e-governance to improve delivery of services to the citizens during this period. This trend continued during the early years of the last decade with several states across the country implementing citizen-centric e-government projects. However, these initiatives were isolated and fragmented due to lack of adequate and integrated ICT infrastructure reaching down to the block and village levels, lack of comprehensive backend computerization, lack of connectivity, and lack of government to efficiently deploy ICTs for improving the quality of governance. The National E-governance Plan (NeGP), conceptualized in the early part of the last decade, aimed at addressing all these deficiencies.

In this paper, I examine how the NeGP has performed against its original aims and objectives and the challenges that the various Mission Mode Projects (MMPs) under it have faced during their implementation. I also discuss how its effectiveness and citizen-centricity in terms of delivery of public services can be improved through adoption of new and innovative technologies and processes.

National e-Governance Plan

The National e-Governance Plan (NeGP) is the most significant initiative taken in India during the last decade to mainstream ICT in governance at both central and state levels. It lays emphasis on creating the right governance and institutional framework within the country, establish the core IT infrastructure, and implement a number of Mission Mode Projects at the central, state and integrated levels. The original vision of NeGP was to "Make all Government services accessible to the common man in his locality through common service delivery outlets and ensure efficiency, transparency and reliability of such services at affordable costs to realize the basic needs of the common man".

The plan, consisting originally of 27 Mission Mode Projects (MMPs) and 8 Components, was approved in May 2006. Subsequently, during July 2011, four new MMPs on Health, Education, Public Distribution System (PDS) and Posts were added. The respective ministries and departments in

** **Courtesy:** Yojana. The author is Joint Secretary, Department of Electronics & Information Technology, Government of India*

Government of India are responsible for overall formulation, financial approvals and implementation of the MMPs.

Integrated Approach to Implementation

The overall strategy for implementation envisaged an integrated approach focusing on six key aspects and seven guiding principles (Chauhan 2009). The six key aspects included connectivity, capacity building, content creation, cyber law, citizen interface, and capital. The seven guiding principles included the following: Centralized initiative and decentralized implementation; delivering public value, think big, start small, and scale fast; change management; common core and support infrastructure; capacity building; and public private partnerships (PPPs).

Governance Structure under NeGP

NeGP has conceptualized a well –defined governance structure to ensure its implementation as a comprehensive and integrated plan cutting across various central line ministries and state governments. At the highest level, there is a Committee headed by the Prime Minister to provide the overall leadership for the implementation of the NeGP. A National e-Governance Advisory Group headed by the Minister of Communications and IT has been constituted to seek views of the various stakeholders and deliberate on the policy issues and interventions needed to mainstream ICT in governance in the country. An Apex Committee on NeGP chaired by the Cabinet Secretary has also been constituted to monitor its implementation, provide policy directions and resolve any interministerial issues. For the actual conceptualization, financial approvals, and implementation of the MMPs, the respective line ministries and departments are responsible. DeitY serves as the secretariat for the Apex Committee in managing the NeGP and provides technical advisory and appraisal services to the various departments implementing the MMPs. It is also responsible for implementing the core infrastructural and other technical support components of the plan.

Components under NeGP

The NeGP consists of eight components. The three main core components consists of State Wide Area Networks (SWANs), State Data Centres (SDCs), and Common Service Centres (CSCs). All these three projects are being implemented by DeitY. The other five components comprise standards, awareness and communication, capacity building, assessment, and research and development. DeitY plays a pivotal role in these areas as well.

Mission Mode Projects under NeGP

The 31 MMPs under the NeGP consist of 11 central, 7 integrated and 13 state projects. The 11 central MMPs are as follows: Banking; Insurance; MCA21; Income Tax; Central Excise; National ID/ UID; Passport; Immigration and Visa; Pensions; E-Office; Posts.

Out of the 11 central MMPs mentioned above, 10 have gone live and are offering services to their stake holders. However, not all services under their defined service categories may be operational.

The 13 state MMPs are as follows: National Land Records Modernization Programme (NLRMP); Commercial Taxes; Transport; E-District; Treasuries; Municipalities; Police–Crime and Criminal Tracking and Networking Systems (CCTNS); Agriculture; Gram Panchayats; Employment Exchange; Health, Education and PDS.

Out of the 13 state MMPs four MMPs, i.e., NLRMP, Transport, e-District (Pilot), and Commercial Taxes have gone live and are delivering various services. Two MMPs, treasuries and Municipalities, have become live partially. Three MMPs, CTNS, Gram Panchayats, and Agriculture are under implementation and Employment Exchange MMP is yet to be launched. The three new MMPs are under conceptualization stage.

The 7 integrated MMPs are as follows: India Portal; National Service Delivery Gateway (NSDG); Common Service Centres (CSC); E-Courts; Electronic Data Interchange (EDI) for Trade; E-Biz; E-Procurement.

Except the e-Biz MMP, all the other MMPs listed above have gone live through not all the services under various categories might be operational. E-Biz MMP is expected to go live shortly.

Cross-Case Comparative Analysis: Issues and Challenges in Implementation of NeGP

Though several projects under the NeGP have achieved significant success in implementation and have started delivering services to their stakeholders, many projects are facing challenges in implementation. What are these issues and challenges?

Operational

The main operational issues and challenges mentioned by the MMPs include lack of dedicated projects teams, frequent changes in project leadership, lack of capacity and change management, inadequate engagement with the key stakeholders and issues in project management due to the sheer scale and diversity of some very large projects.

Institutional

The main institutional issues and challenges noted by the MMPs include inter-departmental coordination, duplication of infrastructure, lack of an institutionalized incentive scheme, inadequate business process reengineering (BPR), delays in obtaining necessary approvals, and exit management for PPP projects.

Legal

Some MMPs pointed out that recognition of electronic records is still an issue despite the legal mandate provide by the IT Act for the same. In some cases, BPR needed legal enactments to be implemented.

Financial

Some MMPs noted that delays in obtaining financial approvals were hampering the progress of implementation. Delays in release of funds to the states and their utilization was also mentioned by some state MMPs as a major challenge in making projects go live in those states.

Technological

The major technological challenges pointed out by the MMPs included dependency on core infrastructure for implementation, software customization, system integration, compliance with security standards an third party audit, lack of a central network and lack of adequate disaster recovery (DR) facilities.

Critical Factors Affecting the Implementation of NeGP

We can observe from the above analysis that the issues and challenges being faced by the MMPs can be broadly classified into seven critical factors: information, people, management, process structure, strategy and technology. This analytical framework allows us to suggest interventions to make the MMPs more effective and outcome oriented in their implementation. I attempt to do this in the next section.

NeGP: The Way Forward

How can the MMPs be made more effective in terms of their outcome orientation and how can they take advantage of the latest new and innovative technologies such as cloud and mobile to make implementation faster and more resource efficient? Based on the analysis in the preceding sections, the following recommendations can be made for the MMPs in this regard.

Redefining the Strategy: Outcome Orientation

The MMPs should redefine their service delivery strategy with a renewed focus on outcome orientation through provisioning of all feasible services through the electronic mode, well-defined service levels and measurable transactions either through CSCs or in self-service mode.

Process : Focus on BPR and Aadhaar Integration

The process interventions should include comprehensive BPR digital signing of al the documents, electronic authentication, integrated services and integration of the Aadhaar platform for service delivery.

New and Innovative Technologies: Cloud Computing, Mobile and Localization

There is tremendous scope for exploiting the new and innovative technologies such as cloud computing and mobile platform for making rollout of services faster and more resource efficient. Cloud computing offers tremendous opportunities for fast tracking the implementation of different projects and for quickly replicating the successful e-governance projects in various states across the country. Similarly, as access to mobile phones is much higher compared to the same for computers and internet, mobile platform holds tremendous potential for widening the reach of e-governance, especially in rural areas. Use of local languages in applications can facilitate easy access to them for the people.

Institutional Structure and Management

Ensuring inter-departmental coordination and coordination among the central ministries and state government departments are sine qua nons for the success of any project. They are also vital in avoiding unnecessary duplication of efforts. Such coordination can also help in timely sanctions and releases of funds to the implementing agencies and states. There is also need for an institutionalized performance like incentive scheme to be put in place for the MMPs. A proper management information system (MIS) must be put in place by all the MMPs to effectively monitor the performance of the projects. Proper policies for strategic control and exit management also need to be put in place. Appropriate revenue models for ensuring financial sustainability of the projects also need to be carefully examined.

Issues and Challenges faced by MMPs	**Critical Factors as per Heeks and Bhatnagar (1999) Model**
Operational: dedicated project teams, project leadership, capacity and change management, inadequate engagement with the key stakeholders, project management	Information, People, Management Structure
Institutional : Inter-departmental coordination, duplication of infrastructure, lack of an institutionalized incentive scheme, inadequate business process reengineering (BPR), delays in obtaining necessary approvals, an exit management of PPP projects.	Management, Process, Information, Structure, Strategy
Legal: electronic records, BPR	Process, Management
Financial: delays in financial approvals, release of funds	Process, Management
Technological: core infrastructure, system integration, customization, Security, DR	Technology

People and Information: Capacity Building and Empowering Stakeholders

Capacity building at all levels within the government is a must for the success of any project. The importance of dedicated project teams and change management cannot be overemphasized. Disseminating proper information and empowering the key stakeholders can go a long way in ensuring the success and sustainability of the projects.

Conclusions

NeGP has achieved notable successes after six years of its implementation. However, several projects under NeGP still lack a clear focus on outcomes and face a number of challenges that have prevented them from becoming fully operational and effective in terms of delivering services to the people as per the original vision of NeGP. At this crucial juncture, there is a need for enhancing the effectiveness and speed of implementation of these MMPs to make them more outcome oriented. Interventions focused on BPR, adoption of new and innovative technologies such as cloud and mobile platforms, localization, e-authentication and Aadhaar integration in service delivery, capacity building, change management, and empowering the key stakeholders can go a long way in enhancing the effectiveness of NeGP and in realizing its original vision.

* * *

ANDHRA PRADESH INDUSTRIAL DEVELOPMENT CORPORATION LIMITED {APIDC}

Smt. Shalini Misra, IAS joined Andhra Pradesh Industrial Development Corporation Limited {APIDC} as Vice Chairman & Managing Director in September, 2012. Some of her assignments since she joined service in 1988 have been Director, Deptt. of Women & Child Development; Director, Civil Supplies Deptt.; Executive Director, A.P. State Housing Corporation Ltd.; Chairman & Managing Director, Swagruha Corporation, Hyderabad.

Genesis

Andhra Pradesh Industrial Development Corporation Limited was established on 16th December 1960, by the Government of Andhra Pradesh for planned development of medium and large scale industries in the state. Today, it has an authorized capital of Rs. 110 Crores and paid up capital of Rs. 96.23 Crores.

Mission

Enriching society through sustained industrial growth.

Objectives

- Identify and promote entrepreneurial talent for comprehensive industrial development.
- Conceptualize exploitation of resources for industrialization.
- Ensure economic, financial and social viabilityof the promoted projects.
- Earn a reasonable rate of return.
- Function as an extended arm of Government/ National Development Banking Institutions.

Activities

- Project promotion - Generation and Implementation of New Project Ideas.
- Equity Participation.
- Extending Project Finance.
- Working Capital Facilities :

  a Bills Discounting

  b Medium / Short Term Loans

Smt. Shalini Misra
MD APIDC

- Venture Capital Fund for IT and Bio-technology industries.
- ENTIRE (Entrepreneurs Nucleus and Total Investment Requirement Eden) :

  a Escort Services

  b Consultancy

  c Implementation of Project

Setting up an industry in Andhra Pradesh is simple and straightforward. The State Government actively supports investment, both foreign direct investment and domestic investment in manufacturing, mining and infrastructure sectors.

Investment Opportunities

Andhra Pradesh provides opportunities for investment in various sectors. The State is rife with investment opportunities in the main thrust areas – broadly in the manufacturing, infrastructure and other sectors categories. In the manufacturing sector food processing, agro processing (including floriculture), petrochemicals, basis metals, textiles, leather, mining and mineral processing, transport equipment, telecommunication hardware and electronics and engineering are attracting a great deal of attention. In the infrastructure sector development in the areas of power, ports, roads and bridges, telecommunication facilities, and industrial infrastructure and waterways is being specifically emphasized.

Apart from these, there exists considerable scope in the sectors of financial services, R and D organization, component sourcing centres, commercial forestry and tourism.

Given its inherent strengths, dynamic policies and quick response, Andhra Pradesh, the hub of industrial activity in south India, is the ideal location for new industries :

a) Ranks number four in investment in existing units.

b) Presence of 71 out of the 500 top global corporates and 63 out of the country's top 500 companies

c) Stands fifth in cumulative disbursement of assistance by Central Financial Institutions.

d) An international economic enclave at Visakhapatnam and a Business District at Hyderabad.

e) 208 industrial development areas and industrial estates with all basic facilities.

f) Software technology park at Hyderabad and home to several hi-tech computer companies already.

APIDC's Contributions

Entrepreneurial Base :

A strong local entrepreneurial base has been created by extending guidance and a helping hand to first generation entrepreneurs.

Natural Resources Utilization :

A number of projects have been encouraged for promotion, based on the rich natural resource endowments of the State like Agro, Mineral, Marine, Forest, Livestock, etc.

Dispersal of Industries :

The planned industrial activity taken up and implemented by the corporation has resulted in a wide dispersal of industries throughout the state.

Thrust Areas

The new Equity Policy of the Corporation proposes to give a special impetus to Industrial Development.

The Corporation has identified the following for special focus for investment : Food & Agro Processing except traditional industries; Petroleum; Petro-chemicals; Chemicals & Fertilizers; Engineering & Automotives.Mineral based industries.Information Technology.100% Export Oriented Units.Biotechnology; Renewable sources of Energy; Energy Saving Devices; Appliances, etc. Energy Efficient and Waste Reduction Technologies and Processes. Pollution Control Equipment and Devices. Waste Utilisation and Recycling.

* * *

You yourself, as much as anybody in the entire universe, deserve your love and affection

Gautama Buddha

LETTER TO THE EDITOR

September 14, 2012

Shri S. K. Gupta

Dear Editor,

I am happy to note that COSIDICI organises common service facilities, courses, seminars, meetings, study tours and international exposure programmes for the benefits of the State Level Financial Institutions {SLFIs}. There is no doubt about it that since its inception, COSIDICI has been playing its role commendably and has significantly produced the desired impact on the growth of the SLFI sector. Moreover, the contents of Bi-Monthly Magazine ~ "COSIDICI COURIER' provides useful information to its readers.

I convey my best wishes for the sucessful publication to the Editorial Board for the Journal "COSIDICI COURIER".

With Warm Regards,

Sincerely Yours,
Sd/-
{S.K. GUPTA}
Managing Director
Avanti Media Limited
{TV100 NEWS CHANNEL}
F-40, Sector-6, Noida-201301 (U.P.)

The first responsibility of a leader is to define reality. The last is to say thank you. In between the leader is a servant.

Max De Pree

HSIIDC

State Government Offers Incentives For Investment In Haryana

Haryana Chief Minister, Shri Bhupinder Singh Hooda has pledged incentives for industries investing in the backward regions of the state. "The infrastructure, industry-friendly policies, responsive administration, law and order situation and abundant skilled manpower have made Haryana a preferred destination for industrial development" he said.

He said 87% of the total investment received in Haryana is from the private sector. "Health services are being expanded and new medical colleges are being set up. State would like to involve private sector in the development of medical infrastructure and facilities through PPP mode. He assured that the government will do everything to maintain healthy industrial relations in the state. The average annual growth rate of Haryana has been 9.4% during the past seven years as against the national growth rate of 8.4%.

Speaking about the projects, HSIIDC, M.D., Shri Rajiv Arora said the state government is striving to improve connectivity, ensure quality power supply, water supply and provide effective logistic support to the industries. In this connection, he mentioned about the development of 135 kilometer long KMP Expressway and Metro in Gurgaon. Metro to Faridabad is under construction and Metro has also been approved upto Bahadurgarh. Rapid Rail Connection to Panipat is also on the anvil. Delhi-Mumbai Industrial Corridor is another ambitious project, which covers 66% of the state across 13 districts, which will throw up huge investment opportunities. The industrial infrastructure in the state is being strengthened through the development of new IMTs, industrial estates, besides developing parks like food parks and IT parks.

213 new industrial plots at IMT Bawal on offer

HSIIDC has invited applications from entrepreneurs for new allotments of industrial plots at the Industrial Model Township (IMT) Bawal. In total, around 213 plots are up for allotment in the current phase. The new township is located right next to NH-8 and is about an hour's drive from Manesar. The HSIIDC has also reserved 10% of the plots here for NRI quota and for firms having 33% of more of FDI in total investment. "Entrepreneurs with disabilities, as defined in the differently-able persons, would be considered for allotment of plots on a preferential basis for up to two per cent of the available plots".

DSIIDC

Delhi govt. to conduct surveys in unauthorised colonies soon

The state government has decided to conduct surveys in 895 unauthorised colonies which were regularised last month with the aim to review their basic infrastructural needs. Agencies such as PWD and DSIIDC will be responsible for carrying out the surveys after which the developmental works will commence in the colonies. Centre has already developed CDs consisting of maps, boundaries and all necessary information related to each of the 895 colonies. Moreover, the CDs have been disbursed to the concerned MPs, MLAs and Resident Welfare Association demanding their support for conducting development works in the settlements. Furthermore, Centre mulls to spend Rs 200 crore in the initial stages for conducting development works in the colonies. The basic purpose of developing the CDs is for ensuring improved coordination among the concerned parties.

KSIIDC

KSIIDC appointed nodal agency for industrial PPPs. Also to work on setting up

National Manufacturing Investment Zone, Special Investment Regions in state:-

The Karnataka government, which is seeking Centre's approval to set up the National Manufacturing Investment Zone (NMIZ) in Tumkur, has appointed Karnataka State Industrial and Infrastructure Development Corporation (KSIIDC) as the nodal agency to implement the project. The appointment of KSIIDC as the nodal agency is based on a recommendation from the commissioner of industries.

According to a government order, KSIIDC will take forward the proposed NMIZ besides two other projects such as developing Special Investment Region (SIR) in Dharwad and model industrial layout in Hassan through a public private partnership (PPP) model. "The state government is looking at taking a holistic and integrated approach towards developing NMIZ or SIR apart from other large industrial investment projects. The role of KSIIDC will be to provide handholding support to various key investment projects. It will provide support from the concept to implementation," Shri M. Maheshwara Rao, Commissioner of industries, government of Karnataka said.

The Department of Industrial Policy & Promotion, Ministry of Commerce & Industry has promoted the idea of NMIZ as part of the National Manufacturing Policy (NMP). This is an initiative to push the share of manufacturing sector in increasing GDP of the country. The government is targeting to increase the share of the manufacturing sector in the GDP to at least 25 per cent by 2020 from the present 16 per cent. To achieve this target, the government mooted the concept of NMIZs, which will be mega industrial zones with world class supporting infrastructure. The government is offering a host of incentives like exemption from capital gains tax and a liberalised labour and environment norms to promote these zones. The NMP proposes to create 100 million jobs by 2020. The main focus of KSIIDC is to provide the required infrastructure to NMIZ or SIR. It will facilitate various approvals from the state and central governments for developing NMIZ in a time bound manner, Shri Rao said. "In order to implement the NMIZ and SIR in the state, there is a need to undertake pre-feasibility study of the projects, provide all the required escort services to the proposed public private partnership projects at various levels of implementation and monitoring. All these services will be provided by KSIIDC," Shri Rao said. The Chief Minister of Karnataka has already addressed a letter to Prime Minister requesting for approval for establishment of two NMIZ in Karnataka, of which one will be in Tumkur. The government is also looking at either Gulbarga or Dharwad for the second NMIZ.

* * *

A man's value depends upon his courage and resolution, his veracity depends upon his traits of nobility and self-respect and his chastity depends upon his sense of honour.

Hazrat Ali

QUESTIONS OF CYBERQUIZ ~ 38

Q.1. Which was officially the first PC-based graphical user interface (GUI)?

[a] Windows 1.0; [b] VisiCorp's VisiOn; [c] GEM {Graphics Environment Manager}; [d] TopView from IBM.

Q.2. What is Dr. Watson ?

[a] A file search utility for the Net; [b] A file search utility for PCs; [c] A software utility that comes with Microsofty Windows and is used to help detect, decode and log errors that are encountered while the O/S is running; [d] A virus detection utility.

Q.3. In which software application do you find "Clippy" ?

[a] Microsoft Windows; [b] Microsoft Office; [c] apple Mac O/S; [d] CorelDraw.

Q.4. Eudora from Qualcomm, a popular e-mail software, gets its name from Eudora Welty, the author of a 1941 story called Why I Live at the Post Office. Why was the software named so?

[a] The software writer was very fond of the story; [b] The basic idea behind the software is contained in the above story; [c] Eudora Welty is also the author of the software; [d] Eudora software is based on POP -Post Office Protocol.

Q.5. Which of the following application programs helps to overcome the formatting limitations of Hypertext Markup Language ?

For Answers See **Page No. 33**

SUCCESS STORIES OF KSFC ASSISTED UNITS

FITWEL TOOLS & FORGINGS PVT. LTD., TUMKUR

M/s Fitwel Tools and Forgings Pvt. Ltd. was established in the year 1987 as an ancillary to Karnataka State Small Industries Development Corporation (KSSIDC). The Company is involved in the manufacture of hand tools, particularly double ended open jaw spanners, bi-hexagon ring spanners, cutting pliers and water pump pliers. After working as an ancillary to KSSIDC for three years, the unit became an independent unit in 1990.

The promoter, Shri D.R. Subramanya, has 35 years of experience in the field of manufacturing forgings. This experience enabled him to develop and nurture the company into a leading forging manufacturer in a short span of time. The company lays great emphasis on speed, quality and quantum of progress.

Fitwel Tools and Forgings has so far produced over 100 million arm rockers, one million gear shifters and fork forgings. The company has a production capacity of 7.2 million components of small precision forgings, per annum.

The company has availed financial assistance of Rs.206.7 lakhs from KSFC. The promoter aims to be a leader in the precision forging industry by investing in the latest technology and by developing infrastructure to meet the increasing quality and quantity requirements of customers. Fitwel Tools and Forgings is an ISO 9001:2000 and ISO/TS 16949 : 2002 certified company.

* * *

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

Atharva Veda

DO YOU KNOW ?

TOP 10 USES OF NANOTECHNOLOGY IN FOOD

Nanoparticles may be able to detect bacteria, extend food shelf life, add health benefits, or improve flavor, reports Discovery. While nanotechnology does not involve any genetic manipulation, many companies are keeping secret about their work their doing. While this can keep competitors off their trail, it can also make it difficult for regulatory agencies to manage risks and create laws for these emerging technologies. Nonetheless, nanotechnology offers some exciting potential benefits for the quality and safety of our foods.

- **CONTAMINATION SENSOR:** Flash a light to reveal the presence of E. coli bacteria.
- **ANTIMICROBIAL PACKAGING:** Edible food films made with cinnamon or oregano oil, or nano particles of zinc, calcium other materials that kill bacteria.
- **IMPROVED FOOD STORAGE:** Nano-enhanced barrier keeps oxygen-sensitive foods fresher.
- **ENHANCED NUTRIENT DELIVERY :** Nano-encapsulating improves solubility of vitamins, antioxidants, healthy omega oils and other 'nutraceuticals'.
- **GREEN PACKAGING:** Nano-fibers made from lobster shells or organic corn are both antimicrobial and biodegradable.
- **PESTICIDE REDUCTION:** A cloth saturated with nano fibers slowly releases pesticides, eliminating need for additional spraying and reducing chemical leakage into the water supply.
- **TRACKING, TRACING; BRAND PROTECTION:** Nanobarcodes can be created to tag individual products and trace outbreaks.
- **TEXTURE:** Food spreadability and stability improve with nano-sized crystals and lipids for better low-fat foods.
- **FLAVOR:** Trick the tongue with bitter blockers or sweet and salty enhancers.
- BACTERIA IDENTIFICATION AND ELIMINATION: Nano carbohydrate particles bind with bacteria so they can be detected and eliminated.

***

Govt. opens FDI floodgates for global airlines and retailers

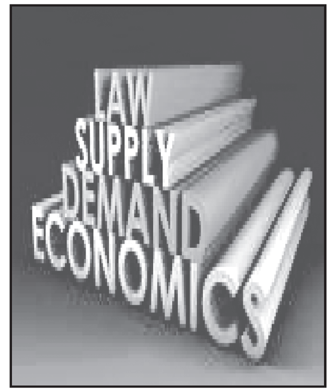
The Central Government on September 14, 2012 allowed FDI - across sectors ranging from aviation to retail, and media to power. The Union Government also approved disinvestment in four PSUs - Nalco, MMTC, Hindustan Copper (HCL) and Oil India which could fetch the government about Rs.15,000 crore.

Domestic airlines have been allowed up to 49 per cent foreign direct investment (FDI) from global airlines. FDI in India's multi-brand retail, where global chains like Walmart, Carrefour and Tesco have been waiting for several years to enter, will be capped at 51 per cent; but, it will be up to states to take a final call. The policy on single-brand retail, too, has been diluted to clear the way for the likes of the euro 25-billion Swedish furniture company IKEA to invest in India. The norm mandating 30 per cent sourcing from the country's micro, small and medium enterprises (MSMEs), cleared by the Cabinet last year, has been changed. Now, it would be 30 per cent mandatory sourcing from India, preferably from MSMEs.

Broadcasting services such as direct to home (DTH) and cable allowed to attract up to 74 per cent foreign investment, up from 49 per cent. Power exchanges have been allowed to receive up to 26 per cent FDI and 23 per cent foreign institutional investment.

External debt to GDP ratio rises to 20% in FY 12

India's external debt as a share of GDP rose to 20% by the end of March 2012 from 17.8% in the previous year mainly due to a rise in short-term borrowing and slowdown in the economy, making it one of the most vulnerable but still better than some of the major emerging economies. At the end of 2011, China's external debt to GDP ratio was around 8.3% while it was 19.8% for Brazil, 28% for South Africa and 39% for Russia. India's external debt increased to $345.8 billion at end March 2012 compared with $305.9 billion last year and $260.9 billion at the end of 2010-11. The debt servicing ratio also rose to 6% from 4.3% last year, the ministry said in a report. "India's external vulnerability indicators have witnessed some signs of stress in the recent period, reflecting the impact of a deepening euro-zone sovereign debt crisis and the global slowdown," it said. "Global economic risks could rise further with a weakening recovery, sluggish growth prospects and continuing high debt and gross financing needs in several advanced economies".



Aggravation of external sector risks is reflected in upward movement in India's current account deficit, falling reserve cover for imports and external debt, depreciating rupee exchange rate, rising levels of external debt and the increasing share of short-term and commercial borrowing in total external debt. The external debt to GDP ratio is 20.0% and the debt service ratio is 6.0% in 2011-12.

Indirect tax receipts rise 27% during April-August

Indirect tax receipts in the first five months of the fiscal rose 27% to Rs.1.81 lakh crore from a year ago mainly on account of the increase in excise duty and service tax from 10% to 12% at the beginning of the financial year. The government had collected Rs.1.43 lakh crore as indirect taxes in the same period a year ago. Service Tax collection rose 41% to Rs.47,775 crore as the country moved to a negative list based approach from July 1 to widen the coverage of this levy. Excise duty, the tax on production, rose by 25% to Rs.69,025 crore. Customs duty collection rose 20% to Rs.64,920 crore in the April-August period. The government is confident of meeting the indirect tax collection target of Rs.5,05,044 crore this fiscal.

Fiscal deficit touches 66% of budgeted amount

The country's fiscal deficit has touched Rs.3.37 lakh crore - or 65.7% of the Rs.5.14 lakh crore-worth fiscal deficit budgeted for 2012-13, according to an official data released on September 28, 2012.

In a bid to stay close to the budgeted fiscal deficit target of 5.1% for 2012-13 and to prevent the possibility of a downgrade of its ratings, the government has decided against crossing its borrowing target for this financial year. However, Economic Affairs Secretary, Shri Arvind Mayaram indicated that the government could end up with a slightly higher fiscal deficit of 5.2-5.3% this fiscal. Though the option for a fresh borrowing announcement later always exists, the government does not expect to exercise that choice.

He said the government expects to net around Rs.25,000-30,000 crore from PSU disinvestment and Rs.40,000 crore from the spectrum auction. "Wasteful expenditure, if any, will be strongly curbed and, therefore, we are confident that we will be able to come pretty close to our fiscal deficit target. We are cognizant of the fact that there could be a possibility (of wasteful expenditure). we will be watchful".

The fiscal deficit was 5.8% of the GDP in 2011-12. During April-August last fiscal, the fiscal deficit had reached 66.3% of the budgeted amount. The net tax revenue during April-August this fiscal was Rs.1.75 lakh crore, while the total expenditure was around Rs.5.65 lakh crore. The deficit is primarily financed through domestic borrowings, which stood at Rs.2.92 lakh crore during the April-August period. This is 60% of the total estimated borrowings of Rs.4.88 lakh crore in 2012-13.

Shri D.K. Joshi, Senior Director and Chief Economist at the ratings agency Crisil, told Financial Express that the pressure on the fiscal deficit side is building up primarily on account of the fuel subsidy. The ratings agency expects the fiscal deficit to touch 6.2% of GDP this fiscal, and it incorporates a 10% increase in fuel prices, he said. In an attempt to narrow the fiscal deficit by reducing subsidies, the government had recently hiked diesel prices.

April-September direct tax collection rises 5.87%

The government's gross direct tax collection for the April-September period this year increased by a modest 5.87% to Rs.2,72,133 crore as against Rs.2,57,042 crore during the same period last year. The net direct tax collections, however, showed much higher growth of 16.32% to Rs.2,26,603 crore compared to Rs.1,94,812 crore in the same period last fiscal as the government decided to give lower refunds to the corporate sector and individuals. In the first five months of the fiscal, the government refunded Rs.31,838 crore to corporates, compared with Rs.44,989 crore in the same period last year. Refunds during the whole of last year stood at Rs.72,958 crore. "While industry sources complain that delayed refunds affect liquidity, the government too is expected to pay the price in subsequent years in the form of 6% annual interest cost.

Lower refunds also meant that net corporate tax collections remained higher even as gross collections from the India Inc in the April-September period rose marginally by 1.60% to Rs.1,78,173 crore as against Rs.1,75,360 crore last year. Gross corporate tax receipts remained sluggish as economic growth slowed to 5.5% in the first quarter this year compared with 8% the same time a year ago, depressing corporate profits. The gross collection of personal income tax was up by 14.87% to Rs.93,451 crore as against Rs.81,353 crore last year.

Indirect tax collections grow 15.6% in April-September quarter

Indirect tax collections have risen at a low rate of 15.6 per cent to Rs 2.17 lakh crore in April-September, against the annual target of 27 per cent, due to slowdown in economic activity.

The excise duty collection during April-September period totalled Rs 80,000 crore, while customs duty mop up at Rs 77,000 crore, acording to sources in the tax department. The service tax collection was Rs 60,000 crore during the period.The government has fixed the target of indirect tax collection, comprising customs, excise and service tax, at Rs 5.05 lakh crore for the current financial year, an increase of about 27 per cent from 2011-12 target.

In September, 2012 the tax collection was Rs 22,000 crore, showing a growth of about 19 per cent over the realisation in the same month last financial year. Revenue from customs duty totaled Rs 8,000 crore and from excise at Rs 8,110 crore. Service tax collection was Rs 5,890 crore in September, 2012.

The collection from service tax is likely to be higher in October and subsequent months as the government has imposed the duty on railways also, which till September was exempted from the ambit of the tax. The exchequer is expected to earn about Rs.3,000 crore from the service tax decision coming into force from October 1.

Govt. clears road projects worth Rs.11,500 crore

The government on September 20, 2012 approved nine road projects of 1,226 km and worth Rs.11,597 crore from Uttar Pradesh, Bihar, Maharashtra and Andhra Pradesh, as part of its effort to give an impetus to investments and accelerate economic growth. A Finance Ministry statement said on September 20, 2012 that the relevant Empowered Committee cleared these road projects. The Viability Gap Funding (VGF) involved is Rs.2,295 crore, it said. These projects are at an advanced stage of bidding/construction and are expected to result in disbursal of Rs.500.00 crore from the Centre during 2012-13, it added. The Finance Minister, Shri P. Chidambaram had recently mooted a National Investment Board chaired by the Prime Minister to fast-track infrastructure projects over Rs.1,000 crore.

Earlier in July, the Public-Private Partnership Appraisal Committee (PPPAC) had given clearance to eight new road projects worth Rs.8,356 crore, covering a stretch of 757.5 km. In a bid to fast-track stalled infrastructure projects, the finance ministry had assured help to infra companies in achieving financial closures through banks. The ministry had also sought the status report on projects that have not been implemented from various infrastructure ministries.

The delay is not only in roads and highways. PPP projects of major ports are held up as well for want of multiple clearances at various levels — from the shipping ministry to the PPP appraisal committee and the Cabinet. As per official figures, delays in execution of mega infrastructure projects has led to a 36% rise in their costs from the original estimates as on May 31, 2012. The cost overrun of the projects — 28 power, 36 railway and 84 road — is pegged at Rs.52,446 crore, taking the total cost from Rs.1,45,271 crore to Rs.1,97,717 crore.

Various petroleum, oil and gas projects are in the pipeline awaiting clearances from Navy, Department of Space and other national defence bodies. Since a lot of projects are facing delay and are waiting for environment, wildlife and forest approvals, the finance ministry would soon write to the ministry of environment and forest (MoEF) to speed up the process of clearances.

Norms for setting up arms of foreign NBFCs relaxed

The department of industrial policy and promotion (DIPP) on October 04, 2012 relaxed norms for setting up of subsidiaries by foreign-owned non banking financial companies. NBFCs with a foreign holding of more than 75% and up to 100%, with the minimum paid-up capital of $50 million, are now allowed to open any number of subsidiaries. “With a minimum capitalisation of $50 million, foreign owned NBFC) can set up step-down subsidiaries for specific NBFC activities, without any restriction on the number of operating subsidiaries and without bringing in additional capital,” said the DIPP notification.

As per the existing norms, only 100% foreign-owned NBFCs with a minimum capitalisation of $50 million are allowed to establish any number of step down subsidiaries for specific NBFC activities without any restriction on the number of operating subsidiaries and without bringing in additional capital. This meant that such an NBFC would need to bring another $50 million.

Cabinet grants international airport status to five cities

The Union cabinet on 4th October, 2012 approved granting of international airport status to airports in Lucknow, Varanasi, Mangalore, Tiruchirapalli and Coimbatore. The civil aviation ministry had proposed to grant international airport status to Chaudhary Charan Singh airport in Lucknow, Lal Bahadur Shastri airport in Varanasi, Mangalore, Tiruchirapalli and Coimbatore. "All these airports are capable of handling medium capacity-range, long-range type aircraft and are also equipped with facilities for night operations." The airports have been upgraded to the international standards and this declaration is expected to provide impetus to domestic or international tourism and contribute to economic development of the concerned regions.

There are 454 airports and airstrips in the country, of which the state-run Airports Authority of India (AAI) owns and manages 97 airports and 28 civil enclaves at defence airfields. So far, 16 of them have been designated as international airports while several other airports had been designated as 'Limited International' for a restricted number of global flights. The Lucknow airport is suitable for all-weather operations and can provide parking facility up to 14 aircraft. At present, Air India, Jetlite, GoAir, IndiGo and SpiceJet are operating domestic flights from and to Lucknow. Varanasi airport can accommodate five Boeing 767 and four Airbus 321 aircraft. Air India, Thai Airways and Cosmic Air are operating international flights from there.

Government approves 12th Five-Year Plan

The government approved the 12th Five-Year Plan (2012-17) document in October 2012. It seeks to achieve annual average economic growth rate of 8.2%, down from 9% envisaged earlier, in view of fragile global recovery.

It is an ambitious Plan. It estimates resources at an ambitious level and hope to expand the interventions in critical areas like health, education, drinking water, sanitation. The projected average rate gross capital formation in the 12th Plan is 37% of GDP. The projected gross domestic savings rate is 34.2%of GDP and the net external financing needed for macro economic balance has been placed at 2.9 % of GDP. Plan emphasises the need for speeding up the implementation of infrastructure projects. The 12th Plan document has already been approved by the full Planning Commission chaired by Prime Minister Shri Manmohan Singh on September 15. Now, the document will be placed before the NDC, the apex decision making body, which is headed by the Prime Minister with all chief ministers and Cabinet ministers on board

Need for a medium-term plan

Chief economic advisor in the finance ministry, Shri Raghuram Rajan, in September 2012 wanted a medium-term plan to bring back the economy on to a robust path of fiscal health. Indicating that there could be significant slippage from the fiscal deficit target for the current fiscal, he said, "We should not focus overtly on whether fiscal deficit is X or Y for this year, but it would be in the medium-term."

The former IMF chief economist, in his maiden press interaction, underlined the need for aligning domestic petroleum prices with international rates with a view to reducing subsidies and containing fiscal deficit. "We have to create the fiscal space if we have to spend elsewhere," he said, amid reports that India could face a rating downgrade if urgent steps are not taken to reduce the fiscal gap. The government is likely to borrow an additional Rs.50,000 crore this year. The US Federal Reserve's latest round of monetary stimulus and monetary easing by the European Central Bank will benefit India in the short term. Cautioning against over-dependence on FIIs, Shri Rajan said the government should rather focus on FDI and open more sectors to such inflows.

* * *

ACTIVITIES OF COSIDICI

Executive Committee Meeting :

The Executive Committee Meeting and Annual General Body Meeting of COSIDICI were held on October 18, 2012 at India International Centre, New Delhi. The Executive Committee was happy that all the thirteen SFCs which had entered into MoU with SIDBI and had either turned around or were in the process of doing so. COSIDICI had also prevailed upon the State governments to extend financial support to the SFCs in their respective states to enable them continue their support to the SSI units. However, they were still facing the problems of low capital base and non availability of adequate resources at cheaper cost. MSFC which had not done fresh lending since 2005 was recovering only outstanding principle which was Rs.200 crore. Interest outstanding of Rs.1200 crore had been waived off. The corporation faced difficulty in recovery even when it had collateral security because it was inhibited by a Supreme Court judgement. In the case of KSFC Vs. N. Narsimhaian the Hon'ble Supreme Court had prohibited SFCs from taking over the property of a surety in the event of default committed by the principal borrowers. The corporation was, therefore, recovering some of its outstanding under section 31 of SFC Act, 1951. As SIDBI held 40% equity in MSFC it expected to pay up from the above recovery. MSFC was, therefore, not being able to come out of its present situation. The Executive Committee advised that MSFC may follow the HFC model of doing One Time Settlement with SIDBI under which the outstanding amount with no further interest (outstanding & future) was to be paid within 3 years subject to the condition that in the event of default in the payment of OTS dues SIDBI would have the right to reverse the waiver of dues as agreed to in the OTS and to restore the original liability, including the state government guarantee. RFC was also in the process of following the same model in doing One Time Settlement of its outstanding amount with SIDBI. MSFC had also tried to introduce One Time Settlement scheme for its units but it had not been successful as the borrowers kept procrastinating and coming out with various excuses. Units resorted to these methods so that they could get the maximum benefit. Shri Yaduvendra Mathur, IAS, CMD, RFC advised that to overcome this problem "One Time Settlement" scheme should not be changed. He had brought out the One Time Settlement Scheme in the State Gazette and fixed an amount under which the names of the companies which could not be given benefit of that settlement were mentioned. RFC had also brought down the interest paid by these units from 18% to 13%. Out of the 5000 outstanding accounts RFC had settled 1000 accounts where the outstanding were Rs.2 lacs and below.

The SFCs were constrained of funds and needed other avenues of funding to carry out their functions. The Executive Committee felt that SFCs needed to follow up the matter with RBI. RBI vide its Master Circular dated 05.07.2011 on lending to priority sector had stipulated that loans sanctioned by Banks to SFCs for on-lending to Micro and Small Enterprises were not eligible for classification as direct or indirect finance to the MSME Sector. However, such loans granted to Micro Finance Institutions (MFIs) were eligible for Priority Sector status. Due to curtailment of refinance from SIDBI, SFCs were borrowing from various commercial banks. The loan given by the Commercial Banks was being utilized for MSME lending. The Banks categorized such advances under priority sector lending as indirect finance to Micro and Small Enterprises. These measures would result in increasing the cost of the loans availed by SFCs from banks by 0.50% to 1%. COSIDICI vide its letter dt. April 17, 2012 to RBI had requested it to allow Banks to treat loans sanctioned by them to SFCs for on-lending to Micro and Small Enterprises as eligible for classification as direct or indirect finance to MSME sector because they were lending to SFCs only after considering their viability, financial requirements and end use of funds.

MSME sector was crucial for the economy of any country. In addition to SFCs, SIDCs were also taking many initiatives to provide reasonable, timely and adequate Credit to this sector. RIICO had started giving loans to the SME sector at 8.5% interest in ten backward district of Rajasthan. The Executive Committee was informed that APIDC had been on the verge of closure in the year 2006. However, following a study the IIM Kolkata pointed out the need for an organisation which would provide equity to the industry in small and medium sector. Consequently, the government of Andhra Pradesh had decided to revive and restructure APIDC. APIDC had cleared all its debt and now had a positive net worth. The corporation was concentrating on providing equity support only. Moreover, IIM, Kolkata had also advised that APIDC might form venture capital fund which should be managed by a private company so that there was no government interference. Thereafter a capital of Rs.100 crore was infused in APIDC. It had done equity participation in 70-80 companies out of which 50% were giving good returns. RIICO had also made the Rajasthan Venture Capital Fund which managed with private collaboration of autonomous organisation and was providing venture capital assistance and rendering services to projects in Rajasthan as well as NCR. Some SIDCs were also doing term lending. Further, it was recognized the world over that SME sector played a crucial role in the development of a country's economy. The planners of United State of America (USA) had attributed their country's all around progress to this sector which enabled them to achieve the objective of holistic and inclusive growth.

The Executive Committee felt that the SLFIs may work in tandem with each other. In Andhra Pradesh APIIC developed infrastructure and Special Economic Zones {SEZs}. The role of APIDC was equity participation and promotion of venture capital in collaboration with private sector. APSFC was giving term loans to the units. Since APSFC could not go beyond Rs.20 crore, the rest of the amount was financed by APIDC. Though there was no ceiling to the amount of lending which could be given, APIDC had thought it prudent not to cross 5 – 6 crores. These corporations should, therefore, share information to lower the number of NPAs. If there were NPAs the corporations should jointly follow them up to find out the reason for the units becoming NPA. If the plant and the machinery were sound and capable of generating good output then it could be revived resulting in lower NPAs.

Ms. Shalini Misra, IAS, Vice CMD, APIDC stated that affordable houses for middle class had been neglected by National Housing Bank and State Bank of India as they subsidized real estate development for the Economically Weaker Sections. In her earlier assignment with Rajiv Swagruha she had initiated a project where the government had given land for self-financed housing. The whole process had culminated in market being stabilized because the affordable houses were at a reasonable rate and constructed on no profit no loss basis where standard material and fittings were used. The SIDCs could also take up this work.

Ms. Misra said that infrastructure work projects were delayed in the state due to non-receipt of environment clearances. SIDCs which were doing infrastructure development were suffering due to this reason. In Rajasthan, the development of Alwar was getting delayed because of environment clearance. In J&K the Kathua complex was delayed. HSIIDC's projects in Faridabad and Maikat were delayed as those were yet to get environment clearance. As the appreciation on land in villages was negligible, it was difficult to make any recovery from the EWS houses constructed there by HSIIDC. Shri Mathur, suggested a separate agenda highlighting the problems being faced by SIDCs could be given in the next meeting so that the same could be taken up with the concerned authorities. Ms. Misra was also requested to give 'Powerpoint presentation' on the issues related to SIDC.

Strengthening of Training Arrangements For The Officers of SLFIs

The Executive Committee appreciated the Training Programme/Seminar organized by RFC on 19th & 20th July, 2012 at Jaipur and by APSFC from 3rd to 5th October, 2012 at Hyderabad. RFC had organised a Seminar/Training programme on "Financing Infrastructure with Special focus on MSMEs" on 19th and 20th July, 2012. As the SFCs were doing only asset-based financing it was felt there remained an area to finance projects based on the cash flows, which was essentially non-resource financing. Thereafter, APSFC had also organised a training programme from 3rd October to 5th October, 2012 on "NPA Guidelines & Management" at their Headquarters in Hyderabad which was attended by 20 participants from our Member Corporations. APSFC was one of the few SFCs the year 2003. This had largely been due to its effective loan recovery policies and timely action. The APSFC provided their own faculty and also invited some outside experts. Such programmes, it was felt, enhanced the core skills of the officers of SLFIs.

KSFC would hold the next Training Programme on the topic "Documentation & Legal Aspects of Project Financing and e-Stamping". The training programme would be held simultaneously with the Executive Committee meeting of COSIDICI proposed to be held at Karnataka in the month of December, 2012. The delegates of the Executive Committee could then share their experiences with the participants of the programme organized by the KSFC.

Award Ceremony For The Successful Units Funded By SLFIs :

The Executive Committee wholeheartedly supported this initiative of COSIDICI as it felt that such an award ceremony would highlight the achievements of these SLFIs. The lecture could be on the topic "The Role of SFCs and SIDCs in Promoting MSME Sector" and could be delivered by an eminent personality. The Executive Committee at its meeting held on July 20, 2012 at Jaipur {Rajasthan} had decided that the award ceremony would be held in February, 2013 and that day would also be celebrated as the "Foundation Day" of COSIDICI. It could then be made into an annual event to coincide with the Foundation Day. The Members decided to hold the function on February 08, 2013 in the Auditorium of India International Centre, New Delhi. An Organising Committee under the Chairmanship of CMD, Delhi Financial Corporation was formed to work out the details and modalities of the function.

ANNUAL GENERAL MEETING :

The Annual General Meeting of COSIDICI was held on September 29, 2011 at India International Centre, New Delhi. The following were elected as the Members of the Executive Committee of COSIDICI for the Year 2012-2013 : -

Shri Yaduvendra Mathur, IAS, C.M.D., RFC, Jaipur as the President of COSIDICI for the Year 2012-2013. Shri B.V. Selvaraj, IAS, C.M.D., DFC, New Delhi; Smt. Vandita Sharma, IAS, M.D. KSFC, Bangalore; Smt. Shalini Misra, IAS, Vice C.M.D., APIDC, Hyderabad; Shri J.P. Gupta, IAS, M.D., MSFC, Mumbai; Shri Sushil Srivastava, IFS, M.D., HPFC, Shimla; Shri Kamal Chakrabarty, IAS, M.D., WBFC, Kolkata were elected as Vice-Presidents. Shri Rajeev Arora, IAS, M.D., HSIIDC, Chandigarh; Dr. Sandeep Dave, IAS, M.D., KSIIDC, Bangalore; Shri Rajendra Bhanawat, IAS, M.D., RIICO, Jaipur; Shri B.B. Swain, IAS Vice C.M.D., GIDC, Gandhinagar; Shri T. Satyanarayana Rao, IAS, M.D., APSFC, Hyderabad; Mohd. Nasimuddin, IAS, C.M.D., TIIC, Chennai; Dr. J. Balaji, IAS, M.D., AFC, Guwahati; Shri Yogesh Gupta, IPS, C.M.D., KFC, Thiruvananthapuram were elected as Executive Committee Members. Besides, Shri W.V. Ramana Murthy, M.D., PIPDIC, Pondicherry and Shri M. Muazzam, M.D., J&K SIDCO, Srinagar were co-opted as E.C. Members for the Year 2012-2013. The contents of the Annual Report of the E.C.M. of COSIDICI for the Year 2011-2012 were noted and approved by the General Body which also approved the audited statements of accounts for the Year 2011-2012.

If your actions inspire others to dream more, learn more, do more and become more, you are a leader

John Quincy Adams

FM seeks change in SME definition

Finance minister Shri P Chidambaram has called for changes in the definitions of micro, small and medium enterprises to encourage them to grow, suggesting that this could be one of the big reforms the government would attempt. He also asked public sector banks and rating agencies to handhold small and medium enterprises to enable them to access capital markets and raise funds for growth while launching National Stock Exchange's dedicated SME platform - Emerge. About 3.11 crore SMEs contribute 45% to industrial output and 8% of the GDP. But attempts to bring small and medium enterprises to market have failed, partly because of the government policy that has incentivized them to stay small. The current policy defines a micro enterprise as one with investment in plant and machinery of up to Rs.5 lakh, small enterprise Rs.5 lakh to Rs.5crore and medium enterprise as one with such investment at Rs.5 crore to Rs10 crore. Since the policy allows such units some favourable treatment, particularly in respect of government sourcing, subsidy for technological upgradation and some borrowing support, many of them are not keen to grow beyond this size. The government could be looking to give SMEs some comfort to grow and achieve economies of scale. The banks and other entities can help SMEs through underwriting of the issues, providing merchant banking services and picking up equity, finance minister said. At present, seven companies are listed on the SME platform of BSE.

Govt allays SME fears

The cabinet move to allow 51% FDI in multi-brand retail has come with several riders. Among them is that foreign retailers setting up shop in India will source 30% of their products 'preferably' from small-scale industries. For the purpose of this policy, small industries are defined as units with investments in plant and machinery not exceeding $250,000. "The volume and value of the SMEs will increase over time and they will grow alongside the foreign players. The SMEs who supply (to foreign retail giants under the special dispensation) initially will continue to do so despite their growth (and eventually losing the small industry tag)," said a ministry official. Earlier, the government had defined small industries as those that have a total investment in plant and machinery not exceeding $1 million at the time of installation, without providing for depreciation.

However, as per the amended conditions for FDI in single-brand retail, even if the small industries' investment goes beyond $1 million, they will continue to supply to the foreign brands. This means that the entry level sourcing partners of companies like Ikea and Pavers- who have expressed interest in FDI- will continue to supply to them all through.

"In respect of proposals involving FDI beyond 51%, sourcing of 30%, of the value of goods purchased, will be done from India, preferably from MSMEs, village and cottage industries, artisans and craftsmen, in all sectors, where it is feasible," the cabinet committee on economic affairs said. Besides, the quantum of domestic sourcing will be self-certified by the company and, subsequently, checked by statutory auditors and the sourcing requirement would be ascertained by company incorporated in India which is the recipient of FDI.

SMEs seek tie-ups with foreign players

In order to become more competitive and enter the global market, Gujarat-based small and medium enterprises (SMEs) are increasingly looking for technical collaboration with their counterparts in the United States and Canada. A trade body representing SMEs in the state, the Gujarat State Small Industries Federation (GSSIF), has tied up with Indo-American Business Chamber of SMEs to promote collaboration between Indian SMEs and overseas players. "The vision is to assist SMEs in Gujarat in improving their manufacturing practices to make them competitive in the international market. The aim is to help them collaborate for technological transfer, joint venture projects and encourage interaction with their international peers." Industrial segments like engineering, pharmaceuticals, textiles, food processing and agri-based industries as well as automobiles and ancillary industries are expected to gain from the tie-up with the Indo-American Business Chamber of SMEs. Ahmedabad district houses a large variety of SME industry clusters, followed by Rajkot and Surat. "Gujarat has cluster-based industrial development. We have an engineering cluster in Saurashtra, a textiles cluster in central Gujarat, food processing in north Gujarat, while the automobiles and ancillary cluster is spread around Ahmedabad and Rajkot. A technological collaboration with firms in the US or Canada will help improve their quality and reduce costs."

SMEs continue to face challenging working conditions. High spending on inputs, finance and transport have hurt the profitability of most of the state's SMEs. In some segments, such as engineering and textiles, global economic weakness has had a major impact on business. Foreign collaborations are expected to help SMEs save on costs, increase earnings and generate more employment.

NSIC launches programme for women entrepreneurs

In order to produce more women entrepreneurs in the country, the National Small Industries Corporation (NSIC) has launched a specialised incubation programme for unemployed girls and women to set up their own businesses. In India, although women constitute the majority of the total population, the entrepreneurial world is still a male-dominated field, Shri Vayalar Ravi, the minister for micro, small and medium enterprises (MSMEs), said. Empowering women entrepreneurs is considered essential for achieving the goals of sustainable and inclusive development. The bottlenecks hindering the growth of women entrepreneurs must be eradicated to entitle them to fuller participation in business.

NSIC's incubation programme is an integrated support scheme that will provide hands-on training on working projects. It provides necessary facilities for prospective entrepreneurs and start-ups to enable them to learn about product manufacturing processes, technology development and business development. According to the MSME ministry, the MSME sector contributes about 45 per cent of India's total manufactured output and nearly 40 per cent of its exports. There are some 26 million MSMEs in the country, providing employment to more than 60 million persons. Of a total of 1,564,000 registered enterprises, 215,000 or 13.7 per cent are those of women entrepreneurs.

To encourage women to set up their own ventures, the ministry runs a scheme named Trade Related Entrepreneurship Assistance and Development (TREAD), which envisages economic empowerment of women through the development of their entrepreneurial skills in non-farm activities. Under the scheme, the Central government gives a grant of up to 30 per cent of the total project cost to non-government organisations (NGOs) for promoting entrepreneurship among women. The remaining 70 per cent is financed by the lending agency as a loan for undertaking activities envisaged in the project.

To impart skills and training to women entrepreneurs, a grant of up to Rs.1 lakh per programme is given to training institutions and NGOs, subject to certain conditions. In the case of hard interventions the contribution from the MSME ministry for clusters owned and managed by women entrepreneurs could be up to 90 per cent of the project cost. One of the obstacles faced by entrepreneurs is the lack of physical infrastructure. To create physical infrastructure for industrial estates where women's enterprises constitute more than 50 per cent of the total, a Central government grant of 80 per cent of the project cost - subject to a maximum of Rs.8 crore - is available.

The Khadi and Village Industries Commission (KVIC) and Coir Board have announced that under the Prime Minister's Employment Generation Programme (PMEGP), the margin money subsidy provided to women entrepreneurs has been increased to 35 per cent in rural areas and 25 per cent in urban areas, compared to 25 per cent and 15 per cent respectively for other general category beneficiaries. KVIC disbursed Rs.312.68 crore as margin money subsidy in 2011-12, compared to Rs.277.63 crore in 2010-11 — an increase of about 12 per cent. The number of units assisted increased by 17 per cent to 14,210 in 2011-12, from 12,134 units in 2010-11. The top five states in this regard were West Bengal (1,981 units), Uttar Pradesh (1,389 units), Tamil Nadu (1,142 units), Assam (1,071 units) and Bihar (991 units).

New umbrella association of MSMEs to be made

The ministry of micro, small and medium enterprises (MSME) is planning to bring all MSMEs under one umbrella association. The move will help the government to interact with the sector in a much more efficient manner. Shri Rafeeque Ahmed, chairman, Ficci Tamil Nadu State Council, said the process (of forming the apex association) has already started. The MSME ministry has already held three meetings in the last three months. Unlike other sectors, the number of associations representing the country's MSME sector runs into hundreds. "If the ministry calls for a meeting to discuss an issue related to the industry, a minimum of 500 people come to attend the meeting. Everybody expresses their own views. The ministry wants to have one association to represent the MSME sector, and in turn the association will be the authoritative voice of the sector. To start with, eight to 10 associations are likely to be merged to form the association.

The MSME sector is one of the main pillars of the country's economy. Based on gross domestic product (GDP) data published by the Central Statistical Office, Ministry of Statistics and Programme Implementation (MoSPI), the contribution of micro and small enterprises (MSEs) to GDP and total industrial production was estimated to be 8.72 per cent and 44.86 per cent respectively in 2008-09. The estimated contribution of MSMEs to India's total exports in 2007-08 (the latest year for which data is available), based on data obtained from the Export Promotion Councils, was 30.8 per cent.

MP announces incentive pack for MSMEs

The government in Madhya Pradesh announced incentives for the promotion of micro, small and medium enterprises (MSMEs) in the state, in a bid to achieve a 12 per cent growth rate and additional job creation during the 12th five-year Plan. Chief Minister Shri Shivraj Singh Chouhan, on the eve of a 'Global Investors Meet' announced reservation of land lots for MSMEs in the proposed 27 industrial estates, guaranteed power supply, exemption in payment of export tax imposed by local civic bodies and a cluster development programme. A programme for technology development was also announced for MSMEs, fully funded by the state government. He declared an initial allocation of Rs 10 crore for this purpose.

The government wanted to put Madhya Pradesh on a fast-track growth path. It announced development of clusters exclusively for MSMEs. Besides, a vendor development programme would be launched with the chambers of commerce and the Indian Institute of Management here. The government has allocated Rs.10 crore for this purpose. During a conclave on October 28, 2012 on SMEs, 113 memorandums of understanding with sector proposed investments of Rs.670 crore in the sector were exchanged. These ventures are expected to create 6,700 jobs. A new scheme to promote young entrepreneurs, especially in rural areas, would be implemented. They'd be provided continuous power supply from next year. The Government detailed special grants to units for skill development.

* * *

Banks want NPA norms relaxed for housing project loans

Banks want the RBI to relax the norms on asset classification in the real estate sector to facilitate credit flow. The request comes after the finance ministry had asked banks to increase lending to residential housing projects. Shri D K Mittal, secretary, financial services, had reviewed the issues pertaining to credit flow to the housing sector and discussed remedies. Credai representatives told the ministry many projects could not be completed due to lack of funds. Most of these unfinished projects were in Tier-II and Tier-III cities.

Bankers have requested the finance ministry to take up the matter with the banking regulator so that favourable policies could be framed to boost bank loans to real estate projects. Banks also want asset classification norms to be relaxed on real estate projects. According to RBI norms, if a project fails to be operational two years after the commercial operation date (as scheduled while loan sanctioning), banks have to classify the project as non-perfoming. It has been noticed there are issues beyond the control of the developer, like land acquisition and other clearances. These are genuine issues and the developer cannot do much in such a case. As a result, the commercial operation date of the project is delayed.

Banks have requested the finance ministry to take up the matter with the central bank, so that there could be some relaxation in terms of extending the asset classification norms over two years. The finance ministry has also asked Credai to conduct a survey of unsold housing stock so that a decision could be taken on unlocking its value.

CRISIL sees sharp rise in volume of restructured loans

The worsening financial health of state electricity boards (SEBs) was expected to put huge pressure on the asset quality of banks amid a surge in loan restructuring, credit rating agency CRISIL said on August 30, 2012. The rating agency has revised its loan recast estimate sharply, which is now pegged at Rs.3.25 lakh crore for 2012-13, up from Rs.2.18 lakh crore in 2011-12. restructured loans are estimated to rise to 5.7 per cent of gross advances in the current financial year, as compared to 4.68 per cent in the previous year.

Public sector lenders will be the worst affected. “Eighty per cent of restructuring would be in the books of public sector banks,” said Shri Pawan Agrawal, senior director, CRISIL.

Reserve Bank of India data show restructured accounts have grown at a compounded annual growth rate of 47.86 per cent in public sector banks as against a credit growth rate of 19.57 per cent between 2009-10 and 2011-12.

Apart from state utility boards, construction companies and the infrastructure sector will add to banks’ problems. Of the Rs.1.6 lakh-crore restructured loans till the first quarter of this financial year, SEBs, construction and infrastructure contributed Rs.1 lakh crore while Rs.20,000 crore came from the aviation sector. Loans to troubled national carrier Air India have already been restructured by the banks, while the loans to Kingfisher Airlines have become NPAs despite having been recast

CRR should be reduced

The chairman of Prime Minister’s economic advisory council, Shri C Rangarajan, has said CRR should be brought down and used only in extraordinary conditions. He said the need for using it reduces with the option of Open Market Operations (OMOs) in place.

"As OMOs become an increasingly used instrument of credit control, the role of CRR will come down. We need to move towards a situation where the level of CRR comes down and it is used as an instrument of credit control only in extraordinary circumstances," said Shri Rangarajan. CRR was a major instrument of credit control prior to 1991 but its role needed to be looked at in current conditions. The low base in the second half of last year would help India's gross domestic product to show higher growth by the end of this financial year. Also, improvements in sectors such as coal, power and infrastructure would help boost growth in the second half. He expects the economy to grow at 6.7 per cent in 2012-13. If the government failed to capitalise public sector banks (PSBs) in a time-bound manner under the new Basel-III norms, their market share would come down.

Interest Subvention extended to Housing Loans

The Government of India has extended the scheme of 1 per cent interest subvention to housing loans up to Rs.15 lakh where the cost of the house does not exceed Rs.25 lakh. The scheme will remain in force up to March 31, 2013. The National Housing Bank (NHB) is the sole nodal agency for implementation of the scheme for scheduled commercial banks, regional rural banks and housing finance companies.

CRR Reduced

The cash reserve ratio (CRR) required to be maintained by scheduled commercial banks has been reduced by 25 basis points from 4.75 per cent to 4.50 per cent of their net demand and time liabilities (NDTL) with effect from the fortnight beginning September 22, 2012.

Bank Finance to Factoring Companies

Banks can now extend financial assistance to support the factoring business of factoring companies provided –

- The companies qualify as factoring companies and carry out their business under the provisions of the Factoring Regulation Act, 2011 and notifications issued by the Reserve Bank in this regard from time to time.
- The companies derive at least 75 per cent of their income from factoring activity.
- The receivables purchased/financed, irrespective of whether on 'with recourse' or 'without recourse' basis, form at least 75 per cent of the assets of the factoring company.
- The assets/income referred to above would not include the assets/income relating to any bill discounting facility extended by the factoring company.
- The financial assistance extended by the factoring companies is secured by hypothecation or assignment of receivables in their favour.

Effective NPA Management

With a view to improving banks' ability to manage their non-performing assets (NPAs) and restructured accounts in an effective manner and considering that almost all branches of banks have been fully computerised, the Reserve Bank has advised banks to :-

- review their existing IT and MIS framework and put in place a robust MIS mechanism for early detection of signs of distress at individual account level as well as at segment level (asset class, industry, geographic, size, etc.). Such early warning signals should be used for putting in place an effective preventive asset quality management framework, including a transparent restructuring mechanism for viable accounts under distress within the prevailing regulatory framework.
- have system generated segment wise information on NPAs and restructured assets which may include data on the opening balances, additions, reductions (upgradations, actual recoveries, write-offs etc.), closing balances, provisions held, technical write-offs, etc.

Foreign Direct Investment

The extant foreign direct investment (FDI) policy has been reviewed and it has been decided to permit FDI up to -

- 100 per cent in single-brand product retail trading by only one non-resident entity, whether owner of the brand or otherwise, under the government route.
- 51 per cent in multi-brand retail trading under the government route.
- 49 per cent by foreign airlines in the capital of indian companies in civil aviation sector, operating scheduled and non-scheduled air transport, under the automatic/government route.
- 49 per cent in power exchanges registered under the Central Electricity Regulatory Commission (Power Market) Regulations, 2010, under the government route.

FDI limits in companies engaged in providing broadcasting carriage services under the automatic/ government route have been reviewed and the same would be subject to the terms and conditions as stipulated in Press Note No. 7 (2012 Series) dated September 20, 2012 issued by the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India.

Steps Taken to Increase Availability of Credit to Rural Areas

The Government has taken several policy measures from time to time to increase the availability of institutional credit to farmers. These, inter-alia, include :

- As per the Reserve Bank's guidelines on lending to priority sector, a target of 40 per cent of adjusted net bank credit (ANBC) or credit equivalent amount of off-balance sheet exposures (OBE), whichever is higher, as on March 31 of the previous year, has been mandated for lending to the priority sector by domestic scheduled commercial banks, both in the public and private sector.
- The Government has been setting an annual target for the flow of credit to the agriculture sector. The agriculture target for 2012-13 is fixed at Rs. 5,75,000 crore against the target of Rs.4,75,000 crore in 2011-12.
- The Government of India has been implementing the interest subvention scheme since 2006-07 to make short-term crop loans up to Rs. 3 lakh for a period of one year available to farmers at an interest rate of 7 per cent per annum.
- The Reserve Bank has advised banks to waive margin/ security requirements for agricultural loans up to Rs.1,00,000.
- The Agricultural Debt Waiver and Debt Relief Scheme, 2008 was implemented by the Government. Under the Scheme Rs. 52,275.55 crore has been released by the Government through the Reserve Bank and NABARD, benefiting 3.45 crore farmers.
- Banks have been advised to issue kisan credit cards (KCC) to all eligible farmers and general credit cards (GCC) to non-farmers. A new scheme for KCC has been circulated by NABARD which provides for KCC as an ATM card which can be used at ATM/point of sale (POS) terminals.
- Due to these initiatives of the Government, the number of farm loan accounts has increased from 482.30 lakh in 2009-10 to 646.57 lakh in 2011-12.

CDR cell gets Rs.30k cr proposals in F.Y. '13

The quantum of loans being referred to the corporate debt restructuring (CDR) cell was in the year 2012-13 till August 2012 nearly Rs.30,000 crore.

The cases approved by bankers for recast this year are those of HCC for Rs.3,300 crore, Hotel Leela for a sum of Rs.4,300 crore and Bharti Shipyard which will be allowed more lenient terms for an outstanding of Rs.5,800 crore. Last year, bankers cleared restructuring packages for loans worth Rs.39,311 crore while in 2010-11, they allowed easier repayment conditions for loans worth Rs.6,615 crore. The total number of cases referred to the CDR cell was 87 and so far this year, the number of cases referred is 61. The RBI is now in the process of bringing in a tighter debt restructuring regime based on the recommendations of the Mahapatra committee. Last year, the value of loans for which borrowers sought easier repayment terms jumped nearly 200% to Rs.67,000 crore.

Even as the RBI works towards tightening norms for restructuring, bankers are becoming stricter. They are insisting on personal guarantees, which the RBI panel has said, should be mandatory. The committee has also called for higher promoter contribution at 15% of the diminution in fair value or 2% of the restructured loans, whichever is higher. That apart, it has suggested that banks reclassify restructured loans as non-performing assets after two years and suggests stricter norms for banks to convert loans to equity or preferential shares.

PSB Capitalisation to be performance based

The proposed bank re-capitalisation plan would be linked to the performance of each public sector bank and will be completed in a single tranche soon, a senior official said on October 08, 2012. It was felt the entire budget allocation (Rs.15,888 crore) for bank capitalisation be given in one tranche or else it will create problems. The banks that have performed well on different parameters will be given more.

The performance parameters may include projected net profit for this fiscal, non-performing assets, bad loan recoveries, financial inclusion and capital optimisation. Earlier, the banks were asked by the ministry to come up with a capital requirement plan, including the investment plans of their joint ventures and subsidiaries. The capitalisation plan and the need for more equity for these banks assumes significance with the Basel-III norms coming into effect from January 2013.

There is also a need to ensure that several sectors, especially the productive ones, are not starved of credit. The 2012-13 budget allocation for PSB recapitalisation is around Rs.15,888 crore for the government to maintain its 58% holding in them. However, according to the RBI, the Centre will have to shell out an additional capital of around Rs.90,000 crore to the PSBs to maintain its stake at the current level of 58% after the Basel-III norms become effective.

***

ANSWERS OF CYBERQUIZ ~ 38

Ans.1.[b] VisiCorp's VisiOn : VisiOn was released in October 1983. GEM was released by Digital Research in early 1985. Top View was released in February 1985. Microsoft finally shipped windows 1.0 on 20 November 1985.

Ans.2.[c] A software utility that comes with Microsoft windows and is used to help detect, decode and log errors that are encountered while the O/S is running : Named after Dr. John Hamish Watson, the famous fictional character in Sherlock Holmes stories Name of the debugger in Windows is drwatson.exe and drwtsn.32 exe.

Ans.3.[b] Microsoft Office : Clippy or Clippit is the most well-known Office Assistant, a feature included in Microsoft Office starting with Office 97. The name comes from the default animated paperclip representation. This feature is an entry point to the Office's help system.

Ans.4[d] Eudora software is based on POP - Post Office Protocol : Post Office Protocol is used to retrieve e-mail from a mail server. Eudora was developed by Steve Dorner in 1988 and was acquired by Qualcomm in 1991.

Ans.5.[a] Adobe Acrobat : It supports Adobe Systems' Portable Document Format {PDF} which is

HEALTH CARE !

WATER THERAPY AS AN EFFECTIVE TREATMENT

Exercise programs, along with any other treatment processes that incorporates water, are categorized as water therapy, also sometimes referred to as hydrotherapy. This generalized classification includes a wide variety of remedies, exercise programs and therapeutic measures that heal, treat and enhance.

Exercise programs, along with any other treatment processes that incorporates water, are categorized as water therapy, also sometimes referred to as hydrotherapy. This generalized classification includes a wide variety of remedies, exercise programs and therapeutic measures that heal, treat and enhance. In fact, many of the water-holding structures that you use for enjoyment, such as a pool or a jacuzzi, actually have therapeutic uses within hydrotherapy.

Types of Water Therapy

There are two main types of water therapy: hot and cold. Although these two groupings exist, the treatments that are under each category differ based on how they are executed and the benefits that they convey.

A swimming pool or a water-filled tank may serve in which do exercises, which helps to increase your range of motion, relieve pain and reduce the strain of your bones and joints. Generally, the pool or tank should contain water with a temperature of around 90 degrees Fahrenheit (32 degrees Celsius). Thus, a swimming pool or a tank is grouped under the subdivision of water therapy known as hot water therapy. As a therapeutic measure, a jacuzzi relieves stress and helps your muscles to relax. As a form of a hot liquid therapy, a steam sauna provides you with a relaxing experience that aids in decreasing pain.

Other water therapy methods include hot or cold immersion baths. When the immersion bath is cold, also known as an ice bath, your blood vessels tighten, resulting in a speedier recovery. The theory is that waste products are removed from the submerged area, which aids in the quicker recovery time. A hot water immersion bath will not only relax you, but it will relax your muscles as well, which can increase your range of motion and relieve pain. Basically, with a hot water immersion bath, you are opening your blood vessels, while using the thermal energy to relieve pain and soothe sore muscles.

Each type of bath can be either full or partial, meaning that either your entire body is placed into the bath or only a body part, such as an arm or leg, is submerged.

Benefits

Water therapeutics can benefit various health conditions ranging, including fever, arthritis, bronchitis or muscle over-exertion. The medical conditions that can be treated or the symptoms that can be reduced are dependent upon the type of hydrotherapy administered—both the temperature of the water and the way it is applied will affect its benefits. For example, a hot immersion bath will soothe sore muscles, be beneficial to those with rheumatism and relax your muscles after a rigorous workout. On the other hand, an ice bath has the ability to stimulate recovery of muscles that have been overused. Often, a cold water bath will be followed by a warm water bath to dramatically increase the treatment's potential. In some cases, immersion baths are given with alternating water temperatures, since the hot substance opens up blood vessels and the cold substance tightens up blood vessels, which results in a pumping action that sends an increased amount of blood flow to the injured or sore muscles. A cold

The Author is Steve Hottub, Source : ArticleBiz.com water wrap around your head will reduce a fever, while a cold water wrap around your leg can stimulate the healing process and ease the pain.

The common cold and back pain are also affected by immersion baths. If you opt for a cold bath for your feet, you are positively affecting a headache, low blood pressure, poor circulation and sleeplessness. In addition to treating these conditions, an ice bath for your feet will ease the pain associated with a contusion or other form of trauma in your lower calves or feet. It can also ease the pain of varicose veins and positively impact edema.

Wet wraps are used to treat and relieve pain dealing with a variety of conditions. For instance, a neck wrap can aid in alleviating a sore throat. On the contrary, a trunk wrap lowers fever, while a joint wrap may soothe discomfort that arises because of rheumatoid arthritis. A full body wrap may even be used to reduce the pain caused by an ulcer.

Warm packs have been shown to be beneficial for stimulating blood flow and aiding in pain relief for chronic conditions, such as renal disease, arthrosis and cystitis. On the other hand, cold packs benefit you if you have an inflammatory condition. Cold packs may also be used for strains, sprains and other types of trauma. These icy pouches can bring nearly immediate relief from headaches, as well.

Precautions

If you have a condition like diabetes that results in leg and foot problems, you must be wary of the water temperature, since extremely hot temperatures may burn you without you being aware of how hot the liquid actually is. Conversely, cold baths can cause severe lowering of body temperature, if endured for too long. In fact, if you suffer from any condition that causes the inability to judge water temperature, you should proceed with caution and carefully watch the thermometer, so you have a safe experience with hydrotherapy.

Warm water therapy should not be used by individuals with severe heart disease, incontinence or infection. If you suffer from hypertension, you should never use hot water immersion baths, saunas or other forms of hot water therapy for prolonged periods of time. Never submerge a body part or your entire body into water that exceeds 115 degrees Fahrenheit or 46 degrees Celsius. And always remember, a cool shower is the quickest way to reduce your body's temperature after a hot water treatment.

* * *

A leader is best when people barely know that he exists, not so good when people obey and acclaim him, worst when they despise him.

Lao Tzu

POLICY POINTERS

Companies Bill approved

The Union cabinet on October 04, 2012 cleared the revised draft of the Companies Bill, 2011, aimed at recplacing the 55-year-old extant Companies Act with a new one. The Bill is now expected to be introduced in Parliament in the Winter session. The Bill aims at improving corporate governance, increasing transparency and making independent directors more accountable. The Bill proposes many new norms, including companies spending on corporate social responsibility (CSR) activities, more powers to the serious fraud investigation office (SFIO), only two layers of subsidiaries for investment in companies, mandatory approval from shareholders and board on appointment of auditors, class-action lawsuits, stricter corporate governance clauses, among others.

The new Bill is also crucial for the auditors, who stand to lose their job after every year of work if the shareholders do not endorse their re-appointment in their annual general meeting. However, the five-year fix tenure for the auditors will continue. There are a number of additional measures in the new Bill which makes it better over the current companies Act, including whistleblowers policy and class-action suites. CSR is an evolving issue but the new Bill provides for practicing it in a conducive manner."

FCRA changes, cheap sale of pulses and edible oils get approval

The Union cabinet on October 04, 2012 cleared the amendments to the Forward Contracts (Regulation) Act, giving more power to the commodities market regulator, the Forward Markets Commission, and opening the door for introduction of products such as options trading in the futures market. It also approved Rs.884 crore for end-to-end computerisation of the Public Distribution System (PDS) in the country, to be implemented with state governments. The amendments (to the FCRA) would benefit various stakeholders, including farmers, to take the benefit of price discovery and price risk management and also enhance the public accountability of the regulator by providing for an appellate authority. Following are some changes to FCRA : -

- Definition of forward contract to include commodity derivatives and corporatisation, demutualisation and intermediaries
- Specific amendment proposed to allow trading in options in index and individual commodities
- FMC to have nine members from four now
- Give powers to the commission to levy fees on exchanges, members (intermediaries) and others
- FMC will be given an autonomous status; can investigate and levy penalties if Act is violated; SAT to be designated as appellate authority
- Commission will be given financial powers by creating a general fund
- FMC to get powers to appoint more officers and employees

The Amendments to PFRDA Bill

- Seeks to give statutory powers to the interim pension regulator
- FDI ceiling capped at 26% or as approved for insurance sector, whichever is higher
- Membership of PFRDA only to professionals having expertise in economics, finance or law
- Option to subscribers to get minimum assured returns
- Interim regulator PFRDA set up through an executive order in 2003

- Seeks to establish a vibrant Pension Advisory Committee with representation from all major stakeholders to advise PFRDA on important matters

Proposed amendments on Insurance Laws Bill

- To raise foreign direct investment from 26% to 49% for private companies
- Provides for raising capital from markets by public sector general insurance firms and GIC
- Minimum capital requirements for health insurance set at Rs. 50 crore, against Rs.100 crore for general insurance companies
- Motor Vehicle Insurance and Compensation Legislation proposed for obligatory underwriting of third-party risk
- Irda can take action against agents to protect policyholders' interests
- No policy would be questioned due to misstatement after three years
- Provides for opening of branches only for reinsurance business by foreign reinsurers
- Appeal against Irda orders can be made to SAT
- Bill seeks to specify fine on intermediaries and insurance companies for misconduct of intermediaries and have provisions to deter multi-level marketing of insurance products
- Ceilings on commissions for agents prescribed in the Insurance Act done away with, to come under regulations by Irda

CCI to get more power in the new Competition Act

The Cabinet on October 04, 2012 cleared the proposal to amend the Competition Act. However, the Competition Commission of India (CCI) will retain its powers to regulate competition-related issues across various sectors including banking, insurance, telecom and power, .which have their own regulators. While the government has made it clear that no sector will be exempted from the Act, but there could be a few exceptions. For example, merger of an ailing bank with another bank may be exempted from CCI's purview and Reserve Bank of India can take a call in public interest.

"Voluntary mergers will come under CCI, but involuntary mergers will be outside its purview. The Finance Ministry has sought exemption under section 45 of Banking Act and 37 (A) of Insurance Act." The move will empower the CCI, which was hitherto struggling to regulate anti-competitive activities related to mergers and acquisitions (M&As) in the absence of absolute powers. Once these amendments get Parliament nod, M&As across sectors will need to get a clearance from the CCI.

* * *

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

Radhanath Swami

Centre Tells States to Create Land Banks to Fast-track NIMZs

The Centre has urged states to create land banks to fast-track the proposed national manufacturing zones and boost industry. "Land is a major issue. But states have to play the major role. Their participation is very important. Lots of states have already started the process," commerce and industry minister Shri Anand Sharma said in September, 2012 at a meeting of state chief secretaries, industry representatives and key central government officials. The national manufacturing policy envisages mega industrial townships of at least 5,000 hectares to push up the share of manufacturing in GDP to 25% by 2025 from the current near 14%. Shri Sharma said the economy can't be solely dependent on the service sector and needs manufacturing for both value and job creation. We have been able to persuade the finance ministry to allow, for the first time, capital gains tax concessions for investing the sale proceeds of a residential property into the productive activity of a small and medium enterprise. We are pushing for allowing these concessions for the sale of landed property also and not only for residential property. The government has already notified nine manufacturing zones in Haryana, Uttar Pradesh, Gujarat and Madhya Pradesh, Rajasthan and Maharashtra.

Punjab town's steel cluster is losing its luster

Mandi Gobindgarh, also known as Punjab's steel city, is rusting. A small town located on NH 1 some 60 km north-west of Chandigarh, it houses close to 500 induction furnaces and steel re-rolling mills. Despite the brisk demand for steel owing to the ongoing expansion in infrastructure and the process of urbanisation in India, the steel cluster of Mandi Gobindgarh is languishing. The cluster of small and medium-scale steel units that dates back 70 years is mired in problems such as acute power shortages, poor connectivity, labour shortages and the apathy of the state government.

Agriculture in Punjab gets precedence over industry, and the state electricity board provides free and regular supply to agriculture, and expensive, inadequate and erratic power to industry, said an entrepreneur. He added that steel units cannot afford captive power, as their requirements are huge. A steel mill requires a 2,500 KVA generator at the minimum, but these are unviable to purchase and maintain. So, the mills are completely dependent on the state electricity board.

SMEs are unhappy over the introduction of e-Trip, which requires entrepreneurs to inform the excise and taxation department of any transaction above Rs.3 lakh, prior to the transaction. This information is uploaded on the department's website, to check VAT evasion. Entrepreneurs find this procedure cumbersome. The average power tariff is about Rs.5.50 per unit, one of the highest in the country. The withdrawal of freight equalisation to units located away from the sea, followed by the ten-year tax holiday for hills states announced by the Centre, also hurt the industry.

Units located in Himachal Pradesh have in the last few years developed an edge over Punjab's steel mills owing to tax benefits, and are catering to Jammu and Kashmir and Haryana. The town is untouched by technological advancements, as entrepreneurs are averse to making investments in technology mainly due to uncertain government policies they fear they will lose their investments and are running on traditional technologies. Mandi Gobindgarh provides direct employment to over 200,000 skilled and unskilled people and indirect employment to over 500,000 people. However, the town's infrastructure has deteriorated in the past 10 years. The lack of modern facilities such as recreation centres, housing projects and educational institutes has also restricted the entry of engineers, who could have helped upgrade the industry.

UP approves Lucknow-Agra expressway

The UP government on 26th September, 2012 approved two important infrastructure projects. The first project involves the construction of a high speed greenfield expressway from Lucknow to Agra on a PPP basis. It also gave its nod to an MoU between Uttar Pradesh Rajya Vidyut Utpadan Nigam (UPRVUNL) and Neyveli Lignite Corporation for setting up a 50:50 JV thermal power project that will generate 1,980 MW power in Ghatampur in Kanpur district.

The project, which is being built at an investment of Rs.12,000 crore, will become operational in its first phase by 2015 and is expected to help the state stave off a power crisis. The 270-km-long, six-laned Lucknow-Agra expressway would connect the recently inaugurated Yamuna Expressway from Agra to Noida, thus creating a direct link with Delhi and bringing down the travel time from Lucknow to Delhi to five hours, from the current 10 hours. It would pass through Fatehabad, Shikohabad, Saifai, Etawah, Kannauj, Malihabad, culminating at Lucknow's Inner Ring Road.

IT cos fear licence raj in K'taka with industrial Act

The $100-billion Indian IT industry, will soon have to take on another challenge in Karnataka. The Industrial Establishment (Standing Order) Act, 1946, which the software industry fears will bring back some kind of 'inspector raj', is set to come into effect from April 2013. The decision to implement the Act was taken in September, 2012. According to a senior state labour department official, the government decided to bring back this Act following a number of complaints from IT-sector employees concerning harassment, non-payment of compensation and stressful working conditions. The objective of the Act is to minimise industrial unrest and fix responsibilities and accountability of employees. Similarly, the Act also defines service conditions such as punctuality, leave facilities, working hours and medical benefits among others. Industry captains said that these factors should be left to the discretion of the employers. The Act will apply to all establishments employing 50 or more people.

UP to tap power from canal-top solar panels

Uttar Pradesh is gearing up to become the largest producer of solar power in the country. The UP government is planning to put to use its vast canal network, spanning over 74,000 km, to produce solar power. The government plans to set up five pilot canal solar projects at locations across the state. Each of these projects will see the installation of solar panels over the canals, which would produce 10 mw energy each.

"The concept is to make use of the immense potential for solar energy in the state, especially by making use of the 74,000 km of canals that run across the state." "By making use of the canals, we will not only be replacing the need for acquiring land, which is anyway a disputed issue these days, but we would also prevent the loss of water from the canals through evaporation. The concept has already been tested in Gujarat. We can take it forward by making use of the world's largest canal system," the thumb rule of solar energy is that an average 1 km-1.5-km-long stretch of a 10-15 km-wide canal can produce 1-mw of power.

"The central government has already given the state Rs.200 crore for the pilot project and we have also identified the areas where the projects are to come up based on the fact that they should be close to sub-stations which can help evacuate the power. The five areas where the pilot projects have been planned are Jhansi, Ghaziabad, Etawah, Ballia and Lucknow.

* * *

MISCELLANY

NON-PERFORMING ASSETS, ASSET RECONSTRUCTION COMPANIES & BANKS

What are non-performing assets (NPAs)?

Non-performing assets are bad loans. Any asset, including a leased asset, becomes non performing when it ceases to generate income for the bank. As per the guidelines issued by the Reserve Bank of India (RBI), banks classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

Are all loans where payment remains overdue classified as NPA?

Banks are required to classify non performing assets further into the following three categories based on the period for which the asset has remained non performing and the realisability of the dues. The three categories are — Substandard Assets, Doubtful Assets and Loss Assets. If an account remains NPA for a period of 12 months it is classified under Substandard, if it remains Substandard for 12 months it is classified as Doubtful. A Loss Asset is one where loss has been identified by the internal or external auditors.

Can an account be termed as NPA if the loan is given through a consortium?

Yes, an account can be classified as NPA even if there are multiple lenders. The classification is based on the record of recovery of the individual member banks and other aspects having a bearing on the recoverability of the advances. The banks participating in the consortium should, therefore, arrange to get their share of recovery transferred from the lead bank in the consortium or get a consent from the lead bank for the transfer of their share of recovery, to ensure proper asset classification in their respective books.

Do banks have to keep aside extra funds for NPAs?

Banks have to keep aside extra funds, called provisioning in banking parlance, for standard assets as well. As per the norms, banks have to make a general provision of 0.40% for all loans and advances except that given towards agriculture and small and medium enterprise (SME) sector. In case of NPAs, provisioning needs to be done as per the NPA category. For substandard loans, a general provisioning of 10% on the total outstanding amount is made if the loan is secured, for unsecured loans the total provisioning that needs to be done is 20% on the outstanding balance.

How do banks recover their NPAs?

Under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, the banks can take legal recourse to recover their dues. If a borrower makes any default in repayment and his account is classified as NPA, then the secured creditor has to issue notice to the borrower giving him 60 days to pay his dues. If the dues are still not paid, the bank can take possession of the assets and can also give it on lease or sell it.

Can bank sell their NPAs?

A bank can sell NPA from its books to asset reconstruction companies such as ARCIL only if it has remained NPA for at least two years. Such sale can take place only on cash basis. The purchasing bank has to keep the accounts in its books at least for a period of 15 months before it is sold to other banks. The purchased NPA may be classified as 'standard' in the books of the purchasing bank for a period of 90 days from the date of purchase.

* * *