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Editorial Board

Contents

FROM THE DESK OF THE EDITOR

STATE FINANCIAL CORPORATIONS (SFCs)

["In my earlier article, I have written about the Role of Development Financial Institutions (DFIs). The present Article is a continuation of the same with focus and elaboration on the State Financial Corporations (SFCs) in our country."]

Development banking has been successfully used as a mechanism in India to address the issues of late industrialization and under developed economy. In fact, development banking was indispensable for India post-Independence in view of two more specific features of the Indian economy, viz. inadequate accumulation of own capital in the hands of indigenous industrialists; and absence of a market for long term finance (such as bonds or active equity markets), which companies could access to part finance capital-intensive projects. State intervention is needed because the relationship between financial structure, financial growth and overall economic development is indeed complex. If the financial sector is expected to autonomously evolve and is left unregulated, market signals would determine the allocation of investible resources and therefore the demand for and the allocation of savings would be mainly intermediated by private financial enterprises. This could result in the problems conventionally associated with a situation where private rather than overall social returns determine the allocation of financial savings and investment.

Objective & Function :

In order to serve the important objective of regional and balanced industrialisation, the State Financial Corporations (SFCs) were set up under an Act that came into force from August 1952. The SFCs, which are State level DFIs, were set up to encourage financing and promoting small and medium-sized industries, particularly by *first-generation-entrepreneurs*, in various States by providing concessional industrial credit as well as technical guidance and support. There was another initiative by the States in the 1960s, when State Industrial Development Corporations (SIDCs) were set up to promote industrial infrastructure development in the respective States. The SFCs and SIDCs together constituted the State Level Financial Institutions (SLFIs) in our country.

V.S. RATHORE
Secretary General, COSIDICI

So far eighteen SFCs have been established in different States. The *purpose* of setting the SFCs has been : -

(i) to provide finance to small-scale, medium sized and cottage industries in the State; (ii) to provide incentive to new industries; (iii) to establish uniformity in regional industries; (iv) to bring efficiency in regional industrial units and (v) to develop regional financial resources.

The SFCs have done a commendable job in decentralization of industrial activities, removal of regional economic imbalances, generation of employment opportunities and removal of poverty in the rural & semi-urban areas. They have developed spirit of entrepreneurship in the decentralized sector and contributed immensely towards the industrial development of the country during the last five decades. They have received support and encouragement in desired measures from all corners such as Government of India, State Governments, RBI, IDBI, SIDBI etc. However, a disquieting feature of their working has been that despite their strategic importance in the national economy and their laudable objectives, they have not been able to acquire essential business and professional characteristics in their functioning. The SFCs have been managed and controlled by the respective State Governments' and because of their monopoly in the field for nearly four decades, they tended to function like any department of the State Government with attendant shortcomings.

Issues & Problems :

The SFCs were performing quite well earlier but their fortunes declined after opening up of the economy in 1990s since the economic reforms did not address the issues facing them. The SFCs suffered owing to indifference on the part of stake-holders in providing concessional and adequate resources and consequently, their inability to compete with commercial banks which have access to cheap public deposits. During the past two decades, a number of Committees / Working Groups have been set up to study the problems of these Institutions and suggest measures for their revival but nothing concrete had emerged so far. As a result, these important channels for providing financial assistance to the MSMEs have been effective only in a few States. Keeping in view the strategic importance of SFCs, the Government of India, based on one of the recommendations of ***"the Gupta Committee on Restructuring of SFCs"***, had provided a financial package through SIDBI in the year 2003 which yielded positive results and helped some of the SFCs turnaround and show better performance. 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 a number of the improvement measures, others have partially implemented them. This has resulted in less than expected improvement in the performance of these SFCs.

Strategy for Recapitalisation and Strengthening of SFCs :

It is imperative to strengthen these institutions which provide assistance to the entrepreneurs in MSME sector, particularly the first-generation entrepreneurs who are not serviced by the commercial banking sector. In order to re-strengthen the SFCs and to enable them to play their role together with SIDCs for over-all economic development with focus on the MSME sector, the following measures (mainly based on the recommendations of ***"the Gupta Committee Report"***) are necessary :

(i) Assured Financial Resources :

Strengthening of the Equity base by Infusion of fresh capital - The *respective State Governments* and the *Government of India (GoI)* are the main stake-holders of SFCs. One time recapitalisation of SFCs to make them positive networth with adequate share capital is, therefore, essential. The GoI and the respective State Governments need to draw-up a package for recapitalization of the SFCs. The GoI has already come forward with capital infusion of Rs.15,000 crore for strengthening Cooperative Banks in the country, and the requirement for capitalization of commercial banks is estimated to be over Rs.90,000 crore over the next 3-5 years. The requirement of funds for recapitalization of 18 SFCs, after taking into account the estimated losses, was estimated at around Rs.3,350 crore by *the Gupta Committee* in 2002.

Other Financial Resources - The SFCs do not have access to public deposits like banks/NBFCs. If SFCs have to function as viable units, they must get sufficient resources at affordable cost so that they can compete with the commercial banks and build up a good quality portfolio. The suggested resources can be from :

Bonds : Market funding through bonds (including SLR bonds) which could initially be guaranteed by the respective State Governments so as to bring down the cost of funds.

Refinance : Refinance from All India Financial Institutions like SIDBI, NABARD and NHB.

From Banks : The banks may extend lines of credit to SFCs at 2% below PLR depending on the shortfall of their priority sector lending in that State.

In the initial years, when the cost of funds is on the higher side, the respective State Governments may provide necessary interest subsidy of say 1 – 2%, so that the final lending rates to MSMEs by these corporations is both competitive as well affordable to the MSME sector.

(ii) Business Model & Operational Issues :

Robust Business Model : SFCs need to function more or less on commercial lines and need to be given a level playing field by being allowed to finance other sectors like trading, housing, education, infrastructure etc. including large scale industry (to a limited extent) which would help them improve their viability. *However, the **main focus** should continue to be financing / promoting units in the MSME sector.* SFCs also need to gear up to provide diversified products/services and also take up more non-fund based/ advisory activities.

Good Quality Portfolio : SFCs should completely re-design their business processes , have robust appraisal systems and enhance the corporate culture with pro-active client relationship approach. There is a need for installation of a more efficient and effective risk assessment mechanism as well as close monitoring of loan portfolios. *High levels of NPAs* with SFCs have to be viewed in the perspective of the crucial role played by SFCs in fulfilling some of the critical social obligations, leading to accumulation of bad debts resulting from high risk areas (priority sector/grass-root entrepreneurs) in which SFCs operate. To address this issue "special courts" need to be set up for speedy disposal of cases for recovery of SFC loans. Asset Reconstruction Companies (ARC) may be set up in each State to take over hard-core NPAs from SFCs for effecting recovery by such specialized institutions.

(iii) Long Term Strategy :

After recapitalization, when SFCs have attained better health, it is important that they should be self-sufficient and sustainable in the long run. In the ever-competitive financial sector where SFCs are required to compete with banks (both in public and private sectors), it is imperative that the SFCs must have operational flexibility and ability to raise resources in a cost-effective manner. The SFCs may be converted into companies under the Companies Act i.e. be corporatized by bringing down State Government's share-holding say to the level of 33% and once the financial health of the SFCs improves substantially, participation from public in the equity be encouraged so as to convert SFCs into NBFCs with provisions of raising resources from the public. This will place them in a better and competitive situation resource-wise and would provide them with edge to compete with commercial banks. In tune with the pattern of changes in the financial system world over including India, some of the corporatised SFCs (which have become NBFCs) may, at an appropriate time, transform themselves into **SME focused banks**.

Conclusion :

The SFCs have done a commendable job in decentralization of industrial activities, removal of regional economic imbalances, generation of employment opportunities and removal of poverty in the rural & semi-urban areas. The top priority for our country is to generate employment/self-employment and to take growth to all sections of the society; the SLFIs – particularly SFCs would play an important role towards achieving this goal. The revival of these *growth engines* would enable them to play an effective role in the promotion of enterprise and first generation entrepreneurs, employment generation and economic development to bring about the second round of development with faster and inclusive economic growth.

Vikram Singh

(V.S. RATHORE)

APPOINTMENTS

- Shri S.R. Ladhar, IAS has been appointed as Managing Director, Punjab State Industrial Development Corporation {PSIDC}, Chandigarh vice Shri Yogesh Kumar Goel, IAS.
- Shri Sanjeev Chopra, IAS has been appointed as Chairman & Managing Director, Odisha Industrial Infrastructure Development Corporation {IDCO}, Bhubaneswar vice Shri Vishal Kumar Dev, IAS.
- Smt. Ankita Mishra Bundela, IAS has been been appointed as Managing Director, Andaman and Nicobar Islands Integrated Development Corporation Ltd. {ANIIDCO}, Port Blair vice Shri Mohan Jeet Singh, IAS.

- Shri Amit Sharma, KAS has been appointed as Managing Director, Jammu & Kashmir State Industrial Development Corporation Ltd. {J&K SIDCO}, Srinagar vice Shri Kifayat Hussain Rizvi.
- Shri Arvind Ghatkar has been appointed as Managing Director, EDC Limited, Panaji, Goa vice Shri S.P. Bhat.

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QUESTIONS OF CYBERQUIZ~56

Q.1 Benefits of computers are :

[a] Very fast and can store huge amount of data; [b] Provide accurate output either input is correct and not; [c] Think about the processing; [d] All the above.

Q.2 A computer also known as server computer, is :

[a] Supercomputer; [b] mainframe computer; [c] Minicomputer; [d] Microcomputer.

Q.3 Palmtop computer is also known as :

[a] Personal Computer; [b] Notebook Computer; [c] Tablet PC; [d] Handheld Computer.

Q.4 The load instruction is mostly used to designate a transfer from memory to a processor register known as:

[a] Accumulator; [b] Instruction register; [c] Program counter; [d] Memory address register.

Q.5 Memory unit that communicates directly with the CPU is called the :

[a] Main memory; [b] Secondary memory; [c] Auxilary memory; [d] Register.

Q.6 Which computer memory is used for storing programs and data currently being processed by the CPU ?

[a] Mass memory; [b] Internal memory; [c] Non-volatile memory; [d] PROM.

Q.7 'Brain' of the computer is known by :

[a] Arithmetic and Logical Unit; [b] Control Unit; [c] Central Processing Unit; [d] Storage Unit.

Q.8 The system unit :

[a] Coordinates input and output devices; [b] is the container that housed electronic components; [c] controls and manipulates data; [d] does the arithmatic operations.

Q.9 ALU is :

[a] Access Logic Unit; [b] Array Logic Unit; [c] Arithmetic Logic Unit; [d] Artificial Logic Unit.

Q.10 Which of the following produces high quality output :

[a] Impact printer; [b] Non-impact printer; [c] Plotter; [d] Non-plotter.

For Answer see Page No. 22

NEED FOR DIVERSIFICATION OF ACTIVITIES OF SLFIs IN THE CURRENT ECONOMIC SCENARIO IN INDIA

*** Premnath Ravindranath**

Background

The SLFIs comprising of State Financial Corporations (SFCs) and State Industrial Development Corporations (SIDCs) were mandated to serve as Regional Development Banks in their respective states, with the objective of promoting economic growth, balanced regional development and widening of entrepreneurial base. They have been functioning in the country for more than six decades by extending term loans for setting up new units, expansion, modernization etc. While the SFCs were constituted under SFCs Act 1951 to provide institutional framework for financing medium and small-scale industries, the SIDCs were established under the Companies Act 1956 as wholly owned undertakings of State governments to promote and to develop medium and large industries, to act as promotional agencies and to develop infrastructure facilities. The structure, though not necessarily functioning efficiently, is an important link in strengthening the federal system of the country. Together they have helped to bring about inclusive growth and created lakhs of employment. They were also in the forefront in handholding the first generation entrepreneurs.

Lack of a level-playing field and Regulatory support

"SFCs have, even after their long existence remained largely "single product" provider extending only term loans assistance to SSIs. They have not been able to diversify products and services to ward off the competition from banks which are today in a position to perform all those functions being done by the SFCs. Due to combination of the several factors the SFCs' financial position has irretrievably deteriorated. Majority of the SFCs have hugely negative CRAR and very high NPAs. In the final analysis the SFCs have outlived their utility in the present context and should be phased out within a definite time frame. The credit gap, if any, created by the exit of the SFCs from the market can be filled by banks and also by suitably repositioning SIDBI." – This is one of the recommendations of the Working Group (WG) on DFIs constituted by RBI in 2003-04, headed by Shri N. Sadasivan.

Shri Premnath Ravindranath
G.M., Kerala Financial Corp.

However it can be seen that many of the SIDCs have survived, though their demise was declared, a decade ago. The mantle of supporting and strengthening SIDCs in the initial years was vested with IDBI, who later passed on its responsibility to SIDBI. Currently SIDBI is phasing out its financial assistance to SFCs and for extending additional refinance facility (that too at higher interest rates) they are demanding Government Guarantee. To make the matter worse SIDBI is also competing with SLFIs. The inability of IDBI & SIDBI over the years to stop the continuous slide in the performance of SFCs and provide them adequate refinance facility is one of the main reasons for the general mood of cynicism regarding development banking in the country. This coupled with the deregulation of the financial sector, the restrictive provisions of the SFCs Act, the lack of regulatory and financial support; poor resource base and higher cost of borrowing have all hindered the SLFIs from getting a level playing field with commercial banks and financial institutions. It also resulted in large-scale migration of good clients from SLFIs to commercial Banks. In turn the SLFIs were compelled to finance those units which were unable to get finance from the commercial banks, which again increased their NPAs and eroded their net worth.

The High Level Committee constituted by the Government of India in September 2000 under the

Chairmanship of Shri G. P. Gupta, then Chairman, IDBI to look into the functioning of SFCs had recommended that the State Governments should consider recapitalization of SFCs after establishing their long term viability He also suggested that the well performing SFCs would be converted into NBFCs with provisions for raising public deposits and at an appropriate time, they can transform themselves into banks. In the last Union Budget, the Hon'ble Union Finance Minister announced that RBI will create a framework for licensing small banks to meet credit needs of small businesses, unorganized sector, low income households, farmers and migrant work force. He also informed that recapitalisation to the tune of Rs 2.4 lakh crore in public sector banks to meet Basel III norms is a high priority item for the government. On request for granting license to well performing SLFIS for converting themselves to Small Banks, RBI rejected their requests stating that the intention is to channelize capital from private sector and not from public sector entities. It can also be seen that there is no proposal for the recapitalization of the SLFIs, despite them contributing immensely to the socio-economic development and inclusive growth of the country.

Therefore, during the past several years, the advent of universal banking and the general contempt for development banking amongst policy makers has led to sustained neglect of proactive efforts to strengthen the working and financial position of SLFIs and their performance have registered a steep fall. Hence the big question in front of most of SLFIs is that of survival rather than diversification. Diversification without identifying their core competence is bound to result in failure. Hence an ideal strategy for diversification is to undertake those activities that will cement their core competence which will in turn add to their growth.

Importance of the SME sector and opportunity for SLFIs

The MSMEs play an important role in the economy of the country. It contributes more than 45% in the total manufacturing sector and 40 per cent of the total exports of the country. The MSME sector also provides livelihood to around 60 million workers through 26 million enterprises. Hence the Government of India looks up to the MSME sector to lead the country forward to achieve its dream of a developed nation and for promoting the Make in India concept. Government of India is now trying to create an ecosystem through Technology Centres (TCs) to support MSME Clusters and make them globally competitive in manufacturing. Similarly Defence offset policy is being redone for creating an ecosystem of defence manufacturing by MSMEs. A comprehensive skill mapping is also proposed towards alleviating the existing skill deficit. The announcements in the recent Budget for the setting up of MUDRA, introduction of bill discounting facility and an overhaul of Bankruptcy Law are indicative of the resolve of the Government of India to prop up this sector. This sector has 5.7 crore informal enterprises (single/two person units) that are unincorporated where only 4% has access to institutional credit. Hence it can be seen that there is ample opportunity for the involvement of all SLFIs in improving this position as well as building their own growth story around it.

Overcoming the Issues/ Diversification Strategies

The issues and problems faced by the SLFIs are different from each other. Hence it is not possible to form a common diversification strategy for all the SLFIs. However if we analyse deeply the issues confronted by them we can see that majority of the problems can be classified broadly into four parameters, viz, operational, organizational, financial and technological issues.

Hence the ideal strategy going forward will be to convert many of the issues into opportunities. For solving some of operational and financial issues external support is required. Hence the above parameters can be again classified into external and internal, depending on what sort of intervention is required.

A. Financial and Operational issues where external support is required

ISSUES	***SOLUTIONS***	***REMARKS***
SLFIs that have eroded their net worth and have accumulated losses are on the verge of closure.	❖ Recapitalization, financial restructuring and strengthening of their equity bases. ❖ Continuous resources support by way of re finance from SIDBI to sustain the loaning operations.	❖ Possible only with the support of the respective State Government ❖ Re-capitalization by Govt. of India unlikely to happen ❖ SIDBI is in an exit mode. So long term support unlikely to happen.
Increased cost of borrowings	Mobilizing resources on their own from the market by issue of bonds debentures, borrowing from commercial banks and accepting deposits from general public as well as attract shareholding from the general public.	❖ Possible only for SLFIs, whose financial position is quite sound and have been making consistent profits ❖ For accepting deposits from general public RBI approval is required
The limit up to which SFC can provide finance to an industrial concern is just Rs. 20 crores and Rs. 8 Crores Hence well performing SFCs are unable to meet the genuine credit requirements of their large clients.	Amendments in the SFCs Act, 1951 is required	Not sure when it will happen. Ideally the Boards of SFCs should be authorized to fix exposure limits based on the performance of the SFC, potential and requirement of particular sectors in the respective State.

B. Issues where changes can be brought about internally

ISSUES	***SOLUTIONS***	***REMARKS***
Operational Issues		
SLFIs remaining a 'Single Product' provider to MSMEs.	Instead of remaining a "Single Product" provider extending only term loans, SLFIs need to expand their product and client base and diversify their revenue stream.	❖ The Boards of SLFIs can formulate the required schemes, based on the business requirements in the State. ❖ SLFIs can support young and educated entrepreneurs /start-ups widening their client base.
Non Diversification of activities.	❖ SLFIs should take up more non-fund activities. ❖ SLFIs could become the nodal agencies of state government	Consultancy services, providing guarantee etc. can be thought of.

ISSUES	SOLUTIONS	REMARKS
	for implementing schemes for MSME sector. ❖ SFCs could become the monitoring / follow-up agencies of the banks. ❖ Tie up with Insurance companies for insuring assets of funded firms and for selling their other products	
Burgeoning NPA	❖ Formulation of OTS/ Compromise settlement policy to expedite recovery of NPAs. ❖ Hard NPAs cases can be transferred to ARCs as per RBI/ SIDBI guidelines ❖ Close monitoring of new assets with necessary support by way of reschedulement at appropriate time before they become NPA. ❖ Formulate industry wise exposure norms depending on the business scenario in the State. ❖ Risk assessment and management policy should be formulated as per the prudential norms.	
Conventional business model and processes	❖ The business processes should be redesigned with more Delegation & decentralization of powers to branch offices of SLFIs for speedy credit delivery ❖ Pro-active client service approach.	Audit should be strengthened and Periodic review of operations undertaken to spot variances with projections and correct deviations.
Technological issues		
Low end IT Infrastructure	❖ Better Management Information System (MIS). ❖ Provide technology- driven environment to the clients. ❖ IT skills of staff need to be reviewed and necessary Training should be given	Technology cannot be a substitute for service. However it can aid in effectively reaching out and considerably reducing the cost of operations.
Organizational issues		
Lack of second line of Management	❖ Appointing professionals with relevant experience who can respond and bring about	It has to be ensure that a Judicious mix of professionals with relevant experience is available at all levels

ISSUES	SOLUTIONS	REMARKS
	change in the new business environment ❖ Rationalize the staff strength, proportionate to the volume of business ❖ Staff motivation, Promotion avenues and Staff accountability ❖ Branches should work as Profit Centre ❖ Periodic Training activities should be undertaken	
Financial Issues		
Asset-Liability Mismatch. Slippage in Credit rating Poor Cash management	Asset-Liability Management needs to be carried out effectively to mismatches and strategy for raising resources at competitive cost should be formulated	
	Regular in repayment of dues to the Bank/FIs/Statutory Payments	
	Carrying huge cash and bank balances to be avoided. Surplus funds should be invested judicially without effecting liquidity and returns	

Conclusion

History teaches us that even the top companies of the world that were doing well years back have failed. Those who have succeeded and continued to survive are the ones who have been innovating constantly .It is now time to remind SLFIs about this and ask them to think about 'Frugal Innovation' where the concept is to do more with less i.e, to provide high quality products and services with limited resources. They need to transform themselves within the regulatory framework aided by technology and with a vision. And in our society where multiple opportunities emanate day by day, SLFIs should be able to identify these opportunities and create value for the society and people they serve.

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The author is General Manager, Kerala Financial Corporation, Thiruvananthapuram.

Our thoughts and feelings create our energy field. This energy field has an effect on our body, on people, on nature and on matter. Our consciousness vibrates into the universe.

DO YOU KNOW !

USES OF SOLAR ENERGY IN DAILY LIFE

Solar Power

The energy created by solar power can be used to operate fans in your home. The power from the solar energy can help clear the air, reduce moisture, and reduce electronics bills. Hot water can be provided to any room if a solar hot water heater is installed further reducing the electricity consumption.

Warming Homes with Solar Heat

Solar heat is a great way to warm up our houses. Solar heat can be provided in several different ways throughout your home to heat it in the winter months. Using sun-heated pipes of water on the roof of your home and then moving into your water heater can help to warm the rooms through piping. You might also use a solar room with sun-filtering glass. The solar room, that is usually made entirely of glass, will allow the sun to come into the room and then the air becomes trapped, warming the room. Large stones that help to trap heat is another way to contain heat in a room that is open to sun.

Pumping with Solar Energy

Having solar heated water isn't that effective without a pump. A pump will need energy to work. A pump that runs on solar energy can be installed to keep the water moving throughout the pipes and the furnace. Solar power will run a DC motor or solar-powered batteries can also be used to provide some energy to a pump.

Power Homes with Solar Energy

It is possible to power homes with solar energy. If enough solar panels are installed then energy can be provided to keep the lights on, the refrigerator running and the air conditioning working. Power may also be generated if more energy is created than required then it can be sold to to the power company, making a profit every month.

Outside Lighting with Solar Power

The easiest way to use solar power without a significant investment is to install solar lights around the yard. Solar lights absorb the sun's energy during the day and then shine their light in the evening hours. The lights can be used to set up visuals on the pathway or perhaps even a spotlight or two to accentuate the most attractive features of the house or even for landscaping.

In a conflict there is an exchange of negative energy between them and us. Let us not look at what they are sending us, focus on sending them pure energy of good wishes. This will heal us and then heal them.

MAKING SKILLS ASPIRATIONAL

** Uma Ganesh*

Two major factors make a compelling case for skill development in India. The first one is the much talked about demographic dividend. The working age population is expected to rise by 12.5 crore in the next decade and by a further 10.3 crore over the subsequent decade. Demographic dividend is confronted with the gap that exists between the industry's expectations and the capabilities of the youth and hence the need for skill development. As a result, we have started in right earnest designing the frameworks for skill programmes, developing the ecosystem required for identifying industry needs, setting up sector skill councils, defining roles for training the youth and aligning curriculum towards certification. All of these activities are very demanding and with the collaborative effort of the industry, NSDC and the sector skill councils, we have made a good beginning. The key outcome that is expected out of all these efforts is that the youth certified for skills would be able to find employment opportunities and the industry's problems of lack of skills would get addressed.

However, in reality, the answer is not as straightforward as one would imagine. The placement percentage ranges between 20 to 40% for those who are skilled. In most cases, the starting salary of skilled individuals is no different from that of those hired without the requisite skills. Even after acquiring new skills, many of the youth are not interested in taking up the jobs for which they are trained on account of a combination of reasons related to location of employment, starting salaries offered being not attractive, alternate avenues available for livelihood at the place where their families reside and the lack of role models and compelling success stories that highlight the importance of skills. As a result, even with free training programmes and the promise of a formal qualification to get a decent job, the pace of skilling is slower than the required rate of 1 million per week to touch 250 million skilled personnel by the year 2025.

Although the goal set for skill development is important and it is a well recognised fact that it is useful to train people about how to fish rather than give them fish, in reality, we do face the challenge of not finding adequate jobs for the teaming millions. By the year 2020, nearly 60% of India's population of 1.3 billion will be in the working age group of 15-59 years and the moot question is how are we planning to take advantage of this pool of resources and have them gainfully employed. This would require a multi pronged approach to be put in place on a war footing.

While we should continue to carry on with the good start that we have made with NSDC and the Sector Skill Councils and carry on with skilling and upskilling initiatives, in parallel there are a number of other areas that would require attention. Firstly, the apprenticeship or the internship programme needs to be given a fresh thrust with the objective of providing the youth the required exposure and an in-depth training in the careers of their interest. For a country with the vast population, this is indeed not an easy proposition but we could consider innovative approaches for designing the internships, getting commitments from large and small companies, rethinking the academic curriculum by providing significant weightage to the internship/apprenticeship component and involving a vast number of 'retired' personnel as facilitators in order to progressively bring large numbers of students under the umbrella of work study programme.

One other related bold move could be to increase the duration of all academic programmes by one year across the board, making it mandatory for students to undergo internship prior to graduating and being ready for employment. Countries like China and Germany have successfully integrated work study programme into the overall academic construct and it would be worthwhile to study these models and adapt for India.

Entrepreneurship or self employment is the other area that would require more encouragement. This would include the necessity of mind set change of parents and students and early introduction to these ideas while students are still in the schools. While we continue to produce technical talent pool in large numbers, the maximum number of engineers find jobs with the IT industry. In the coming decades the demand for engineering talent in the IT industry for coding jobs and also in the manufacturing industry is likely to be under pressure on account of significant automation and streamlining of processes.

Digital India Mission could throw up exciting opportunities with Internet economy to be 5 % of GDP, that is $200 billion by 2018 as per the report of BCG. BCG G20 report also highlights about India leading amongst major developing nations in Internet contribution to GDP which stands at 3.2% for India vs 3.1% for China, 2.9% for Russia and 2.7% for Brazil. It is estimated that there would be 500 million Internet users in India by the year 2018 that would make India the second largest Internet population in the world. What is noteworthy is the change in the profile of Internet users with the last 100 million users belonging to new segments of older, more vernacular, more women, more rural and more mobile led as per BCG Report.

Sooner than later, the range of initiatives that are being put in place for skill development in the country should transition from being 'push' to 'pull'. Youth should see merit in acquiring skills in the form of outcomes from the training they undergo. It would be useful to recall the successful IT training ventures that Aptech and NIIT set up in the 80s and the 90s when young people came forward to sign up for IT programmes because they believed their employment prospects would be better with IT skills which were not imparted in the colleges at that time. We need to move to a similar stage of making skill acquisition compelling and aspirational in order to maximise the advantage of demographic dividend and make skill development programmes a success.

Courtesy : The author is CEO, Global Talent Track, a Corporate Training Solutions Company; Source : The Financial Express

If we are unable to accept the behaviour of one person, and we react, it depletes our energy. Conflict in one relationship depletes our power and this depletion has an adverse effect on other relationships which were beautiful.

Dated : 16/09/2015

Dear Editor,

I was appointed as Chairman of the Assam Financial Corporation by SIDBI and Government of India and my tenure was extended due to certiain innovations introduced by me. These steps improved the profitability and efficiency of AFC.

I congratulate you for publishing - COSIDICI COURIER with articles of great interest. I am a strong Advocate of Micro-Enterprises. As the Chief Executive of KVIC & KVIB, I helped many new entrepreneurs set up their units. Your Journal which gives very useful information for the MSME sector deserves to be lauded for its efforts.

Sincerely,

Sd/-

{Dr. Shyam Bhadra Medhi, IAS (Rt.)}

Ex-Chairman, Assam Financial Corp.,
West Nabagraha, P.O. Kharghuli
Guwahati - 781004

When we are in conflict, the one factor which will decide whether we damage the relationship or heal it is OUR ATTITUDE. The people for whom we create beautiful thoughts, our relationship with them will be in harmony.

PROFILE OF MEMBER CORPORATIONS

Nagaland Industrial Development Corporation Limited (NIDC)

The Nagaland Industrial Development Corporation Limited (NIDC) is a Government of Nagaland undertaking, incorporated under the Companies Act, 1956 on March 26, 1970 with the objective to promote, develop, establish and assist industries in the State. **Shri Takuyabang Jamir** is presently the Managing Director of Nagaland Industrial Development Corporation Limited. NIDC is scaling new heights of achievements under the able stewardship of Shri Takuyabang Jamir.

NIDC Brief Profile

NIDC had set up a Sugar Mill Project and its ancillary Distillery Project at Dimapur, in 1973-74 and 1974-75 respectively, which was subsequently handed over to Nagaland Sugar Mills Company Limited. NIDC manages and maintains two Industrial Estates at Dimapur, which were taken over from the State Government in 1976. The Industrial Estates covering a total area of 40 acres has 25 ready built Standard Factory Sheds, which are rented out to industrial units at concessional rates.

Starting with a Hire Purchase Scheme in 1976-77, NIDC started assistance under the Refinance Scheme of the Industrial Development Bank of India (IDBI) in 1978 and thereafter schemes National Scheduled Castes and Scheduled Tribes Finance and Development Corporation (NSFDC) from 1992-93 and National Minorities Development and Finance Corporation (NMD&FC) in 1997-98. In the hospitality industry, NIDC's wholly owned subsidiary, Nagaland Hotels Limited, has established the only two hotels with Three Star facilities, at Kohima and Dimapur. Today these two prestigious properties are serving crucial infrastructure requirements for both leisure as well as business travellers.

It is an acknowledged fact that NIDC, through its thrust in the transport sector, has created a genre of private transport operators and today there are private taxis and buses servicing every remote sooner of the State thereby alleviating the transport and communication bottlenecks, a crucial infrastructure for development.

NIDC aims to facilitate rapid and sustained industrial development in the State through enhanced investment, an investor friendly environment, provision of infrastructure and institutional support, attractive incentive package and optimum utilization of existing resources in order to gainfully exploit emerging opportunities in the national and international markets and generate substantial income and employment avenues for the people of Nagaland.

Shri Takuyabang Jamir
Managing Director, NIDC

The NIDC with the full support of the State Government is committed to fulfill its role towards creating a conducive environment for the development of the state's economy through selective and planned industrial growth and at the same time preserve the rich heritage of cultural and traditional diversities and the fragile eco-system.

NIDC is open to partnerships in the development and growth of industries in the state and invite participation of investors and entrepreneurs in such sectors like; infrastructure development, power, transport & communication, healthcare, warehousing, housing development, information technology, fruits & vegetable processing, meat processing, tourism development, floriculture, horticulture and a host of agro-based industries.

OBJECTIVES :

- To create conditions for rapid industrial development and a climate conducive for investment
- Create gainful employment opportunities for local population.
- Develop human resources and bring about improvement in the quality of life by promoting industrial ventures in sectors in which the State has a comparative advantage.
- Develop entrepreneurial and other technical skills of the available human resources by

setting up training centers in relevant sectors as also by enlisting support from reputed national and regional training centers.

- Develop industrial infrastructure in selected areas by providing common facilities in a compact area for specialized categories of industrial units. Provide other critical infrastructure such as power, water, communications, etc
- Promote export-oriented industries with a view to exploit the emerging market opportunities in the neighboring countries.
- Develop marketing facilities for industrial products.
- Encourage large and medium scale mother industries in the public, private, joint and assisted sectors to create an industrial base making use of the available resource base of the State in selective categories compatible with the local environment and ecology.
- Develop village and Small Scale Service and Business Enterprises (SSSBE) to provide self-employment to unemployed youth.
- Develop and promote Tourism Industry in the State
- Revive and rehabilitate sick industrial units in the State.
- Develop food-processing industry by facilitating forward and backward linkages.
- Expedite formalization and development of cross border trade with Myanmar.
- Provide investor friendly environment by removing procedural bottlenecks and legal hurdles.

THRUST AREAS :

- Food Processing Industries
- Tourism Industry
- Agro-based Industries
- Mineral based Industries
- Handloom and Handicrafts
- Sericulture
- Floriculture
- Electronics and Information Technology
- Pharmaceuticals
- Petrochemicals
- Bio-tech Industries

INCENTIVES :

Power Subsidy

Subsidy on power tariff will be provided at the rates of 30% and 25% for connected loads upto 2 MW and above 2 MW respectively for a period of 5 years from the date of commercial production subject to a maximum ceiling limit of Rs.2 lakh annually. This will be a reimbursement scheme on a actual consumption of power for manufacturing process substantiated with requisite details.

Drawal of Power Line :

Cost of drawal of 33/11 KV line to eligible industrial unit shall be reimbursed subject to a ceiling of Rs.2.00 lakh provided the location is outside the notified developed infrastructure and is provided by the Government. This subsidy shall be available only once to the eligible unit.

Subsidy for Feasibility Study Cost :

Subsidy will be available at the rate of 50% of the cost of Detailed Reports subject to a ceiling of Rs.1.00 lakh, which shall be eligible only for new units with investment in plant & machinery above Rs.25 lakh provided the report is prepared by a Government approved Industrial Consultants.

Manpower Subsidy :

Government will reimburse upto 25% of the actual wage bill for local tribal employees employed by eligible units upto three years from the date of entertainment subject to a maximum ceiling of Rs.1.00 lakh annually. This grant would be for a period of five years from the date of entertainment of such staff and would be given to those units where the investment in plant & machinery exceeds Rs.10.00 lakh and the number of employees engaged in the unit exceeds 20 (twenty) numbers and where the at least 50% of the employees are local tribal youth. Units availing subsidy under this scheme shall take all effective steps to ensure 75% employment of local youth over a period of five years. This subsidy will be admissible on reimbursement basis for only those employees who complete one year of regular employment in the unit.

INFRASTUCTURE

Transportation :

The major mode of transportation in Nagaland is by road. Pliable road network and State Highways link with all districts as well as far-flung areas. Nagaland is also connected to the rest of the country by National Highways. Development of roads specifically in the notified industrial zones is being accorded priority.

Dimapur, the commercial hub is also connected both by Rail as well as by Air. Efforts are also being made to extend the railway network to other interior parts of the state.

Telecommunication :

The telecommunication network in the state is growing at a rapid rate. With the up-gradation of the Dimapur Telecom District to that of a Telecom Circle headed by a Chief General Manager, the telecommunication services in the state is expected to improve further. The advent of Internet service has also linked this remote state with the global information highway.

Media :

International & National editions of Newspapers are available regularly. The local print media in both the English as well as the local dialect segment has also grown substantially. Further, easy access to almost all satellite broadcasts of all major international and national networks is available.

Hospitality :

Effort by both the private as well as state owned sectors in setting up decent hospitality facilities of high standard has now made it convenient for business travelers as well as tourists to visit the state without facing any accommodation problems.

Postal Services :

The state has a wide postal network with post offices spread throughout the state offering a wide range of value added services like satellite based money order services, courier & speed post services besides the other normal services.

Power :

The State is still dependent on the neighboring States of Meghalaya and Assam for its power requirement. With the commissioning of the 75MW Hydel Project at Doyang, 24MW Hydel Project at Likhimro and another 24KW Thermal Project the power availability in the state is expected to improve and supply of adequate power to industry available. Preliminary surveys have revealed the potential of generating 2000 MW in the Tizu-Zungki basin .

Industrial Growth Centre :

An Industrial Growth Centre with high standard infrastructure is being set up at Ganeshnagar near Dimapur. The Growth Centre would provide dedicated Power, sufficient water supply and communication facilities besides other facilities like banks, post offices, fire station, police station, etc in an industry friendly environment. The project is to be completed by the end of 2001-2002.

Industrial Estates :

Two Industrial Estates have been established at Dimapur. The Estates, managed by NIDC provides ready built Industrial Sheds at nominal rent to industrial units. Augmentation of the facilities at the Industrial estates is being considered. The Department has also established Mini Industrial Estates with ready built industrial sheds at Kiphire and Tizit.

Export Promotion Industrial Park :

An Export Promotion Industrial Park with state of the art and environment friendly industrial infrastructure and facilities is being set up at Ganeshnagar near Dimapur. The Park, spread over an area of around 80 acres and adjacent to the Industrial Growth Centre, would provide industrial plots as well as ready built Standard Design Factories, state of the art Convention Centre with hi-tech communication services, secretarial services, besides other facilities

OUR ACTIVITIES

Agro And Food Processing Special Economic Zone (AFSEZ)

In order to promote exports and develop regional infrastructure Government of India (GOI) has taken several initiatives aimed at developing Special Economic Zones in the country. In reference to the same, Nagaland Industrial Development Corporation Limited (NIDC) has identified Dimapur as the location for the SEZ. NIDC has sought the clearance from the Ministry of Commerce for the conversion of the EPIP into Special Economic Zone. The State Government has recommended to the Ministry of Commerce for creation of the Special Economic Zone where the Ministry has already approved and notified the Agro and Food Processing Special Economic Zone, (AFSEZ), Ganeshnagar, Dimapur.

The Agro & Food Processing Special Economic Zone (AFSEZ) at Ganeshnagar under Dimapur District in Nagaland is the first and only Special Economic Zone (SEZ) in North East India and one of the few exclusive Agro Food Products SEZ in India. The Project is planned across an area of 125 acres. The Agro & Food Processing SEZ would offer a prefect blend of industrial, business and social infrastructure in the midst of lush and green eco-friendly environment incorporating latest state of the art green technologies.

The Agro & Food Processing Special Economic Zone (AFSEZ) seeks to capitalize on the abundant agro-horticulture resources of the North East Region and address the problems of post harvest wastage and thereby provide a boost to the horticulture and agriculture activities of the North East States with ready outlet for their produces.

Industrial Estates

NIDC manages and maintains two Industrial Estates at Dimapur, which were taken over from the State Government in 1976. The Industrial Estates covering a total area of 40 acres has 25 ready built Standard Factory Sheds, which are rented out to industrial units at concessional rates. The sheds are being rented out at concessional rate in order to encourage and promote industrial activity.

Term Lending

Term lending till date has been NIDC's mainstay. Under various schemes, assistance has been advanced to over 7500 entrepreneurs (March 2013). NIDC began channeling funds of the National Scheduled Castes and Scheduled Tribes Finance and Development Corporation (NSFDC) from 1992-93 and the National Minorities Development and Finance Corporation (NMDFC) since 1997-98.

The bulk of the flow of assistance was directed towards the Tiny and Small Scale Sectors including Small Road Transport Operators (SRTOs) Term lending has till date been NIDC's main area of operation. The NIDC had been operating various refinance scheme of assistance since 1978.

Assistance To State For Development Of Export Infrastructure And Allied Activities (ASIDE)

Since 2002-03, Ministry of Commerce, Government of India introduced a scheme for Assistance to States for Developing Export Infrastructure and other Allied Activities (ASIDE), based on the export performance of each State and also its growth rate. The objective of the scheme is to involve the States in the export effort by providing assistance to the State Governments for creating appropriate infrastructure for the development and growth of exports.

NIDC is the State Nodal Agency for implementation of ASIDE Scheme. The project proposals received from implementing agencies for developing critical export infrastructure in the State will be approved by the State Level Export Promotion Committee (SLEPC) for ASIDE.

Integrated Infrastructure Development Centers (IIDCS) :

NIDC was the implementation agency for setting up the Integrated Infrastructure Development Centers (IIDCs) at Kiruphema, Kohima District.

Conclusion :

An important aspect of NIDC's activities has been the creation and expansion of the entrepreneurial base and providing them support service by sponsoring and organizing training programmes, conducting surveys and studies to identify industrial potentials and feasibility and other promotional activities. NIDC with experience in the industrial development of the State is well versed with the local industrial atmosphere and also its inherent problems. NIDC has a pool of experienced and professionally qualified manpower from commercial, managerial and technical disciplines. Given the above, NIDC is competent to implement any project without any overrun in terms of cost and time and would be able to execute the work, meeting the high standards envisaged.

Executive Committee meeting :

The Executive Committee Meeting and Annual General Body Meeting of COSIDICI were held on October 16, 2015 at India International Centre, New Delhi.

Strengthening Of Training Arrangements For The Officers of SLFIs :

The Members felt that considering the vital role played by Micro, Small and Medium Enterprises (MSMEs) in economic development, SLFIs need to lend more to MSME sectors and also focus on encouraging and promoting new entrepreneurs. MSME promotion and growth is also a priority area for emerging economies like Thailand and Malaysia. CAB has been organizing/tieing up training programmes abroad. Such courses would help to study the models of MSME financing and the methods applied by the banks in these countries to overcome the constraints faced while financing MSMEs and to understand the best practices adopted and draw lessons. It was felt that a few deserving officers may be sent for such programmes as new techniques and methods thus learnt could be applied to improve the working of the Corporation(s).

The members lauded COSIDICI's initiative to organize training programmes by drawing upon the pool of talent of officers of the Member Corporations. The first programme is to be held on **'Strengthening of Loan Recovery'**. Shri Anindo Majumdar, IAS, CMD, DFC offered to host the above training programme. The members requested that COSIDICI may also ask some of the retired personnel of the SLFIs to share their knowledge and experience at this fora.

Shri Amit Sharma, KAS, MD, J&K SIDCO informed the Executive Committee that J&K SIDCO is set to open two Skill Development Institutes wherein unskilled and semiskilled

persons would be imparted skills so as to be more efficient and useful to the industry. There is a shortage of skilled workers and this is the gap the Corporation is looking to fill. The Corporation would also help to upgrade the skills of the employed workers so as to help them get better wages.

The Executive Committee requested COSIDICI to write to Department of Public Enterprises and Indian Institutes of Management (IIM) for information on courses in General Management and Finance. As the SLFIs were Government owned state enterprises the Executive Committee felt they were entitled to participate in the courses of DPE.

Strategies for Restructuring & Revitalisation of SFCs :

The Executive Committee felt that the funds given by the Government of India to SIDBI for promotion of startups should also be distributed through SFCs as they have already been working in this area for some time. KFC had already supported 1350 startups in the previous 2 years as the nodal agency of Kerala State's KSEDM Scheme. The Corporation had collaborated with TIE to evaluate projects in the field of Information Technology and Biotechnology etc. Similarly TIIC, under the NEED scheme of Government of Tamil Nadu, has helped more than 1800 new entrepreneurs in setting up their projects.

The SFCs have been giving priority to financing startups and CGTSME's credit guarantee scheme would be a very useful mechanism for minimizing risks of startup loans to new entrepreneurs. However, member SFCs have generally not been made eligible for CGTMSE cover and a few of the SFCs like TIIC, APSFC have been made eligible but only with a small limit. The Executive Committee felt that COSIDICI may request Ministry of MSME and SIDBI to make all the SFCs eligible for CGTMSE cover and approve a higher limit.

Shri Anindo Majumdar, IAS, CMD, DFC had informed the Executive Committee that the Corporation had an agreement with Delhi Agriculture Marketing Board (DAMB) which had built a shopping complex in which the shops could be allotted only to the members of the Board. DFC would give loans to these members for buying the shops. In case of a default DFC would take over possession of the shop u/s29 of the SFCs Act 1951. The shop would then be handed over to DAMB which would reimburse the amount to the Corporation. Shri Amit Sharma, KAS, M.D., J&KSIDCO said that the Corporation had created IT hubs wherein it had rented out space and this had helped in garnering revenue.

The State Government of Kerala had given Rs.140 crore to KFC during 2010-11 for write off of NPAs which had helped in bring down its NPAs to 4%. The Corporation had, thereafter, got a rating of "-A". To improve its resource position KFC had floated bonds. However, the State Government had given guarantee of bonds worth Rs.200 crore only. The Executive Committee appreciated these efforts and **Resolved** that :

- COSIDICI may write to the State Governments to support the SFCs in their respective States. This would increase their resource availability and help in 'inclusive development'.
- Further, COSIDICI may request the Ministry of MSME to channelise its schemes for the MSME sector through the respective State Governments instead of through SIDBI which is not providing required refinance at concessional rates to SFCs. SFCs could then avail of these funds to get adequate resources at competitive rates.
- COSIDICI may request RBI to frame different prudential norms for the MSME sector as compared to Banks which have much larger investor base and much more diversified portfolio unlike SFCs which deal only with MSME Sector with all its attendant risks.

Exemption of Registration of COSIDICI Members u/s 45-1A of RBI Act, 1934 :

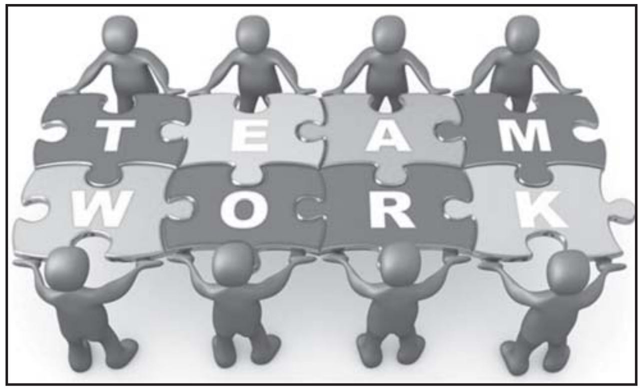
The Executive Committee appreciated the work being done by the SIDCs most of which are Non-Deposit taking and fund their activities through capital contribution by State Government and refinance from SIDBI or loans from banks. As the major share capital of these institutions is held by the State Government or Government entities, all these State level institutions are Government companies. In view of the equity/refinance support extended, the operations of the SFCs/SIDCs are monitored by IDBI/SIDBI. The State Government having invested in these institutions also monitors their operations closely. Their Annual Accounts are also audited by the Office of the Comptroller and Auditor General of India (CAG). Any serious observations by the CAG are reported in the Annual Report to the State Legislature and taken up by the Public Accounts Committee (PAC) of the State Government. Therefore, the entire operations of these institutions are under the close scrutiny of IDBI, SIDBI, Finance/Industries department of the State Government and Office of CAG.

In the year 2000, COSIDICI had requested Reserve Bank of India to exempt SIDCs from the provisions of the RBI Act on the ground that SIDCs, unlike other NBFCs, were subject to State Government control, on the one hand, and supervision of IDBI/SIDBI through inspections, on the other. The RBI had agreed to COSIDICI's request and exempted SIDCs, being government companies, under section 617 of the Companies Act, from the applicability of the provisions of the RBI Act relating to maintenance of liquid assets and creation of reserve fund, as also Directions relating to acceptance of public deposits and prudential norms. However, the requirement of statutory registration of SIDCs under section 45-1A of the RBI Act, 1934 continued.

Some of the SIDCs which have registered as Non-Deposit taking NBFCs have found it difficult to periodically furnish the voluminous data required by the RBI in its quarterly returns which is very tedious and consumes a lot of man hours. The Executive Committee, therefore, Resolved that COSIDICI may write to RBI to grant exemption to SIDCs from provisions of Section 45-1A relating to registration of NBFCs as per the power conferred u/s 45NC of the RBI Act, 1934 for the following reasons **:**

- All the SIDCs are government companies as conforming to Section 617 of the Companies Act and have been exempted from provisions of section 45-IB and 45-IC of the RBI Act, 1934. However, provisions of section 45-IA which requires registration with the RBI are still applicable.

- The other categories of institutions which have been exempted from applicability under section 45-IB and 45-IC viz. Merchant Banking Companies; Micro Finance Companies; Mutual Benefit Companies and Venture Capital Fund Companies have also been exempted from the provisions of 45-IA requiring Registration with RBI.



- The State Government(s) being the major shareholder appoints the Chairman & Managing Director and the Board of Directors and closely monitors the operations of the SIDCs and their Annual reports are placed before the State Legislature after audit by the Office of the CAG.

- SFCs are notified as Public Financial Institutions and the SIDCs have been vested with powers under the SFCs Act by the Government of India.

- Categorization of SIDCs along with NBFCs which have been set up by the Private Sector may not be necessary as there would be substantial difference in their Management, funding and operations.

Award Function for the Successful Units Financed by SLFIs :

The Executive Committee appreciated the 2nd National Awards function of COSIDICI which was held on November 25, 2014 at Al Saj Convention Centre, Kazhakuttom, Thiruvananthapuram. They felt that the COSIDICI National Award Function, 2014 had been successful in its objective viz. of giving visibility to the contribution made by the SLFIs towards the industrialisation and economic progress of the country and to motivate the successful units to continue with their good performance.

The Executive Committee decided to hold COSIDICI's 3rd National Awards Function in the month of February, 2016. Shri Amit Sharma, KAS, Managing Director, J&K State Industrial Development Corporation, Srinagar offered to hold the same alongwith the next Executive Committee meeting of COSIDICI in Jammu in second week of February, 2016. COSIDICI was requested to formulate the criteria for nominations and send them in October, 2015 itself to Member Corporations so as to give them sufficient time to select the awardees in a transparent manner.

Publication of bi-monthly Journal "COSIDICI COURIER"- Essay Writing Competition:

The Executive Committee appreciated the initiative of COSIDICI for holding an 'Essay Writing competition 2015' on the topic "Need for Diversification of Activities of SLFIs in the current Economic Scenario of India" and felt it had been imparting successful in its objective of a sense of participation among our Member Corporations.

COSIDICI had received six Essays from the staff members of its Member Corporations viz. 2 Essays from KSFC and one Essays each from KFC; AFC; KSIDC and RFC. These essays were evaluated in COSIDICI office. On evaluation it was found that while the essay contributed by the General Manager of Kerala Financial Corporation, Shri Premnath Ravindranath should be awarded second prize of Rs.5,000/-, none of the essays could merit an award of the first prize. As decided in the previous E.C. meeting the awarded Essay will be published in the ensuing issue of COSIDICI COURIER alongwith his photograph.

Annual General Body Meeting :

The Annual General Body meeting of COSIDICI was held on October 16, 2015 at India International Centre, new Delhi. The following were elected as the Members of the Executive Committee of COSIDICI for the year 2015-2016 :

Shri P. Joy Oommen, IAS, CMD, KFC, Thiruvananthapuram as the President of COSIDICI for the year 2015-2016. Shri D.V. Prasad, IAS, CMD, KSFC, Bangalore; Shri Anindo Majumdar, IAS, CMD, DFC, New Delhi; Shri S.K. Prabakar, IAS, CMD, TIIC, Chennai; Smt. Smita Bharadwaj, IAS, MD, MPFC, Indore; Shri W.V. Ramana Murthy, IAS, MD, APSFC, Hyderabad and Shri Amit Sharma, KAS, MD, J&K SIDCO, Srinagar were elected as Vice-Presidents. Shri Anand B. Kulkarni, IAS, MD, MSFC, Mumbai; Shri B.B. Swain, IAS, Vice CMD, Gandhinagar; Shri Vineet Garg, IAS, MD, HSIIDC, Chandigarh; Dr. Anwaruddin Choudhury, IAS, MD, AFC, Guwahati; Shri Maneesh Chauhan, IAS, MD, RFC, Jaipur; Shri S.S. Bains, IAS, MD, PFC Chandigarh; Shri Samrendranath Koley, WBCS (Exe.), MD, WBFC, Kolkata and Shri Arvind Ghatkar, MD, EDC Limited, Panaji (Goa) were elected as Executive Committee Members. Besides, Shri Naveen Raj Singh, IAS, MD, KSIIDC, Bangalore and Shri S.R. Gyatso, MD, SIDICO, Gangtok were co-opted as Executive Committee Members for the year 2015-2016. The contents of the Annual Report of the Executive Committee meeting of COSIDICI for the year 2014-2015 were noted and approved by the General Body which also approved the audited statements of accounts for the year 2014-2015.

Each of us carries an energy field of electromagnetic waves of about three feet around us, called Aura which depends on our state of mind. Everyone who comes in contact with this energy field will get influenced by it.

GIIC

GIIC to set up 2000 acres of Industrial Park in Kakinada SEZ for Chinese manufacturing companies

Kakinada SEZ Pvt. Ltd. (KSEZ), a subsidiary of GMR Infrastructure Limited, signed a Memorandum of Understanding (MoU) with Guizhou International Investment Corporation (GIIC) - a consortium of three leading Chinese manufacturing companies - to set up industrial park for the high end Chinese equipment manufacturing companies. The agreement was signed by Mr. Challa Prasanna, President Kakinada SEZ in presence of Hon'ble Prime Minister of India and Mr. B.V.N. Rao, Business Chairman - Transportation & Urban Infrastructure of GMR Infra and senior officials of GIIC. Chinese companies from power equipment, electronics, wind & solar energy, smart technologies, etc., are planning to set up their manufacturing units in Kakinada SEZ. Apart from world class infrastructure facilities, these companies will also be able to avail various benefits from Prime Minister's *"Make in India"* campaign.

Shri B.V.N. Rao, Business Chairman - Transportation & Urban Infrastructure, GMR Infrastructure Ltd. said. Through this MoU with GIIC, China, we were not only able to attract investments but also provide economic development to the region and State. As India's leading Infrastructure Company, we were able to foster Global Partnerships through mutual consent and in accordance with the relevant domestic laws and regulations of each country."

GIIC would invest USD 500 million in developing the infrastructure and various facilities of the industrial park, which would house leading Chinese manufacturing industries. These Chinese companies would additionally invest USD 2-3 billion in setting up their operations over next 5 years. GIIC plans to set up 2000 acres Industrial Park in Kakinada SEZ for the Chinese High-end equipment manufacturing companies. This world

class industrial park developed by KSEZ and GIIC will bring development across entire Kakinada, and generate more than 5000 jobs for both skilled and unskilled workers.

KSEZ is a port based Multi Product Special Economic Zone, spread over approximately 10,500 acres. Situated strategically on the Eastern Coast in an area rich in oil and natural gas deposits, this has an excellent logistical linkages to National Highways, Railway networks, Air and Sea Ports. This SEZ caters to the existing process industries and emerging industries like Refinery, Renewable Energy, Ship Building, Biotech, Nanotech, IT/ ITES, Toys, Games and Sports Goods manufacturing Park etc.

HSIIDC

Chinese firm set to sign MoU for setting up entertainment hub in Sonepat

HSIIDC is set to sign a Memorandum of Understanding (MoU) with Chinese conglomerate Dalian Wanda which operates in tourism, commercial property enterprise, e-commerce and department stores for setting up a theme park and entertainment hub in about 3,000 acres of Industrial Model Township (IMT) at Kharkhauda in Sonepat. The Wanda group, which operates over 100 Wanda Plazas, 68 five-star hotels, over 6,000 cinema screens and 99 department stores in China, is also exploring the possibility of establishing several commercial enterprises at Industrial Park in Lath-Bidal in Sonepat, where the land acquisition process is underway.

HSIIDC officials said that land for setting up the theme park and entertainment hub in Sonepat will be allotted using Swiss Challenge mechanism. The Swiss bidding mechanism allows a project proponent to make an offer to the government in terms of effectiveness, time and cost of a project. However, a second entity is allowed to make a better offer for the same project and the original project proponent is asked to counter match the offer. In case the original proponent is unable to match the counter proposal, then the project is awarded to the second entity.

The project will be categorised under the Maha Nivesh Yojana listed in the Enterprise Promotion Policy of the state government. As per the Yojana, the state would support development of iconic projects in manufacturing enterprises, tourism, logistics, wholesale markets which bring in mega investment into the state and have a cascading impact on the local economy in particular and state economy in general. It is also expected to generate large-scale employment opportunities through a special dispensation including mixed land use. Land can be allotted to such projects to be developed on land area of minimum 500 acres with a minimum investment of Rs.6,000 crore at a price to be decided by the government.

ANDHRA PRADESH

Andhra Pradesh approves annual credit plan with Rs 1.25 lakh crore

Andhra Pradesh Chief Minister, Shri N. Chandrababu Naidu launched the State credit plan for 2015-16 with a total target of Rs.1,25,748 crore at a state level bankers committee meeting held on 29.06.2015. The credit plan target includes Rs.65,272 crore for agriculture sector, Rs.16,960 crore for SMEs and Rs.14,688 crore for other priority sector.

The Chief Minister suggested to the bankers to constitute six separate sub-committees for agriculture, horticulture, livestock, fisheries, MSME and affordable housing sectors in order to give thrust to economic activity. He also told bankers to adopt interoperability for business correspondents so that they can handle the services of multiple banks for efficiency optimisation. *"This can enable us to disburse pensions in an efficient way. Eventually, this will help us become a cashless economy through financial inclusion,"* the chief minister said.

OSFC

Plans to restructure OSFC gathers steam

Odisha State Financial Corporation (OSFC) may get Rs.28 crore assistance from the state government to pay off liabilities of Small Industries Development Bank of India (SIDBI). At a recent meeting on restructuring plan of OSFC, it has been decided to move the government seeking assistance to clear SIDBI's dues. After repaying the debt, OSFC would obtain a 'no-dues' certificate from SIDBI, making the state-owned company debt free. As part of the restructuring, it is suggested that NPAs (non-performing assets) of OSFC be sold to either a third party asset reconstruction company (ARC) or an ARC to be set up with government support. Alternatively, these assets could also be acquired by the government at a discount as has been done in some states. The state Chief Secretary, Shri G. C. Pati has stressed on getting these assets valued conservatively and arrive at a figure at which they can be transferred. OSFC would also identify four to five retired officials of banks or financial institutions with experience in loan syndication, MSME (*micro, small & medium enterprises*) financing, lease financing and venture capital to work in the corporation on contract basis during the restructuring process. The engagement of these officials is expected to help strengthen the financial services activities of OSFC. To trim staff strength at OSFC, 60-70 employees of the corporation would be taken on deputation at the directorate of industries and other government departments to slash manpower cost and also do away with the need for Voluntary Retirement Scheme (VRS).

OSFC is likely to be entrusted with implementing government schemes like State Mission for Food Processing. For such government sponsored schemes, OSFC would function as the nodal agency for disbursing subsidy and incentives. OSFC's product portfolio would include financial and non-financial services. The corporation would explore and take steps to monetize opportunities for sale of some land and buildings to fund its business operations. The finance department would examine the possibility of OSFC entering into a memorandum of understanding (MoU) with the Odisha State Cooperative Bank to meet working capital needs of some MSME units.

Shri R.N.K. Prasad, Consultant, Odisha Modernising Economy, Governance and Administration (OMEGA), a joint initiative of the state government and UK based DFID recently made a detailed presentation to the chief secretary on full corporate restructuring of OSFC. OMEGA team would submit a business plan for revival of OSFC, covering financial and non-financial services. The report would be placed before the government for approval.

KSFC

Interest Subsidy Scheme From GoK to encourage establishment of Warehouses and Cold Storages around Villages and Towns

Warehouses and Cold storages play a key role in a number of other industries including e-commerce, retail, grocery and other more specific industry segments. A complete effective warehouse management system can increase productivity, allow more efficient space utilisation and reduce overhead costs. Considering the importance of logistic sector for industrial growth, KSFC has introduced a new Interest Subsidy Scheme from Govt. of Karnataka to encourage establishment of warehouses and cold storages around villages and towns.

The salient features of the scheme are as below:-

Objective:

The objective of the scheme is to provide the farming community with facilities for scientific storage so that the wastage and produce deterioration are avoided and also to enable it to meet its credit requirement without being compelled to sell the produce at a time when the prices are low.

Eligibility:

The financial assistance is available under the scheme to the following: To the proprietary concern

/ partnership firms / farmers and interested parties belonging to farmers / farmer associations / self help groups / cooperative societies / agriculture produce / marketing committees / farmer federation / NGOs.

Assistance of Interest Subsidy :

Interest subsidy from GoK is limited to 10% in the normal RoI on the loan amount. The promoter shall however repay the net of interest rate i.e., normal rate of interest less 10% interest subsidy from GoK.

DER :

DER shall be as per the norms of the Corporation as follows: In case of loan upto Rs.10.00 lakhs DER shall be less than 3:1. In case of loans more than Rs.10.00 lakhs, DER shall be more than 2:1.

Promoter's contribution:

Promoters contribution shall be minimum 25%.

Terms of Repayment:

The interest subsidy will be applicable only for prompt repayment within the due date and shall not be available for delayed repayment or defaulting the due date. The interest subsidy will be available only for first 5 years from the date of first disbursement as a back ended subsidy.

Term Loan:

Depending on the project cost, maximum project cost will be Rs.3,000/- to Rs.4,000/- per ton capacity for construction.

Others :

- Applicable for claimants of loan sanctioned on or after 01-04-2013 from Nationalised

Banks and State Co-operative Agricultural and Rural Development Banks, Scheduled Commercial Banks, NABARD, Co-operative Banks, Regional Rural Banks, KSFC, National Co-operative Department Corporation, on first come firstservebasis.

- Warehouses and cold storages constructed must be in accordance with the standards of warehousing development and regulatory authority, GoI (WDRAwebsite www.wdra.nic.in).
- Constructed units will be eligible for interest subsidy only after accreditation with the WDRA.
- Sanction of interest subsidy is subject to other guidelines of the Government that may change from time to time.
- In respect of cold storages projects construction of units must be in accordance with the standards of NHM (National Horticulture Mission)
- KAPPEC has been nominated as Nodal Agency for implementation of the scheme.
- NABARD is providing back ended subsidy for the project if available from Government of India.

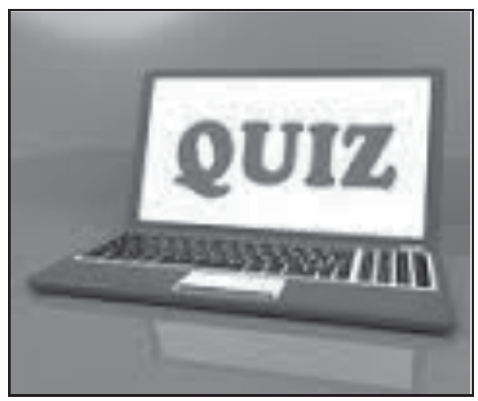
APSFC

CRISIL downgrades AP State FinCorp's bonds

CRISIL has downgraded the rating for bonds issued by Andhra Pradesh State Financial Corporation (APSFC) from A to BBB+ on a dispute between Andhra Pradesh and Telangana over sharing of liabilities of the rated debt and servicing it.

These bonds had been guaranteed by the government of (undivided) Andhra Pradesh. They have been placed on 'Rating watch with negative implications'. APSFC is a term lending institution, set up in 1956 for promoting small and medium scale industries under the provisions of the State Financial Corporation Act, 1951. For 2014-15, it reported a profit after tax (PAT) of Rs 38.5 crore on total income of Rs 478 crore, against a PAT of Rs 40.1 crore on a total income of Rs 453 crore for 2013-14.

ANSWERS OF CYBERQUIZ~56



1.[a] Very fast and can store huge amount of data.

2.[c] Minicomputer.

3.[d] Handheld Computer.

4.[a] Accumulator.

5.[d] Register.

6.[b] Internal Memory

7.[c] Central Processing Unit.

8.[b] is the container that housed electronic components.

9.[c] Arithmetic Logic Unit.

10.[b] Non-impact Printer.

India improved by 12 places on World Bank's ease of doing biz list

India improved by 12 places in the World Bank's rankings in terms of ease of doing business. For 2016, India has been ranked 130th on a list of 189 countries, compared with a ranking of 142nd this year. The rise was primarily on account of improvement in two areas - ease of starting a business and securing an electricity connection. "In 2014, the government launched a programme of regulatory reform, aimed at making it easier to do business. Spanning a range of areas measured by 'Doing Business', the programme represents a great deal of effort to create a more business-friendly environment, particularly in Delhi and Mumbai," said the report, titled Doing Business 2016, Measuring Regulatory Quality and Efficiency.

Singapore retained the top spot in the rankings, followed by New Zealand, Denmark and South Korea. While China's ranking improved from 90th to 84th, Pakistan fell 10 positions to 138th from 128th last year. The World Bank ranks countries on 10 parameters - starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority shareholders, paying taxes, enforcing contracts, trading across borders and resolving insolvency. For India, the ranking covers data from Delhi and Mumbai, with weights of 53 per cent and 47 per cent, respectively. In terms of starting a business, India's ranking improved to 155th from 158th last year, essentially on account of elimination of minimum capital requirement, which was 111.2 per cent of income per capita till last year.

Forex reserves fall $3.4 billion, the most in one year

The RBI's foreign exchange(forex) reserves fell by $3.43 billion for the week ending August 28 to $351.92 billion, the steepest fall over one year, data released on September 04, 2015 showed. The last time forex recorded such fall was in the week

ending August 22, 2014 by $3.8 billion to $318.58 billion. Foreign currency assets, a key component of, revenue fell $3.4 billion to $328.31 billion. According to currency dealers, the fall was due to interventions by RBI and the change in valuation of the reserves. At that time, RBI intervened several times to reduce the volatility in the rupee against the dollar. Gold reserves remained unchanged at $18.25 billion. In the same period, Special Drawing Rights fell $7.1 million to $4.07 billion, while India's reserve position with the International Monetary Fund stood at $1.30 billion, recording a fall of $2.3 million.

Exports decline 21% to $21 billion in August

Merchandise exports decreased by 20.7 per cent to $21.3 billion in August from $26.8 billion in the year-ago period, the ninth consecutive monthly decline and the steepest in the first five months of this financial year. The fall resulted from a massive demand slowdown in global markets and an uncertain global economic environment, owing to a crisis in China. The value of exports in August was the lowest in about five years. India wasn't the only Asian country to see a steep fall in exports. A YES Bank note said exports from Korea declined 14.7 per cent in August, the most in six years, while those from China contracted 5.5 per cent. For April-August, exports from India stood at $111.1 billion, down 16.2 per cent compared with $132.5 billion in the year-ago period, according to data released by the commerce and industry ministry on September 15, 2015. "Average growth in export volumes remains subdued ... In a nutshell, both the value and volume impact should continue to weigh on the exports trajectory in FY16," said Ms. Shubhada Rao, chief economist, YES Bank.

In August, imports shrunk 9.9 per cent to $33.7 billion from $37.5 billion a year earlier. For April-August, imports fell 11.6 per cent to $168.6 billion from $190.7 billion in the year-ago period. Gold imports, however, jumped 140 per cent to $4.95 billion.

Oil imports declined 42.6 per cent year-on-year to $7.35 billion, compared with $12.8 billion in August last year. For April-August, these imports stood at $41.5 billion, down 38.8 per cent year-on-year.

Indirect Tax Collections increased 36.7% in August to Rs.54,396 cr

Indirect tax collection rose 36.7% from a year ago to Rs.54,396 crore, taking the overall figure for April-August to Rs.2.63 lakh crore. "The GDP and indirect tax numbers seem to suggest that directionally the economy is recovering," Chief Economic Advisor Shri Arvind Subramanian told reporters after releasing the data on September 09, 2015. Indirect tax collections are considered a good measure of the underlying demand in the economy. India's economy grew 7 per cent in the April-June quarter compared with 7.5 per cent in the previous quarter. The government has said the numbers should be revised up once the real indirect tax collections are factored in.

A big part of the buoyancy is because of the additional resource measures such as increase in duty on petroleum products, increase in clean energy cess, withdrawal of exemptions for motor vehicles, capital goods and consumer durables, and the increase in service tax from 12.36 per cent to 14 per cent from June this year. Customs duty collection has been helped by the 6 per cent depreciation in the rupee between April and August this year.

Without these additional resource measures, the growth in indirect tax collections is a healthy 12.2 per cent in the April-August period and 11 per cent in August, the data released by the finance ministry said. The government has already raised over 33 per cent of the budgeted amount of Rs 6.46 lakh crore for fiscal FY16 and the growth is in excess of the targeted 18.8 per cent for the year. "These collections continue to suggest a healthy growth in the underlying tax base," the ministry said in a statement. "When tax collections are growing at over double digits, it suggests that the underlying tax base or the nominal GDP seems to be healthy and moving upwards".

ADB lowers FY16 growth forecast to 7.4%

The Asian Development Bank (ADB) on September 22, 2015 lowered India's economic growth forecast to 7.4% for the current fiscal from its earlier estimate of 7.8%, citing weak demand and reform delays. Economic slowdown in industrial countries, weak monsoon, and stalled action on some key structural reforms will see India's growth for the current fiscal year fall short of earlier estimates, ADB said in a report. In an update of its flagship annual economic publication Asian Development Outlook 2015, it also slashed FY17 GDP growth forecast to 7.8% from the March estimate of 8.2%.

The lower-than-expected GDP growth of 7% in Q1FY16 was on the back of a slide in growth of consumption, manufacturing and services, with exports contracting significantly due to lower oil prices and lackluster demand. Encouragingly, fixed investment growth picked up while agriculture witnessed an expansion — despite a weak monsoon which had led to contractions in the previous two quarters.

ADB was of the view that moving forward on domestic reforms involving taxes (proposed GST), land acquisition, and labour laws are necessary to improve the investment climate.

"On the upside, inflation is trending down, crude oil import prices have fallen sharply, and tax revenue and net foreign direct investment inflows are up, which augurs well for a bounce back in the economy," Wei said. Continued soft consumer prices, averaging about 5% for the full year, would give the central bank scope for further reduction in interest rates in the second half of FY16, the report said. The positive impact of monetary easing on the real economy would be strengthened with further headway on economic reforms.

Even though slow growth in industrial economies and the weakening of currencies of some of India's major trading partners would continue to weigh on exports, ADB expected the country's current account deficit for FY16 to be 1.1% of GDP, well below the highs of recent years.

IMF cuts India's growth forecast to 7.3% for F.Y.'16

The International Monetary Fund (IMF) on October 06, 2015 trimmed its growth forecast for India to 7.3% for the current fiscal, from 7.5% predicted in July, although it maintained the country's near-term growth prospects still remained favorable. The multilateral agency also cut its projection for global economic growth to 3.1% for 2015, down 0.3 percentage point from the actual expansion in 2014 and 0.2 percentage point from its forecasts in July. The agency, however, retained its projection for India at 7.5% for the 2016-17 fiscal but asked the country to do more in structural reforms — especially in the energy, mining and power sectors — fiscal consolidation and financial regulations.

"Structural reforms should focus on relaxing long-standing supply constraints in the energy, mining, and power sectors. Priorities include market-based pricing of natural resources to boost investment, addressing delays in the implementation of infrastructure projects, and improving policy frameworks in the power and mining sectors".

"In India, near-term growth prospects remain favorable, and the decrease in the current account deficit has lowered external vulnerabilities. The faster-than-expected decline in inflation has created space for considering modest cuts in the nominal policy rate, but the real policy rate needs to remain tight for inflation to decline to the inflation target in the medium term, given upside risks to inflation," it said.

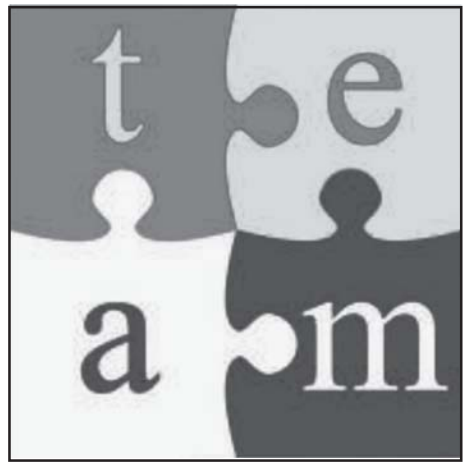
The agency has forecast that India's consumer price inflation would drop to 5.4% in 2015-16, compared with 5.9% a year before and lower than the central bank's targeted level of 5.8%. The CPI inflation is expected to inch up to 5.5% in 2016-17.

For India to sustain high growth rates for a longer period, the multilateral body has advocated continued fiscal consolidation that should be more "growth friendly" (tax reform, reduction in subsidies). With balance-sheet strains in the corporate and banking sectors, financial sector regulation should be enhanced, provisioning increased, and debt recovery strengthened, it added. Although the IMF raised the growth projection by 0.1 percentage point for the US to 2.6% for 2015 since its forecast in July and kept the projection unchanged for the EU as well as China (6.8%), the lowering of forecasts for some other advanced as well as emerging market economies, including India, weighed on the overall global growth projections.

Let us appreciate values in children, so that a child grows up believing that values are more important than achievements.

SUCCESS STORIES OF ASSISTED UNITS

M/s Sri Nandi Sai Cotton Mills, Bellary



M/s. Sri Nandi Sai Cotton Mills, is a proprietary concern of Sri Venkateshulu. Karnataka State Financial Corporation, Branch Office, Bellary has sanctioned a term loan of Rs.198.00 lakhs during June 2013 to the promoter Sri Venkateshulu for the establishment of cotton mill unit at KIADB Industrial area, Bangalore Road, Bellary under the name M/s Sri Nandi Sai Cotton Mills. The financial assistance to the promoter was granted under ***4% interest subsidy scheme of GoK for Scheduled Caste and Scheduled Tribe entrepreneurs.***

Presently, the unit is running successfully and the promoter is regular in making repayment to the Corporation. The assets of the unit are under Standard Category.

M/s Gokul Jal, Mahalingapur

Shri Kamal Mehta is the owner of M/s Quilitech Metals, Basni, Jodhpur (Rajasthan). Shri Mehta, as a first generation entrepreneur has taken about eight loans from RFC and expanded his business and is today having a turnover of Rs.407 Lakhs. His dealings with the financing agency has been excellent and the staff of the Corporation has been very cooperative and helping.

Shri Kamal Mehta

RFC rates the client as a qualified person who besides being a regular repayer of the loans, is very well behaved, sincere and hardworking for his business. Due to the managerial skills of Shri Mehta his CI Casting & Fabrication Unit is growing consistently.

Our journey of self-transformation has to be checked in reference only to ourselves, no comparison with others. Appreciate yourself for the smallest change made.

Fourth Bi-monthly Monetary Policy Statement, 2015-16

Monetary Policy Measures

On the basis of an assessment of the current and evolving macroeconomic situation, the Reserve Bank in its Fourth Bi-monthly Monetary Policy Statement, 2015-16, announced on September 29, 2015, decided to **:-**

- reduce the policy repo rate under the liquidity adjustment facility (LAF) by 50 basis points from 7.25 per cent to 6.75 per cent with immediate effect;
- keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liability (NDTL);
- continue to provide liquidity under overnight repos at 0.25 per cent of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as longer term repos of up to 0.75 per cent of NDTL of the banking system through auctions; and
- continue with daily variable rate repos and reverse repos to smooth liquidity.
- Consequently, the reverse repo rate under the LAF stands adjusted to 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 7.75 per cent.

Developmental and Regulatory Policies

Banking Structure

- The Reserve Bank has put out for comment draft guidelines for banks on the computation of base rate, based on their marginal cost of funds.
- In order to bring in greater transparency, better discipline with respect to compliance with income recognition, asset classification and provisioning (IRACP) norms as well as to involve other stakeholders, the Reserve

Bank will mandate disclosures in the notes to accounts to the financial statements of banks where such divergences exceed a specified threshold.

- With a view to improving *"affordability of low cost housing"* for economically weaker sections and low income groups and giving a fillip to "Housing for All", while being cognisant of prudential concerns, it is proposed to reduce the risk weights applicable to lower value but well collateralised individual housing loans.

Timely and Adequate Credit Flow to MSEs

The Reserve Bank, on August 27, 2015 advised scheduled commercial banks (excluding regional rural banks) to put in place Board approved policy on lending to micro and small entrepreneurs (MSEs), adopting an appropriate system of timely and adequate credit delivery to borrowers in the MSE segment within the broad prudential regulations of the Reserve Bank. The guidelines include **:**

(i) Standby Credit Facility – Banks may, as part of their lending policy to MSEs, consider providing a 'standby credit facility', while funding capital expenditure, to fund unforeseen increases in capital expenditure. Further, at the discretion of banks, such 'standby credit facility' may also be sanctioned to fund periodic capital expenditure. The objective of such 'standby credit facility' would be, among others, to extend credit speedily so that the capital asset creation is not delayed and commercial production can commence at the earliest.

(ii) Working Capital Limits – Banks may also incorporate, in their lending policy to MSEs, a policy for fixing a separate additional limit, at the time of sanction / renewal of working capital limits, specifically for meeting the temporary rise in working capital requirements arising mainly due to unforeseen / seasonal increase in demand for products produced by them.

(iii) Review of Regular Working Capital Limits – Where banks are convinced that changes in the demand pattern of MSE borrowers require a mid-term review, they may do so. Such mid-term reviews may be based on an assessment of sales performance of the MSEs since last review without waiting for audited financial statements.

(iv) Timelines for Credit Decisions – Banks were advised to put in place a structured monitoring mechanism for holistic monitoring of all credit related matters, pertaining to MSE Sector; to have a Credit Proposal Tracking System (CPTS) with a view to closely tracking the applications and ensuring speedy disposal; the time frame within which loan applications up to 2 lakh will be disposed of should be indicated at the time of acceptance of loan applications; to make suitable disclosures on the timelines for conveying credit decisions through their websites, notice-boards, product literature.

RBI grants 10 small finance bank licences, plans to move to 'on-tap' regime

RBI on September 16, 2015 granted small finance bank licences to 10 entities, eight of which are microfinance institutions. Capital Local Area Bank and Au Financiers are the two other entities that have been granted a licence out of a total of 72 applicants. The micro lenders that have been granted licences are Janalakshmi, Suryoday, Ujjivan, Utkarsh, Disha, ESAF Microfinance, RGVN (North East) and Equitas Holdings. The last entity is also involved in car loans and home loans, apart from micro lending. They will have to start operations in 18 months, failing which the licences would be cancelled. Almost all the new licensees said they were well prepared to meet the deadline.

According to RBI norms, promoter shareholding in small finance bank should be 40 per cent initially. In case it is more than that, it should be brought down to that level within five years. The lock-in period for promoter's share (40 per cent) is five years from the date of commencement of business.

The initial capital requirement of small finance banks is Rs 100 crore and they have to maintain a capital adequacy ratio of 15 per cent with 7.5 per cent of tier-I capital.

These Banks :

- Can undertake basic banking activities of acceptance of deposits and lending
- Can lend only for financial inclusion, including small business units, small and marginal farmers, micro and small industries and unorganised sector entities
- Allowed to distribute mutual fund products, insurance products and pension products

However, they are:

- Not allowed to set up subsidiaries to undertake non-banking financial activities
- Other financial and non-financial services activities of the promoters should not be mingled with the working of the bank
- The RBI in the recent past has taken the following 3 big steps in Banking sector :
- **Universal banking licence:** Two players — IDFC and Bandhan (April 2, 2014)
- **Payments banks:** 11 players – to help deepen financial inclusion (August 19, 2015)
- **Small finance banks:** 10 players — to undertake basic banking activity for under-banked areas (September 16, 2015)

RBI issues draft norms for marginal cost computation

The RBI has issued draft guidelines on the computation of the base rate of banks, based on marginal costs of funds, to be effective from April 1, 2016. Indian Banks' Association (IBA) will finalise the components of the spread over and above the base rate, to ensure uniformity in lending rate calculations. The regulator has asked banks for a clear time frame to adopt the methodology within two months from the issue of the final norms. The components of the spread would include allocable costs, term premium, risk premium reflecting the defaults and the qualitative element of business strategy. The first three components are quantitative; the business strategy would indicate the priority for the product. If the bank wants to expand that portfolio, it would give a discount and may charge more if it wants to exit from that business line.

IBA is yet to finalise the components. These will be uniform across the banks but the weightage assigned to each one would differ, based on the business strategy and other factors. Marginal cost of funds is the incremental cost of borrowing more money to fund assets or investments. In this financial year's first bi-monthly policy review, RBI prodded banks to use this for the base rate calculation. "A base rate based on marginal cost of funds should be more sensitive to changes in policy rates. To improve the efficiency of monetary policy transmission, (we) will encourage banks to move in a time-bound manner to marginal cost of funds-based determination of their BR," RBI had said.

Banks had earlier expressed hesitation on such a shift. They were taking the average cost to calculate the cost of funds, of which a significant part was current and savings account deposits, which are low-cost. Most banks pay four per cent on savings account deposits, 20-40 per cent of the total deposits. Monetary transmission by banks have been slow. In this calendar year, RBI has reduced the repo rate (at which it lends to banks) by 75 basis points. However, banks have reduced the base rate by only 25-30 bps. Both RBI and the government had questioned this reluctance to cut. Bankers say the increase in bad loans has been putting pressure on their margins, as interest-earning assets slip into the non-performing class.

ARCs' face constraints in buying NPAs'

Asset reconstruction companies (ARCs) will play a limited role in absorbing non-performing assets (NPAs) of banks due to capital constraints and rising acquisition costs, India Ratings and Research (Ind-Ra) said in a report on September 23, 2015. It said capital is constrained due to higher investment requirements in security receipts for ARCs and shareholding ceiling for sponsors at below 50%. "ARCs are now tapping debt markets to raise funds, which is a shift to leverage from the near-zero debt model earlier. Also, interest coverage may be a concern due to the lack of predictability in ARCs' cash flows".

According to India Ratings, ARCs play a crucial role in the financial sector and help banks clean up stress loans, which is the need of the hour. The RBI has reiterated that forbearance regime has ended and it is unlikely to provide any further relaxation to banks on the classification of restructured assets.

Banks' stressed loans (NPAs + restructured) as of March 2015 stood at 11.1% of the outstanding credit of Rs.65.25 lakh crore, while all ARCs put together have a capital base of Rs.4,000 crore. "ARCs, at best, have the ability to purchase NPAs worth around Rs.1.2 lakh crore, which is a only 17% of the total stressed assets in the system.

Acquisition cost has also been rising due to the shift of stressed assets into new NPAs where recovery is likely to be higher than for earlier seasoned NPAs. Acquisition cost has now gone up to around 60% from earlier around 40%," India Ratings said.

It said acquisition cost has risen, given bankers are now selling stressed loans at an early stage. Also, earlier banks would offer NPAs that were more seasoned, while, of late ,they have resorted to offering even fresh NPAs, which has pushed up acquisition cost and led to bankers asking for higher amounts due to a higher probability of recovery.

Public sector banks are more aggressive in cleaning up their books than their private counterparts. According to the report, while the 10 largest public sector banks sold 6,040 accounts to ARCs in FY15 with a book value of Rs.11,140 crore, up 64% y-o-y, the top five private banks sold a much smaller quantity of assets, with 1,100 accounts sold in FY15 worth Rs.1,110 crore.

Arcil net increases to Rs. 67 crore in FY15

Arcil, India's oldest asset reconstruction company, on October 13, 2015 reported seven times jump in net profit at Rs.67.19 crore in 2014-15. "The company registered a seven-fold growth in net profit, from Rs.7.6 crore in 2013-14 to Rs.67.19 crore in 2014-15".

The company had announced a dividend of 10%, amounting to Rs.1 per equity share for financial year 2014-15, at its 13th Annual General Meeting held on September 30, 2015. *"The dividend outflow of the company for 2014-15 amounts to Rs.32.49 crore, apart from dividend distribution tax of Rs.6.61 crore. The move follows the completion of a successful year in terms of operations for the company".*

The much improved performance is reflective of Arcil's focus on resolution and collections. A few large value transactions enabled the multi-fold jump in profits… We believe we can build on the momentum despite strong headwinds of slowdown in property markets.

"Arcil will adopt a disciplined approach to new asset acquisitions, keeping in mind the mandate to improve the returns for all our stakeholders," Shri Vinayak Bahuguna, chief executive and managing director, Arcil, said. Arcil was incorporated in 2002 and is owned by banks like SBI, IDBI, ICICI, PNB and foreign investors.

Bandhan Bank deposit base crosses Rs.1,500 cr

Bandhan Bank, which started operations as a full-fledged bank from August 2015, has garnered a deposit base of Rs.1,500 crore by October, 2015. "From August 23 (when the bank began operations) till date, Bandhan Bank's deposit base crossed Rs.1,500 crore," CMD of bank Shri

Chandra Shekhar Ghosh said. The CASA percentage was 26, the balance being term deposits. Bandhan, which transformed itself from a micro-finance institution (MFI) to a bank, is seeking to shore up its deposit base as it could not do so in its erstwhile form. Shri Ghosh said existing equity investors like SIDBI, IFC and GIC Sovereign Fund of Singapore would jointly put in Rs 500 crore as additional capital in the bank.

SBI gets Reserve Bank's approval for real estate subsidiary

State Bank of India (SBI) has received in-principle approval from the RBI to form a subsidiary to manage the real estate assets of the country's largest lender. In the long run, banks may monetise these assets. Shri Ashwini Mehra, its deputy managing director and corporate development officer, said the bank has about 44 million square feet of owned assets and 50 million square feet of rented properties. Properties owned by the bank, valued at over Rs.23,000 crore, would continue to be housed on SBI's balance sheet. But its management would rest with the subsidiary, leading to efficiency and cost reduction. Some of the employees engaged in managing SBI's real estate and engineering activity would move to the subsidiary, which is slated to become functional next year. KPMG would help set up the new company. The aim is make the subsidiary work on a standalone basis and use professional expertise to manage properties for the benefit of the parent.

Bank of Maharashtra to get Rs.394-cr infusion

Bank of Maharashtra on September 07, 2015 will issue over 10 crore shares to the government in exchange of capital infusion of Rs.394 crore. The government in August had announced a capital infusion to the tune of Rs.20,088 crore in 13 public sector banks, including SBI, IDBI, Bank of Baroda and Canara Bank.

Govt to infuse Rs.947 crore in Canara Bank

Public lender Canara Bank on August 31, 2015 said the government will infuse an equity capital of Rs.947 crore in the bank. It said the board of the bank at a meeting held on August 31, 2015 approved the proposal of issuing equity shares on preferential basis to the government in lieu of the capital infusion. "Based on the letter received from the government on infusion of capital funds, the board of the bank, at its meeting held on August 31, 2015, has considered and approved the proposal regarding raising of capital amounting to Rs.947 crore by way of preferential allotment of equity shares in favour of the government," the bank said in a filing to Bombay Stock Exchange (BSE). SBI is also set to issue of equity shares on a preferential basis to the government for a capital infusion of Rs.5,393 crore.

India Inc's overseas forays to get Exim Bank boost

Adding a new dimension to the policy support being given to project exporters by way of buyer's credit, the Government on September 16, 2015 approved a scheme that will enable the Export Import Bank of India and other state-run banks to make available concessional finance to Indian firms that bid for strategically important large construction and infrastructure projects abroad. Though the exact quantum of interest relief would be decided by an empowered committee, which will also select the eligible projects on a case-by-base basis, this policy is expected to augment the Exim Bank's capacity. Its resources, it is felt, need to be stepped up to compete with stronger Chinese counterparts. "The repayment of the loan would be guaranteed by the foreign government (which puts out the bids for the projects). The strategic importance of a project, to deserve financing under this scheme, will be decided, on a case by case basis, by a committee chaired by Economic Affairs Secretary".

On the lines of the schemes run by China EximBank, China Export & Credit Insurance Corporation or Sinosure, China Development Bank, and China Agricultural Development Bank, the committee could stipulate that for the foreign buyers to avail of the scheme, at least 75% of the project requirements should be sourced from India, if such sourcing is compatible with the requests for bids. The committee, comprising senior officials from the finance and industry ministries and the deputy national security adviser, could also consider financing strategic projects through public sector banks other than Exim Bank on the same terms.

The new scheme, which will be reviewed after two years, comes at a time when exports are in negative territory since December last year, undermining the recovery of the country's manufacturing sector. According to official sources, the current buyer's credit under the National Export Insurance Account (BC-NEIA) will be reinforced with the infusion of more funds into the account. The state-owned Export Credit Guarantee Corporation can bolster the guarantee for the loans extended by Exim Bank for such projects.

Different people will create a different image about one individual, depending on THEIR OWN sanskars. Let us focus our attention on people's qualities when we create an image of them in our mind.

TAMIL NADU

Top ten MoUs signed at TN's GIM comprises Rs 1.6 lakh cr investment

The top ten big investments expected to be made in Tamil Nadu committed by companies during State Governemnt's Global Investors Meet 2015 is to the size of about Rs.1,60,200 crore with a large chunk going into petroleum, gas and energy sectors. Three are to be coming up in the district of Thoothukudi, two in Cuddalore district. Four of the top ten investments would be in solar energy sector. The biggest investment committed during the GIM 2015 is by Middle East-based AL Kharafi, which would be investing around Rs.30,000 crore in Sipcot Industrial Park, Thoothukudi for oil refinery and petrochemical plant. Nagarjuna Oil Corporation has signed MoU for Rs.18,000 crore investment in petroleum products sector in Sipcot Industrial park, Cuddalore. Timah Langat Holdings Berhad and Emrail Sdn. Bhd, signed agreement for Rs.12,600 crore project on LNG import handling, storage and fertilisers. Shri Hari Narayanan, Deputy Chairman, EMRAIL Sdn. Bhd said the company initially the company will be setting up a 5 million LNG terminal at Thoothikudi with an initial investment of $500 million. The work will be taken up in two phases. He said, 250 industries are looking at buying gas in the state and currently market survey is going on, implementation work will start in an year's time. The project will come in 500 acres of land.

Shri Narayanan said the company is discussing with few companies, including gas supplier, shipment companies and distribution companies, to form a consortium. IEV Holdings, a Singapore-listed company in which Emrail is an investor will be implementing the project. The company already set up LNG terminals, with 3 million capacity, in Indonesia, Vietnam and Thailand. British energy major OPG Power Ventures Plc has committed

Rs.24,380 crore for a coal based power project in Nagapattinam, while IL & FS Tamil Nadu Power Company Ltd signed MoU for Rs.16,600 crore thermal power project in Cuddalore and Coastal Energen Pvt. Ltd. for Rs.15,620 crore thermal power project in Thoothukudi. The solar energy projects that came in the top ten agreements include Suzlon's Rs.15,500 crore project, Sun Edison Solar Power India Pvt. Ltd's Rs.12,000 crore project, Gamesa Renewable Pvt Ltd's Rs.8,500 crore project and Empereal Group's Rs.7,000 crore project, which would be implemented in various parts of the State.

KARNATAKA

Pacts with 245 companies signed in last 3 years: Karnataka

Karnataka Government on 14.07.2015 said it has signed MoUs with various companies in the last three years for setting up 245 heavy and medium scale industries in the state.

The Hon'ble Chief Minister, Shri Siddaramaiah said that from 59 implemented MoU projects there was an investment of about Rs.27,071.65 crore with job opportunity for 29,556 people. To a question whether any reservation rules have been followed while giving jobs, he said they were not applicable to private companies, adding Kannadigas had been given

preference. Also approvals have been given to set up 28 heavy and medium scale industries in Tumkur district in last two years. There will be an investment of about Rs.6,982.43 crore from these projects generating job opportunities to 12,461 people. In another reply, he said the Hindustan Aeronautics Limited had proposed to set up a helicopter manufacturing and overhauling unit at Gubbi Taluk in Tumkur district with an investment of Rs.4,990 crore. This will provide job opportunity for about 3,000 people. Karnataka Industrial Areas Development Board (KIADB) has already released 600 acre land for this project, he added.

ANDHRA PRADESH

Amaravati development plan: Andhra Pradesh government signs MoU with Japan

The Andhra Pradesh Government signed a Memorandum of Understanding (MoU) with the Japanese government on development of infrastructure in the new capital before the Amaravati foundation stone laying ceremony in October, 2015. The MoU was signed by Andhra Pradesh Chief Minister, Shri N. Chandrababu Naidu and Japanese State Minister for Economy, Trade and Industry (METI) Yosuke Takagi.

A Memorandum of Understanding (MoU) was also signed between Andhra Pradesh Finance department and Japan Bank for International Cooperation (JBIC) for inviting foreign investments and develop the state's new capital city and the region. JBIC intends to promote investment in and export to the state by Japanese companies and is willing to develop mutual relationship of cooperation.

Shri Naidu said, *"Japan has come forward to work with us in diverse sectors such as urban development, port development, agriculture technology and super critical power"*. The discussions were held during his Japan visit and are now being translated into reality.

Under the MoU, an Andhra Pradesh Investment Task Force will be established in Japan for accelerating industrial development. It aims to facilitate investment from Japan to Andhra Pradesh and accelerate industrial development through effective policy coordination. Both sides also recognised the possibility of formulating the port development strategy in Andhra Pradesh, in collaboration with JICA's ongoing data collection survey.

MAFF, in charge of agriculture policies in Japan, in cooperation with Japanese governmental agencies, will lead industrial promotion and investment by Japanese companies in Andhra Pradesh in order to facilitate development of food value chains, in particular cold chains, and develop food processing industry in the State. Both Japan and Andhra Pradesh welcomed the implementation of feasibility study for construction of ultra-super critical coal-fired power plants in the State.

KERALA

Kerala Govt. & Adani Ports sign MoU for Rs 7,525-cr Vizhinjam seaport

Kerala Government and Adani Ports have signed an MoU for the proposed Rs.7,525-crore Vizhinjam deep sea international terminal and port, 25 years after the project was first mooted. The central government will also participate in the infrastructure project, to be completed in three phases. For the Rs.5,552 crore first phase, the state will have to put together about Rs.3,660 crore. Viability gap funding from the Centre is

Rs.818 crore. Once completed, the port would enable ships with a capacity of even 18,000 TEU (20-feet equivalent units) to dock.

The proposed port, located close to the busy international shipping route, is envisaged to handle 4.1 million containers annually. The main advantage of Vizhinjam port is that it enjoys a natural draft of 16 to 20 feet depth, minimising the recurrent dredging costs. Secondly, the port is only 12 km from the international shipping route. *"The first major task would be to build a long breakwater to create the port's tranquillity zone,"* said Shri Santosh Kumar Mohapatra, who will implement the project. Viability of the project would depend on re-aligning container traffic from Colombo port, rather than getting cargo business from the hinterland.

GUJARAT

Gujarat signs MoUs worth Rs 30,000 cr with China

The business delegation that accompanied the Gujarat chief minister Anandiben Patel to her recent China visit, announced that the State will see two industrial parks being set up by Chinese developers, while several memorandums of understanding (MoUs) were signed for mutual cooperation and assistance.

The MoUs signed between the industrial extension bureau (iNDEXTb) and various companies in China and Hong Kong valued over Rs.30,000 crore, which included Rs.10,000 crore worth of MoU for setting up two industrial parks and Rs.19,000 crore for smart city development. Two major MoUs were signed by China Small and Medium Enterprise Investment Ltd (CSMEI) and iNDEXTb. There will be a textile park and a general industrial park near Sanand.

In all, 22 MoUs were signed across sectors like smart city, textiles, industrial parks, renewable energy, sustainable infrastructure development, affordable housing, pharmaceuticals, automotive, electrical engineering and logistics, wherein Chinese government agencies and business houses evinced interest in investing in these areas in Gujarat.

The smart city is likely to come up on an area of 20 sq km. *"It could either be on a greenfield basis or the Chinese counterpart could assist us in developing an existing city like Gandhinagar or Ahmedabad into a smart city,"* said official sources.

Even if habits are wrong, even if present sanskars are negative, originally each soul is pure and beautiful. Separate the person from their habits. This empowers the soul to emerge their purity and that helps them to change their habits.

Delhi-Mumbai corridor aims at doubling job potential in 7 to 9 years: Govt

The Government has said that the Delhi Mumbai Industrial Corridor project aims at doubling the employment potential and triple industrial output in the next seven to nine years. DMIC project is being developed on both sides of the Western Dedicated Freight Corridor as a global manufacturing and investment destination. The project is being implemented in stages and initially eight investment regions are being taken up, the Commerce and Industry Ministry said. The project also seeks to create a strong economic base with a globally competitive environment and state-of-the-art infrastructure to activate local commerce, enhance investments and attain sustainable development.

Core sector growth slows to 2.6% in August

The eight core sector industries grew an annual 2.6% in August compared with 5.9% in the corresponding month last year as steel production and coal output shrank. Cement and electricity sectors also fared worse in August compared with a year earlier.

The core sector output expanded 1.1% in July. The growth in the output of these industries, which have a combined weight of 38% in the index of industrial production, was 8.7% in June 2014 and -0.4% in

April. The core sector output during April-August of FY16 expanded at a slower pace of 2.2% as against 5.6% in the first five months of FY15.

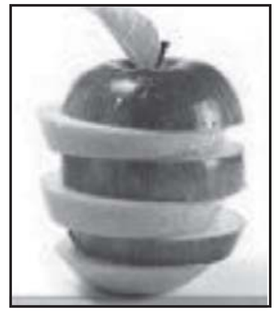
As for individual sectors, crude oil grew 5.6% in August, 2015 (against -4.9% in August last year) while natural gas (3.7% vs -8.1%), refinery products (5.8% vs -4.4%) and fertilisers (12.6% vs -4.3%) also grew at higher rates than a year ago. Coal output grew just 0.4% in August, 2015 compared with 13.2% a year ago, while steel (-5.9% vs 9.4%), cement (5.4% vs 10%) and electricity (5.6% vs 12.9%) too fared worse. The output growth of these sectors in July was as follows: Crude oil (-0.4%), natural gas (-4.4%), refinery products (2.9%), fertilisers (8.6%), cement (1.3%) and electricity (3.5%).

Even if we do not approve of someone's behavior, let us not criticize them in our mind. Even if our sansakars do not match, we can still be in harmony with them, only by taking care that we are not thinking negative about them.

The Correct Information You Need to Know About Food Additives

Have you seen the words like “do not contain food additives” marked in the food packaging? Or the use of advertising, media and other means to say its products do not contain food additives? This is a selling point of some individual enterprises. But, this will only mislead the public awareness of food additives, even deepening public misunderstanding of food additives. How much do you know about food additives? Do you really think the food contains food additives equivalent to the problem food? Actually, food additives are an integral part of modern food processing industry. Except for a few kinds of foods which do not use food additives a big percentage of food in the supermarket use food additives. For example, rice has preservatives; flour adds anti-knot agent and preservatives; oil needs bleaching agent and anti-oxidant; salt has anti-knot agent; soy or sauce contains preservatives; bread has expanded pine agent; anti-season fruits use preservative and preservatives. In fact, the use of additives is completely safe if it is used in a scientific.

In recent years, Chinese are giving more and more attention to the demand of healthy eating. They care about whether what they eat is safe and healthy. Especially when they mention the food additives, they may exclusion, even panic. When asked how to treat this issue, the Nobel Prize winner Robert said: “some food additives are beneficial to the human body, and it is an integral part of the modern food industry. Most of the time, the fear of additives comes from people who do not have an understanding about it. It is not easy to figure out what is useful and what is harmful when it is without test. So do not blindly to exclude food additives, instead it should be treated in scientific and rigorous way. “ The food additives in China have clear provisions in certain standards about the scope, the use of CAP etc. This can guarantee the use of additives will not bring harm to consumers. The safety of food additives is established on the basis of reasonable usage, the maximum amount use of food additives are not allowed, or it may cause harm to the human body. The food additives should have accurate measurement according to the total amount. Due to the lack of precise measurement equipment in some enterprises, then it result in excessive use of food additives. But things like Sudan, melamine, plasticizers, industrial gelatin, etc are not official food additives.



When it refers to food additives such as colors and flavors, people may think these are harmful substances. In fact, food additives themselves are harmless, such as red pigment and lutein. These are colorants in food additives, it adjusts the color of food. But the ingredient is carotenoids. It is good for the body. But the harm to human body is the improper application of food additives. Many illegal manufacturers use too many food additives or too much of it. In order to increase the product’s shelf period, producers often add excess of preservatives and anti-oxidant in the products to prevent corruption or metamorphosis; in order to keep food stability, they add excess thickeners to keep food texture stable within shelf period; in order to have better color, they use excess pigment and bleach; or in order to make sure the food has good fragrance and taste, the producers use excess flavor, sweetener and sour agent. Some enterprises uses industrial-grade additives to reduce the cost, also to hide food quality issues.

With the development of food industry, the variety of food additives will be increased and the usage will become more popular. This is an inevitable trend. People can not live without food additives. More importantly, the use of food additives is a guarantee of food security. So far, all domestic food safety incidents are not caused by food additives. Melamine and Sudan belong to fake and illegal category. They are not the food additives. Food additives are everywhere in the modern civilized society. The right choice is to accept food additives, strive to make food additives scientifically.