COSIDICI COURIER

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CONTENTS

FROM THE SECRETARY GENERAL's DESK

ENHANCING COMPETITIVENESS OF MSME SECTOR THROUGH CLUSTER DEVELOPMENT

Background

The Micro, Small &Medium Enterprises (MSMEs) in India have seen a vast development in the last five decades. The MSMEs have registered tremendous growth as also progress in terms of quality production, exports, innovation, product development and import substitution, very much beyond the expected objectives of setting up MSMEs by the planners of industrial production base in the country. Entrepreneurial efforts have made it possible to produce number of items, which hitherto were imported. In quite a few cases new variants so produced are having additional attributes than their original versions and are capable of solving a multitude of user problems. This all has become possible owing to the ambitions and visionary spirit of entrepreneurs of MSMEs

The Micro, Small & Medium Enterprises (MSMEs) contribute significantly to value addition, employment generation, exports and overall growth and development of the country's economy. The MSME sector accounts for about 40 per cent of the exports and 45 per cent of the total manufacturing output in the country. Realizing the significance, a separate Ministry of Micro, Small & Medium Enterprises has been set up by the Government of India at the Centre with an objective to facilitate, promote and enhance competitiveness of MSMEs in the state. It is basically a State initiative to give topmost priority and thrust for facilitating and co-coordinating the growth and development of the MSME sector.

Cluster Development :

UNIDO, the UN specialized industrial agency, defines a cluster as "a sectoral and geographical concentration of small/medium enterprises facing common opportunities and threats". Clusters are thus a sectoral and geographical concentration of micro, small and medium enterprises with inter-connected production system leading to firm/unit level specialization and developing local suppliers of material inputs and human resources.

V.S. RATHORE
Secretary General, COSIDICI

Availability of the local market, inter-mediaries for the produce of the cluster is also a general characteristics of the cluster. As a 'cluster' is a sectoral assemblage of enterprises which are facing common opportunities and challenges, MSMEs in a cluster can access skilled and highly educated labour and pooled business services via enterprise clusters and networks MSMEs having particular interests.

As a whole, cluster facilitates to face market challenges, quicker dissemination of information, sharing of knowledge and best practices and better cost effectiveness due to distribution of common costs. It also provides an effective and dynamic path for inducing competitiveness by ensuring inter-firm cooperation through networking and trust. The geographic proximity of the enterprises with similarity of products, interventions can be made for a large number of units that leads to higher gains at a lower cost, which in turn helps in their sustainability. The cluster approach thus aims at a holistic development covering areas like infrastructure, common facility, testing, technology & skill upgradation, marketing, export promotion.

The Cluster Development approach has played an important role in enhancing the competitiveness of the MSE sector. Apart from the benefits of deployment of resources and economy of scales, the cluster development approach helps in weaving the fabric of networking, cooperation and togetherness in the industry, and thus enabling the industry to achieve competitiveness in the long run.

The Micro and Small units are generally not in a position to install costly machinery for their critical operations, accept large orders, or infuse large capital due to their limited capital base and limited domain expertise. However, collectively through cluster development approach, the micro and small enterprises can attain the desired goal of being competitive in the present global scenario.

The Ministry of MSME, Govt. of India, has adopted cluster development approach as a key strategy for development of micro and small enterprises in various clusters. The Ministry is administering two cluster development programmes, namely, Micro and Small Enterprises - Custer Development Programme (MSE-CDP) and Scheme for Up-gradation of Rural and Traditional Industries (SFURTI).

The objectives of the scheme is to support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital, etc.; to build capacity of MSEs for common supportive action through formation of self help groups, consortia, upgradation of associations, etc., and to create and upgrade infrastructural facilities in the new and existing industrial clusters of MSEs.

The cluster development initiatives in various clusters have reportedly delivered remarkable results. The guidelines of the MSE Cluster Development Programme (MSE-CDP) have been comprehensively prepared to provide higher support to the MSMEs. With this, more than 500 clusters spread over across the country have so far been taken up for diagnostic study, soft interventions and setting up of CFCs under the programme. The efforts under the scheme are focused on covering more and more clusters across the country.

Lack of satisfactory and timely banking finance, unavailability of needful technology, low production capacity, limited knowledge, toothless marketing strategy, non-availability of skilled labour, etc are not the only challenges faced by the micro and small medium enterprises (MSMEs). As liberalization prevails in the global economy, small firms are also under tremendous pressure of other factors like innovation, restructuring of operations and problem in achieving production efficiencies.

The competition between a small and big firm is not only in price and size, but also compete on the basis of their ability to innovate. Hence, in order to maintain sustainability in this ever-changing global economy, SMEs should also adopt innovative techniques and should undergo with continuous improvement in their product, process, like big players. However, non-availability of resources is the major roadblock in the growth of SMEs. Analysts feel that 'cluster development' has potential to address the issue of resource-gap.

Objectives of a cluster development scheme:

Cluster development programme is aimed to mitigate various challenges faced by industries in the MSME Sector. The main objectives include:

- Extending support to boost MSMEs' businesses by addressing general issues like improvement of technology, skills and quality, market access, access to capital, etc.
- Building MSMEs' capacity with the formation of self help groups, consortia, upgradation of associations, etc
- Creating and upgrading infrastructural facilities in the new/existing industrial areas/ clusters of MSME
- Setting up of common facility centres for testing, training, complementing production processes, etc.

In addition, clustering of units also helps services providers, like banks and credit agencies, to facilitate their services to small firms.

Cluster Composition

The process of cluster development usually consists of the following steps **: -**

- Choosing Cluster Development Agent
- Diagnostic Study
- Developing action plan
- Smoothening the process of technology shift from producer to end user
- Setting up of Common Facility Centres (CFCs)
- Organising workshops, seminars, training and reaserch visits for faster dissemination of technology across the cluster of small enterprises

Cluster Development Programmes

As mentioned earlier, industrial clusters are recognised as an effective means of business development and promotion of small firms. The easy reach to specialized suppliers of raw materials, parts and components, machinery, skills and technology as well as other supporting services can enable enterprises to improve competitiveness. Cluster development not only improves the competitiveness of industry, rather it also acts as an instrument for alleviation of poverty, generation of sustainable employment, fostering innovation, enabling better, effective and sustainable credit flow.

Cluster development enables SMEs to establish a strong position in the global market in a number of traditional products such as shoes, leather handbags, knitwear, apparel, furniture, tiles, musical instruments, food processing and also in the industries which supply machinery to these sectors.

Conclusion

In order to maintain sustainability in this ongoing liberalized era of the Indian economy, it is essentially required that the MSME units in India come up with novel approaches and ideas. Here the 'cluster development initiative' plays a vital role as clustering and networking among enterprises not only promotes enterprise competitiveness but also enhances access to global markets. Hence, both private and public sector institutions at the Central as well as the state levels should progressively undertake and promote the cluster development initiatives.

Vikram Singh

V.S. RATHORE

No one saves us but ourselves.
No one can and no one may.
We ourselves must walk the path.

–Gautama Buddha

SUCCESS STORY OF TAMIL NADU INDUSTRIAL INVESTMENT CORPORATION LIMITED (TIIC)

MS. SESHASAYEE PAPER AND BOARDS LTD., ERODE

Seshasayee Paper and Boards (SPB) Ltd. was established in 1960 under the leadership of Sri.S.Viswanathan, a freedom fighter turned Industrialist, on the banks of river Cauvery in Pallipalayam, Erode. The company had a technical collaboration with Parsons & Whittmore of the U.S.A,. The State Government encouraged the company by participating in its equity through **Tamil Nadu Industrial Investment Corporation Limited (TIIC)**, then known as Madras Industrial Investment Corporation. The Government's share of Rs. 1.00 crore amounted to nearly 28.5% of the total share capital. SPB commenced operation with the licensed capacity of 20,000 tonnes in the year.

Today SPB has grown in strength to its current installed capacity of **1,15,000 tonnes**. It operates an integrated pulp, paper and paper board Mill and produces a wide range of products such as printing and writing papers, packing and wrapping papers and specialty papers. SPB exports nearly 15% of its production and it is a significant exporter in the Indian Paper Industry. Due to its excellent export performance, SPB has been awarded' **Golden Export House'** status.

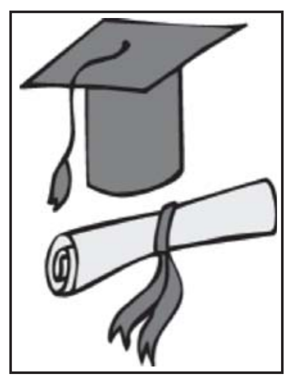
SPB is the flagship company of the 'SPB-ESVIN GROUP', consisting of Ponni Sugars Limited, a leading sugar mill, High Energy Batteries (India) Limited, Esvin Advanced Technologies Ltd (bio-technology), and SPB-PC Limited (consultancy).

Role of TIIC:

TIIC has been one of the valued and continued stakeholders of Seshasayee Paper and Boards Limited, since birth of this Paper Mill. Through its Nominee Director, TIIC has been providing valuable advice to the Board.

APPOINTMENTS

- Shri Jayesh Ranjan, IAS has been appointed as Vice Chairman & Managing Director, Andhra Pradesh Industrial Infrastructure Corporation Ltd., {APIIC}, Hyderabad vice Shri B.R. Meena, IAS.
- Shri G. Mathi Vathalan, IAS has been appointed as Managing Director, Industrial Promotion & Investment Corporation of Odisha Ltd. {IPICOL}, Bhubaneswar vice Shri C.J. Venugopal, IAS.
- Shri Imdadul Haque, IAS has been appointed as Managing Director, Assam Financial Corporation {AFC}, Guwahati vice Shri Amlan Baruah, IAS.
- Shri Mohan Jeet Singh, IAS has been appointed as Managing Director, Andaman & Nicobar Islands Integrated Development Corporation Ltd. {ANIIDCO}, Port Blair vice Shri Jalaj Srivastava, IAS.
- Shri Pravin L. Agrawal has been appointed as Managing Director, Tripura Industrial Development Corporation Limited {TIDC}, Agartala vice Shri V.G. Jenner, ISS.



- Shri Pradeep Kumar Sinha, IAS has been appointed as Secretary in Ministry of Power.
- Shri Vishwapati Trivedi, IAS has been appointed as Secretary in Ministry of Shipping.
- Shri Syamal Kumar Sarkar, IAS has been appointed as Secretary in Department of Personnel & Training (DoPT).

DO YOU KNOW!

LIST OF POPULAR SEARCH ENGINES

Google	Google - **The world's most popular search engine.**
YAHOO! SEARCH	**Yahoo!** Search: The 2nd largest search engine on the web (as defined by a September 2007 Nielsen Netratings report.
altavista	**AltaVista:** Launched in 1995, built by researchers at Digital Equipment Corporation's Western Research Laboratory. From 1996 powered Yahoo! Search, since 2003 - Yahoo technology powers AltaVista.
excite	**Excite:** Now an Internet portal, was once one of the most recognized brands on the Internet. One of the famous 90's dotcoms.
	Go.com: The Walt Disney Group's search engine is now also an entire portal. Family-friendly!
HOTBOT	**HotBot** was one of the early Internet search engines (since 1996) launched by Wired Magazine. Now, just a front end for Ask.com and MSN.
alltheweb	**AllTheWeb:** Search tool owned by Yahoo and using its database, but presenting results differently.
galaxy	**Galaxy:** More of a directory than a search engine. Launched in 1994, Galaxy was the first searchable Internet directory. Part of the Einet division at the MCC Research Consortium at the University of Texas, Austin
AOL Search	**search.aol:** Now powered by Google. It is now official.
Live Search	**Live Search** (formerly *Windows Live Search* and *MSN Search*) Microsoft's web search engine, designed to compete with Google and Yahoo!. Included as part of the Internet Explorer web browser.
GIGABLAST	**GigaBlast** was developed by an ex-programmer from Infoseek. Gigablast supports nested boolean search logic using parenthesis and infix notation. A unique search engine, it indexes over 10 billion web pages.
Alexa	**Alexa Internet**: A subsidiary of Amazon known more for providing website traffic information. Search was provided by Google, then Live Search, now in-house applicaitons run their own search.
IFAC.com	**IFAC.com:** For resources and information on Ifrs and Accounting.
btjunkie	**Btjunkie:** An advanced BitTorrent search engine. It uses a web crawler (similar to Google) to search for torrent files from other torrent sites and store them in its database. It has over 1,800,000 active torrents.
Demonoid.com	**Demonoid**: A BitTorrent tracker set up by a person known only as Deimos. The website indexed torrents uploaded by its members.

monster	**Monster.com**: The world's largest resume database and online job search.
naukri.com	**Naukri.com (India)**: An India-focused job search engine.
simplyhired	**SimplyHired.com** - Job search engine. Search over 5 million job listings and thousands of jobs sites to find a job you love.
Google Maps	**Google Maps:** Provides directions, interactive maps, and satellite/aerial imagery of the United States as well as other countries. Can also search by keyword such as type of business.
rediff.com	**Rediff**: India - India's leading internet portal for news, mail, messenger, entertainment, business, mobile, ecommerce, shopping, auctions, search, sports and more.
YAHOO! hotjobs	**Hot Jobs (Yahoo):** Find a job, post your resume, research careers at featured companies, compare salaries and get career advice on Yahoo! HotJobs.
Google	**Google Book Search** The power of Google to find books. Google's entry will not let you see full text if the copyright is still active in your jurisdiction.
AskMeNow	**AskMeNow:** S3 - Semantic Search Solution for mobile telephones. AskMeNow offers a consumer mobile search utilizing proprietary technology & natural language based interaction.
dieselpoint	**Dieselpoint**: Search & Navigation. Dieselpoint provides advanced full-text search with data navigation capability. It gives users highly relevant results not possible with either traditional search engines or SQL databases.
fast	**Fast Search & Transfer**: Enterprise Search Platform (ESP), RetrievalWare (formerly Convera)
funnelback Internet & Enterprise Search	**Funnelback** is an Internet and Enterprise search engine company offering a suite of search solutions, hosted solution for the web and a fully customisable enterprise solution for searching behind the firewall.
Google	**Google Search Appliance:** Make it as easy for employees to find information inside your organization as it is to find information on google.com. Deploy a Google Search Appliance.
YAHOO! NEWS	**Yahoo News**: Use **Yahoo**! **News** to find breaking news, current events, the latest headlines, **news** photos, analysis & opinion on top stories, world, business, politics...
YouTube Broadcast Yourself	**YouTube:** Owned by Google, the web's largest media site. This search will search through the videos of YouTube only.

LETTER TO THE EDITOR

Dt.: 27th June, 2013

Dear Editor,

Shri S.N. Jain

I have read the last few issues of 'COSIDICI COURIER' with great interest. With over 38 years experience in public sector, private sector and multinational companies in different fields such as aeronautics, office & banking automation, computer hardware & software, training, management consulting and environmental consulting in the areas of manufacturing, project management and general management, I have had the opportunity of observing problems faced by MSMEs closely.

COSIDICI COURIER is a very useful and informative magazine, especially for MSMEs and would not only help them understand the role of SFCs and SIDCs but also bring about positive interactions between them.

The articles enable exchange of ideas and knowledge which are important ingredients for success and growth, domestically as well as internationally, in today's competitive economy and Information Age.

National Awards instituted by COSIDICI in 2013 such as the '*Outstanding Entrepreneurs Awards*' are laudable initiatives.

As an apex body of SFCs and IDCs, you are performing an important role in helping reduce bottlenecks and improve performance to take Indian organisations to higher levels.

Keep up the good work!

Yours sincerely,

Sd/-

{ S. N. JAIN }

Director

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Those who act kindly in this world will have kindness.

–Quran 39.10

AN APPEAL

EVERY DROP MATTERS

Heavy rains from 14th June, 2013 caused rivers in Uttarkashi, Rudraprayag, Chamoli and Tehri districts in Uttarakhand state to overflow.

This triggered off flood and landslides resulting in death, destruction and devastation. The recent flash flood in Uttarakhand has resulted in a large number of deaths & has caused widespread destruction to property.

COUNCIL OF STATE INDUSTRIAL DEVELOPMENT & INVESTMENT CORPORATIONS OF INDIA {COSIDICI}

Appeals for generous contributions to the

PRIME MINISTER's NATIONAL RELIEF FUND

Prime Minister's Office, South Block, New Delhi-110011

Contributions to the **P.M.N.R.F.** have been notified for 100% Deduction from taxable income under section 80(G) of the Income-Tax Act.

QUESTIONS OF CYBERQUIZ~42

1. Who laid out a set of moral principles for the hackers in his 1984 book Hackers ?

[a] Steven Levy; [b] William Gibson; [c] John McCarthy; [d] Donald Knuth.

2. On of his popular books was nicknamed "the pink shirt book" because he appeared on the cover of the book in a pink shirt. Name him.

[a] Peter Norton; [b] Bill Gates; [c] Andrew Stuart Tanenbaum; [d] Donald Ervin Knuth.

3. Who/What is "Ananova" ?

[a] The world's first virtual newscaster on Internet; [b] The first humanoid robot; [c] The first robot in space; [d] The world's first Internet TV.

4. This IIT Kharagpur alumnus is the founder of Cirrus Logic, a fabless semiconductor supplier, well-known USA venture capitalist and angel investor. Who is he ?

[a] Subramonian Shankar; [b] Amar Gopal Bose; [c] Suhas Patil; [d] Gururaj "Desh" Deshpande.

5. This hardware engineer and Chief Technologist of Data General Corporation is the protagonist in the Pulitzer Prize winning book The Soul of a Ne Machine (1981) by Tracy Kidder. Who is he ?

[a] Edson De castro; [b] Henry Burkhardt III; [c] Richard Sogge; [d] J. Thomas West III.

For Answers See Page No 17

I always loved running-it was something you could do by yourself and under your own power. You could go in any direction, fast or slow as you wanted, fighting the wind if you felt like it, seeking out new sights just on the strenght of your feet and the courage of your lungs.

–Jesse Owens

HEALTH IS WEALTH

People are more particular about what they put in their homes and in their cars, than what they put in their bodies. Just like you would not decorate your home with garbage, so also, don't mess up your body by eating junk food.

There is an old proverb that says, "***Health is Wealth***". This aptly summarizes the importance of health for an individual. Health represents a state of physical and mental well-being. Without good health, we will not be able to enjoy the good things in life. It is also not possible to earn a good living when one is not healthy. In general it can be said that if we have healthy people in the world, the efficiency and productivity on the whole will increase. Here are some tips on how you can stay healthy by including these excellent foods in your everyday diet.

- **Wheat germ** : Wheat germ is one of the most concentrated natural plant source for essential amino acids, minerals and vitamins. It is a high-energy food and is a great source of vitamin E. Include it in your everyday diet by sprinkling it on cereals, chapatti dough, dosa batter etc.
- **Onions** : Onions are rich in fibre and studies have shown that they have anti-cholesterol properties. Onions are also good for diabetics and people with high blood pressure. They are best eaten raw, as an accompaniment or in raitas.
- **Garlic** : Garlic is excellent for you in many ways. The sulphur content in garlic helps lower cholesterol levels. For best results, a few garlic bulbs should be eaten raw on an empty stomach.
- **Lemon** : Lemon is a great source of vitamin C. Hot lemon tea in the morning is very energizing. Include lemon in your daily diet by sprinkling it on salads, accompaniments, adding it to curries and so on. A glass of warm water with lemon after meals cuts fat absorption, thus helping you lose weight.
- **Turmeric** : It has been proved time and again that turmeric has anti-bacterial properties. A pinch of turmeric added everyday to your daal can help increase immunity. Turmeric not only enhances flavor, but also makes food aesthetically pleasing with its bright yellow color.
- **Cumin** : Cumin is a good source of calcium, and regular intake of cumin seeds or cumin powder can help delay the onset of osteoporosis and other calcium related diseases. Fortunately, cumin is almost an essential addition to North Indian cuisine.
- **Honey** : It is said honey is the purest of all foods. It contains traces of iron, copper, potassium, manganese, phosphorous and vitamin B. A teaspoon of honey in a glass of warm water taken early in the morning is a good health tonic. It can be used as a substitute for sugar.
- **Nuts** : Nuts are powerhouses of various nutrients. According to research, a handful of nuts taken at least four times a week can lower your risk of cardiovascular disease and cuts bad cholesterol. A handful of dates taken everyday can boost your hemoglobin levels. Badam is a good source protein. Figs, avocados, raisins are all rich source of fiber. Walnuts are a great source of omega-3 fatty acids.

JAMMU & KASHMIR

J&K I-T dept to be computerised by 2015

To keep a tab on tax defaulters and on highvalue transactions, Central Board of Direct Taxes is creating on-line data-bank on Income Tax assessees, and will computerise Jammu and Kashmir Income Tax Department by 2015.

The on-line data bank and a new system on Income Tax assessees having many checks and balances will help in having close watch on the IT assessee. This system would also help in generating quick information about the defaulters and high-value transactions as close monitoring plays important role in checking tax evasion.

GUJARAT

Gujarat Plans 5-Year Export Policy

Gujarat, which accounts for about a quarter of India's total exports, is mulling a five-year export policy to focus on value-added exports in sectors such as textiles, agriculture and dairy. The first state in the country to have an export policy, Gujarat plans to increase the share of exports from the state from 25% to 30% in five years.

The government may announce incentives ranging from exemption from value-added tax (VAT) in some sectors to focus market scheme and focus product scheme to offset high freight cost and other externalities to select international markets and promote products with high-export intensity.

India's overall exports declined by 1.76% in 2012-13 to $300.6 billion, as demand in the US and the EU subsided on slowing economy. Following this the centre announced a series of incentives in the annual supplement of the foreign trade policy. Centre's policies cannot be so specific, whereas the state policies are made as per the needs of the state. So you need such simultaneous policies.

Given that over 90% of Gujarat cotton goes to other states for value addition, emphasis would be laid on readymade garments. The state already has potential in the textile sector, as nearly 23% of the state gross domestic product comes from textile and related industries. Other areas that Gujarat contributed to India's exports in 2011-12 include 70% in the gems and jewellery sector, 30% in pharmaceuticals, 20% in textiles, 12% in engineering and 18% in chemicals. Gujarat should strive to increase its exports by shifting its focus from lower-end markets to value-for-money markets.

As of now, it has been supplying domestic and international markets with raw materials but with proper R&D and focused investments, Gujarat should introduce high value-added products of global standards. Only a quarter of export units have an export house or upward status for special benefits, the FIEO study noted.

The state has 41 minor and intermediate ports and 55 SEZs, involved in sectors like biotechnology, power, handicraft, gems & jewellery. Gujarat also has a comparative advantage in many commodities, like spices and seeds, mineral and metals and cotton.

PUNJAB

Punjab announces new industrial policy

In order to bring about equitable industrial growth across the state, the State of Punjab announced its New Industrial Policy on June 03, 2013. The policy has for the first time divided the state into two zones. It has slashed the Value-Added Tax (VAT) and Central Sales Tax (CST) liabilities of new enterprises setting up units in Zone I (consisting of poorly developed districts) to 20 per cent of what they are currently required to pay. The policy also allows new enterprises 100 per cent exemption from property tax, electricity duty and stamp duty in Zone I.

The policy has created industry zones, especially the border areas and designated industrial areas and priority zones. This is expected to benefit MSMEs and will spur MSMEs' growth and create new opportunities in border areas, besides de-congesting the cities. The new policy announced incentives on market fee, rural development fund and infrastructure development cess. MSMEs are expected to draw the maximum benefit from the policy, as labour is abundant and cheap, and land is also available at low cost in the border areas. So, new entrepreneurs may need to invest less capital to set up shop. Implementation of the proposed simplified procedures and actual usage of information technology for various applications and approvals will be the key to enhancing the 'ease of doing business' for MSMEs in Punjab.

The policy has introduced schemes like self-attestation of documents, third party certification of building plans, stability and safety, and a payment gateway for online payments which will prove beneficial for new MSMEs, enabling them to save time, because they are generally run single-handedly. The provision for creation of a land bank, especially with the Punjab Small Industries and Export Corporation having identified 5,000 hectares of land for industry in the state, will help in attracting mega investments and anchor units, which will catalyse further growth of downstream industry, especially MSMEs.

TRIPURA

Tripura asks for Revival of Local Gas Fields

Tripura, which is emerging as a gas-rich state with over a dozen gas discoveries, has asked the oil ministry to revive the decade-old coordination committee to resolve issues related to the development of gas fields and make arrangements to utilise the scarce natural resource.

A joint venture of GAIL and Jubilant Energy has made a second discovery in a block, while ONGC has 11 discoveries to its credit. Gas output from the state is expected to be around 8-10 million standard cubic meters per day (mmscmd) by 2017-18, but its utilisation is a major concern because of lack of gas transmission pipelines, said government and industry officials. "Some companies are willing to set up a liquefied natural gas (LNG) plant in the state and transport it by roadways provided the government gives concessions.

People take different roads seeking fulfillment and happiness. Just because they're not on your road doesn't mean they've gotten lost.

–The XIV Dalai Lama

PROFILE OF MEMBER CORPORATIONS

SIKKIM INDUSTRIAL DEVELOPMENT & INVESTMENT CORPORATION LIMITED (SIDICO)

Shri T. Wangchuk is presently Managing Director of Sikkim Industrial Development & Investment Corporation Ltd. {SIDICO}. SIDICO is poised to record accelerated growth under his able stewardship and dynamic leadership.

SIDICO was incorporated on 13th March, 1977 under the Registration of Companies Act, (Sikkim), 1961 as a State Level Principal Financial Institution for promotion, financing and development of industries in tiny, cottage, small and medium sector in the State of Sikkim. Since its inception, SIDICO is performing threefold functions of State Financial Corporation, State Industrial Development Corporation and State Infrastructure Development Corporation with the main objectives as under **: -**

- To provide long term loans for setting up Cottage, Tiny, Small and Medium Industries, also for expansion, diversification and modernisation;
- To provide financial assistance for Hotel Industry, Small Hospitals/Nursing Homes;
- Procuring and distribution of scarce raw materials;
- To provide Seed Capital Assistance towards promoter's contribution under the scheme of SIDBI;
- To participate in the share capital in its selective venture projects;
- To set up and develop industrial areas and industrial estates; and
- To achieve rapid industrial and economic development of the State.

SIDICO has completed 36 years of its existence. SIDICO's main role has been promotion and financing of first generation entrepreneurs in the far flung areas of the State. Over the years, the Corporation has been instrumental in developing tiny, small and service sector industries in the rural, semi urban and backward regions of the State. Agriculture and Animal Husbandry are the major subsistence occupations of the people. Keeping this in view, the Corporation is laying emphasis on setting up tiny and small scale industrial units based on agriculture and animal husbandry in the semi urban and rural areas.

Shri T. Wangchuk
Managing Director

The State Government has put in place pragmatic policies to woo investors in areas of investment which are small scale, clean, eco-friendly and which will offer employment opportunities for the local youth. The State of Sikkim offers excellent peaceful industrial atmosphere and friendly administrative machinery. Factors like stable Government, disciplined workforce and an upswing in power generation has facilitated conducive atmosphere for industrialization. Hospitality and tourism industry has enormous employment potential. Eco-tourism, village tourism, culture tourism and adventure tourism has ample scope in the State. The State Government is committed to transform the State as a self sufficient and a productive State rather than a consumer one particularly with regard to enhancement of produce from the agriculture and allied sectors.

The enactment of the Micro, Small and Medium Enterprises Development Act, 2006 by the Central Government as also the New North East Industrial and Investment Promotion Policy (NEIPP), 2007 has given a new impetus to the industrialization process in the State. The State Government emphasizes on promotion of high value, low volume, environmental friendly and non-polluting enterprises. Consequent upon enactment of NEIPP, a number of big industrial houses have shown interest in investing in the State. A number of reputed pharmaceutical companies have already set up their manufacturing units in Sikkim and more projects are in the pipeline in pharmaceutical, food processing, hospitality and service sector.

The Corporation has been nominated as the Nodal Agency by the Government of Sikkim for implementation of the Chief Minister's Self Employment Scheme (CMSES) and Comprehensive Educational Loan Scheme (CELS). The funds under this scheme are provided by the State Government to the Corporation for implementation.

CHIEF MINISTER'S SELF EMPLOYMENT SCHEME (CMSES)

The Chief Minister's Self Employment Scheme (CMSES) was launched by the Government of Sikkim in the year 2002. The main motive of this scheme is creation of employment opportunity for the educated youth which would in turn bring about balanced regional development by setting up micro units across the length and breadth of Sikkim. Fulfillment of local demand through local efforts by generation of local skilled manpower resulting in increase in production and promotion of local goods were emphasized.

Under this scheme, loan at concessional rate of interest is granted to the educated unemployed youth of the State to take up income generating activities through self employment in various trades like grocery, manihari, dairy, poultry, piggery, goatry, tourism related activities, service sector, beauty parlour, readymade garments etc. The maximum loan available under the scheme is Rs. 3.00 lakhs and the Government is contemplating to enhance the upper limit to Rs. 10.00 lakhs depending on the cost of project chosen by the beneficiary. The loan is interest free for two years from the date of disbursement. Thereafter, it shall carry simple interest @ 6% per annum. The loan alongwith accrued interest is repayable in 60 equated monthly instalments after the repayment moratorium.

As on 31st March, 2013, SIDICO has sanctioned loans to 6817 beneficiaries aggregating Rs. 78.13 crores under the scheme. As a result of the successful implementation of the scheme, the Corporation has been able to address the problem of unemployment in the State to a certain level and also to improve the economic conditions of the people.

COMPREHENSIVE EDUCATIONAL LOAN SCHEME (CELS)

The Government of Sikkim has launched the Comprehensive Loan Scheme in the year 2007 to provide educational loans to students desiring to pursue their studies in technical/professional courses and/or in post-graduation courses in India and abroad. Benefit under the scheme is restricted to children of persons whose gross income from all sources does not exceed Rs. 2.50 lakhs per annum for study within India and Rs. 5 lakhs in case of study in foreign countries. Maximum finance available under the scheme is Rs. 5.00 lakhs for studies within Sikkim, Rs. 7.50 lakhs for studies outside the State and within the country and Rs. 15.00 lakhs for studies abroad. Fee payable to college/hostel, examination/library/laboratory fee, purchase of books/equipments/ instruments/ uniforms, caution deposit, travel expenses/passage money for studies abroad are eligible for finance.

The loan is interest free during the course period plus one year or six months after getting job, whichever is earlier. Thereafter, it shall carry simple interest @ 6% per annum. The loan is repayable in five to seven years in Equated Monthly Instalments (EMI) after the repayment holiday/moratorium.

The Corporation accepts loan applications from those who fulfill required criteria, put up the cases for consideration of the Sanction Committee and after the final approval of the Government, the loan is disbursed on instalments as per the needs of the applicant

As on 31st March, 2013, SIDICO has sanctioned loans to 1551 beneficiaries aggregating to Rs.35.56 crores under this scheme. The genderwise classification of education loans sanctioned to the beneficiaries for studies within India and abroad are as under :-

GENDERWISE *Rs. in Crores*

		No.	Amount	Percentage
(a)	Male	825	17.78	50
(b)	Female	726	17.78	50
	TOTAL	1551	35.56	100

PLACE OF STUDY *Rs. in Crores*

		No.	Amount	Percentage
(a)	Study in India	1417	23.85	67
(b)	Study of abroad	134	11.71	33
	TOTAL	1551	35.56	100

The State Government gives top priority to the education sector. This scheme has enabled the meritorious students, who do not have means to meet their higher education expenses, to acquire higher academic and professional degrees within and outside the country.

CHIEF MINISTER'S FREE SCHOLARSHIP SCHEME

A meritorious local candidate who succeeds in getting admission through competitive entrance exam to the world's twenty top university of higher studies in any discipline shall be eligible for the Chief Minister's Free Scholarship. Only one candidate per year shall be eligible under this scheme. The scholarship covers full course fees, hostel/accommodation charges, books & stationary etc. So far only one beneficiary, Mr. Karma Sonam Bhutia of Pelling, West Sikkim has been granted the scholarship to the tune of Rs.22.00 lakhs for pursing his M.Sc. in Electrical Engineering at University of California, Los Angeles, U.S.A.

Do not go where the path may lead, go instead where there is no path and leave a trail.

–Ralph W Emerson

ANSWERS OF CYBERQUIZ~42

1. Who laid out a set of moral principles for the hackers in his 1984 book Hackers ?

[a] Steven Levy; [b] William Gibson; [c] John McCarthy; [d] Donald Knuth.

1. [A] Steven Levy : Levy is a journalist by profession and writes for Newsweek and Wired. he has authored several books on computers and information technology including Internet, cryptography, security and privacy issues in cyberspace.

2. [a] Peter Norton : The said book is Peter Norton Programmer's Guide to the IBM-PC. Though in the second edition, Norton appeared in a white shirt, in the subsequent editions, he reverted back to pink shirt.

3. [a] The world's first virtual newscaster on Internet : Ananova is a computer - simulated animation of a woman newscaster on the Web. It is a novel user interface to a Web service that allows users to request customized news.

4. [c] Suhas Patil : According to Wikipedia, a fabless semiconductor company specializes in a design and sale of hardware devices implemented on semiconductor chips. It out-sources the fabrication of the devices to a specialised semiconductor manufacturer called a semiconductor foundry or fab.

5. [d] J. Thomas West III : The book describes the true story of a computer design team racing to complete a next generation computer design under a blistering schedule and tremendous pressure under the leadership of West. He adopts the so called Mushroom Theory of management - keeping the employees in the dark and throwing a lot of manure on them just like mushroom growers do. In other words, isolating the employees from outside influences and instead using the fear of the unknown to motivate them.

This is my simple religion. There is no need for temples; no need for complicated philosophy. Our own brain, our own heart is our temple; the philosophy is kindness.

–The XIV Dalai Lama

Govt. proposes SPV to help PSUs in Foreign Buys

The government is considering launching a special purpose vehicle to help state run enterprises raise funds for their foreign buys, according to a finance ministry official. The proposed special purpose vehicle (SPV), which would be on the same lines as infrastructure financier IIFCL, will explore all routes for raising funds, including issue of long-term bonds. The idea is that these companies should be able to raise money from all available sources and not burden the government alone. India has close to $295 billion in foreign currency reserves, but the finance ministry not keen on tapping it for state-run firms' asset purchases overseas.

The government is of view that the proposed SPV can issue long term bonds that can be subscribed to by institutions and even other state-run companies. The Finance Ministry has also suggested that large firms, such as Coal India, can explore the option of setting up a company on the lines of ONGC Videsh Ltd, the wholly-owned arm of ONGC.

PSUs to be given more autonomy in M&As and joint ventures

DPE, a nodal department for most public sector units has proposed that the CPSEs obtain in-principle clearance in advance from their administrative ministry for entering into competitive negotiations with prospective partners, companies to be acquired and joint ventures. Currently, companies do this by calling an Expression of Interest (EoI) and inviting tenders for competitive bidding. It suggested that after taking clearance from the administrative ministry, possible partners be pre-identified.

According to the department, the committee empowered by the board of the public sector unit concerned would, then, enter into negotiation with the prospective partners with a set of parameters.

The empowered committee will obtain the formal approval of the board on its recommendations, before finalising the deal. On matters beyond the delegated financial powers of the board, approval of the standing empowered committee constituted by the government should be obtained, the department suggested.

It also recommended the deal so approved not be opened for investigations or review unless clear evidence of wrongdoing or corruption comes to light. The GoM asked the department for separate proposals on selection of technology partners, selection of joint venture partners and acquisition of assets and companies.

Direct cash transfer boosts food sufficiency, says study

A pilot study on the impact of Direct cash transfer has revealed a sharp rise in food sufficiency and higher spending on medicine and education among the beneficiaries. The study, jointly conducted in the rural parts of Indore, by UNICEF and All India Federation of Self-Employed Women's Association (SEWA), has found out that because of unconditional cash transfer to poor families there has been an increase in economic activity and reduction in indebtedness.

The cash grant has led to an increase in own-account work and a relative switch from wage labour to own account farming and small-scale business, the study revealed. SEWA, with a membership of around 17 lakh, entered into a partnership with Unicef to pilot an unconditional cash transfer (UCT), or basic income grant experiment in the rural areas of Madhya Pradesh two years ago.

Under the collaborative study, in eight select villages, each of the 6,000 individuals received a small unconditional monthly cash transfer of Rs.200 per month in 2011 and Rs.300 per month last year. In case of children, the monthly allowance was Rs.100 and Rs.150 per month in the last two years. The money was directly transferred to beneficiaries' accounts in public sector or cooperative banks, which SEWA assisted in opening. The study also included 12 other villages where no cash benefits were given to deserving individuals.

They prove two things. First of all, cash transfers can be organised. Second, when you give the money (transfer it to the beneficiaries' account), it is simply not wasted or used for wrong things, Planning Commission, Deputy Chairman, Shri Montek Singh Ahluwalia said at the Conference on Unconditional Cash Transfers. RBI has issued a guideline that banks will open no-frills accounts.

Besides, the study has found that the beneficiaries' food basket expanded with expenditure on meat, fish, eggs, vegetables and fruits, and these families reported low incidence of common illness. The recipients used the money to reduce existing debt and this has also resulted in a shift to less exploitative sources of borrowings, the study stated. It also said that cash grants to beneficiaries led to a significant increase in savings, even in households with debt.

FIPB approves 16 projects worth Rs.1,647 crore

The Foreign Investment Promotion Board on June 18, 2013 approved 16 projects envisaging foreign investment worth Rs.1,647 crore. The board, headed by Economic Affairs, Secretary, Shri Arvind Mayaram also cleared the Rs.962 crore proposal of Vijay TV for acquisition by foreign promoters. It also approved Korea Western Power Company's proposal to invest in an Indian firm to the tune of Rs. 270 crore.

PSU heads to have Fixed Tenure of three years

Heads of state-run firms may soon have three-year fixed tenure to provide more stability to companies. The GoM decision came following recommendations by a panel led by former SAIL, Chairman, Shri S.K. Roongta. Based on these recommendations and the deliberations of the GoM, the Cabinet will come out with a fresh set of guidelines that will help CPSEs function in a much more competitive and transparent environment, Shri Praful Patel, Heavy Industries and Public Enterprises Minister said.

Govt. relaxes norms for export of imported goods

To encourage shipments, the government has allowed export of imported goods with 15 per cent value addition to countries from where the proceeds are realised in Indian rupee. The Directorate General of Foreign Trade (DGFT) will notify the names of those countries as to which exports under the new dispensation could be made. An enabling provision has been made to allow export of goods imported against payment in freely convertible currency where export proceeds will be realized in rupees, it said. It added that this dispensation will be applicable to such countries as would be notified by DGFT from time to time. They also have to achieve 15 per cent value addition.

India's exports in 2012-13 fiscal fell for the first time in three years reporting a dip of 1.8 per cent to $300.6 billion in 2012-13, taking the country's trade deficit to a high level of $191 billion.

Govt. forms panel to give banks global advantage

The Centre set up a panel to look into international competitiveness of Indian financial companies in June, 2013. According to Shri P. Chidambaram India needs two or three big institutions to compete globally with retail and investment banking giants such as Goldman Sachs, Barclays, Deutsche Bank, Mizhuo, Bank of America, HSBC, Citigroup, among others.

The panel will look at how Indian financial institutions fare compared to their foreign counterparts, and at making local banks and other financial companies better in terms of handling investments and doing business.

Increased import of Chinese goods hurts Indian MSMEs

Increased import of Chinese goods into India is impacting micro, small and medium enterprises (MSMEs), according to the ministry of micro, small and medium enterprises. In eight major product categories that are predominantly manufactured by MSMEs, imports from China grew faster than their respective imports from all countries in the four years from 2008-09 to 2011-12.

The ministry's finding is based on data compiled by the Directorate General of Commercial Intelligence & Statistics (DGCIS). The eight product groups include electrical and electronics, mechanical and metallurgical products, chemicals, glass and ceramics-based products. These accounted for 54 per cent of India's total imports from China in 2011-12.

Considering that there are a large number of MSMEs present in these sectors, a significant proportion of Indian MSMEs are facing greater competition from China compared to the rest of the world. Around 1,000 SMEs producing colours, squirt guns and other items used in the Holi festival have closed down owing to increased imports from China.

An Assocham survey of 1,500 Holi colour manufacturers and related traders in various parts of north India, conducted in March 2013, said that Chinese squirt guns now accounted for almost 95 out of every 100 squirt guns sold in north India. A large number of Indian squirt gun manufacturers have shut shop and almost 10 lakh people have lost their jobs. Imports of ceramic products from China has virtually led to the closure of smaller ceramics manufacturing units in India. Ceramics imports from China, at around Rs 2,700 crore ($497 million), account for almost 64 per cent of India's total ceramics imports, with Germany and France accounting for seven per cent and four per cent, respectively.

The rate of growth of ceramics imports from China has shot up from eight per cent a few years ago to more than 42 per cent currently. This huge volume of imports at cheaper prices has impacted the profit margins of the Indian ceramics industry and smaller firms are almost on the verge of closure.

According to a 2012 study by the Department of Industrial Policy and Promotion in the Ministry of Commerce and Industry, the basic goods and intermediate goods sectors were negatively affected by cheap Chinese imports along with some items in the capital goods and consumer goods sectors. The study said that China has become the largest source of India's imports, with a 11.7 per cent share in total imports.

The report said India is an easy target for Chinese exports because its manufacturing sector is struggling to improve its relative strength in the economy, manufacturing for export is to an important extent done by SMEs or is based on the use of imported raw materials.

Centre plans framework for MSME promotion

The government plans to organise MSMEs vertical-wise to promote its various developmental schemes. It is putting in place a framework where the responsibility, legal rights and obligations of each sector-specific industry associations would be spelt out, according to Shri Madhav Lal, Secretary, Ministry of MSMEs.

Industrial power tariff hike up sets to Punjab SMEs

The increase in power tariff in Punjab announced by the state's power regulator and made applicable from last month will hit over 172,000 small and medium enterprises (SMEs) in the state. Already, perturbed over the slowdown and unscheduled power cuts, SMEs feel that the increase in power tariff will further hurt them.

The maximum increase in tariff was made applicable to industry. For small and medium supply industrial consumers, the increase was 12.5 and 11.6 per cent, respectively. With the latest raise, small industrial consumers (having a low load requirement) will have to pay Rs.5.74 per unit (excluding Octroi and other taxes), and medium industrial consumers (having a higher load requirement) will have to pay Rs.6.26 per unit (excluding taxes). The total consumption of power by SMEs in Punjab was estimated at 1,770 million units in 2012-13, and the state power corporation earned revenues of Rs.1,508 crore from these SMEs. Industry representatives said at a time when industry needs incentives to flourish, the state government has burdened it by increasing the power tariff.

Gujarat SMEs increase IT spending by 20%

Small and medium enterprises (SMEs) in Gujarat have raised their IT spend by 15-20 per cent in the past six months. These days, large industries are pretty cautious as far as increasing their IT spending is concerned. However, SMEs are not so prone to global economic upheavals and are growing domestically. Hence, they have increased their expenditure on IT infrastructure in a bid to become more competitive.

Having increased their IT infrastructure budgets, in both hardware and software, a typical SME with sales revenues of Rs.50-100 lakh now spends around Rs.100,000 a year on IT. Further, an SME with a turnover of Rs.5-10 crore spends around Rs.10-12 lakh per year on IT expansion.

India's entry into Europe club to help SMEs expand footprint

India has become a member of the Enterprise Europe Network (EEN) - the 54th country to do so - in a bid to facilitate the flow of trade, investment and technology between SMEs in India and the European Union (EU). The EEN works through local business organisations to help SMEs make the most of the European marketplace. India's entry into the EEN will give the country's SMEs access to Europe's large database of cutting-edge technologies, with companies from the 27-member bloc both offering and seeking research and commercial applications in 17 sectors, including agro-food, automotive, transportation and logistics, biotech and health care. The EU has been a difficult market for Indian SMEs, given its complexities, stringent rules and protectionist tendencies, but India's membership of the EEN is expected to make a difference. CII, along with the European Business and Technology Centre (EBTC) and the Federation of Indian Export Organisations are partners in this initiative, and contact points for Indian SMEs.

The network serves as a one-stop shop for enterprises looking to go global with their innovative ideas. The EEN can provide insights on sources of venture capital and loans; the best way to sell a business plan to investors; getting aid from regional, national or EU authorities; and accessing public funds and grants for research and development. The EEN's business cooperation database of some 23,000 profiles and business support organisations from 54 countries enables SMEs to utilise it to search for international business partners and sourcing new technologies and advisory services on issues such as intellectual property, going international, or EU laws and standards. The network ensures that SMEs looking to expand their business to another country find competent and trustworthy partners, as well as assess how EU laws and regulations affect businesses.

MoEF restrictions force Ankleshwar SMEs to take up job work

With a moratorium on expansions and new projects having been imposed by the Union ministry of environment and forests (MoEF) in the Ankleshwar region of Gujarat, small and medium enterprises (SMEs) in the area have started exploring options such as taking on job work from large players and tie-ups for manufacturing.

Ankleshwar is one of 18 critically polluted industrial regions in the country, where the ministry has imposed a moratorium on expansions and new projects. Many large players have therefore started depending on smaller players to meet their production requirements.

Some small pharma companies have taken on outsourced work from large players. In a situation of a moratorium on expansion, this is beneficial to both of them. However, small companies can take up job work only if there is consent from the state pollution regulator, Gujarat Pollution Control Board (GPCB). Mostly, pharma intermediate players do such job work. Some dyes and plastic companies too have received orders from large players but it is possible only when the small players have spare capacity and requisite approval from the pollution regulator for effluent discharge.

MSME share in exports was 43% in 2011-12

The share of exports by micro, small and medium enterprises (MSME) in India's total exports has been provisionally estimated at 43 per cent in 2011-12, according to the ministry of MSME. Besides, the ministry estimates total fixed assets of MSMEs in India at Rs.689,000 crore and the number of people employed by the sector at around 80 million.

According to Directorate General of Commercial Intelligence and Statistics (DGCI&S) data, in the last three years, MSME exports increased by almost 60 per cent - from $82,494 million in 2009-10 to $131,483 million in 2011-12. The main markets for the 20 most-exported MSME product groups, which accounted for more than 90 per cent of MSME exports from 2009 to 2012, include the USA, European Union (EU), UAE, Turkey, Singapore, Hong Kong, Israel and Saudi Arabia.

The product groups include pearls, precious stones and metals; electrical and electronic equipment; textiles, apparel and accessories; pharmaceutical products; machinery and mechanical appliances; items made of iron or steel; organic chemicals; vehicles other than railways and tramways; plastics, rubber and articles made from them; footwear, leather and leather products; travel goods; tools, implements and cutlery; tanning and dyeing extracts, tannins, derivatives and pigments; essential oils, perfumes, cosmetics and toiletries; stone, plaster, cement, asbestos and mica; carpets and other textile floor coverings; furniture, lighting, signs and prefabricated buildings.

"The MSME sector of India has been repeatedly mentioned as the growth engine of the Indian economy. The MSME sector, with 36 million enterprises having fixed assets of Rs.689,000 crore and 80.5 million employees, contributes around nine per cent of India's GDP and accounts for around 45 per cent of manufacturing output. It has been continuously growing at a rate far above the large sector.

Cos may be asked to buy 30% from SMEs

A high-level government panel has recommended that large companies mandatorily source 30% of manufactured products from micro, medium and small scale enterprises (MSME), a condition similar to the one imposed on foreign multi-brand retailers setting shops in India. The panel, set up by the cabinet secretary to boost the small scale sector, has also suggested formulating a comprehensive strategy to tackle non-tariff barriers while negotiating free trade agreements with other countries. "The option of mandatory 30% sourcing from manufacturing MSMEs by larger enterprises should be considered by the MSME ministry," the panel headed by MSME secretary Shri Madhav Lal said.

The panel had ruled out any fiscal incentives to large enterprises for compulsory sourcing as such a condition already exists for foreign multi-brand retailers setting up shop here. The World Trade Organisation rules also stipulate that foreign investors should be treated on par with domestic ones. Besides, the Public Procurement Act also mandates that all central government ministries/ department and CPSUs procure a minimum 20% of their annual procurement from MSMEs. The panel wants the scope of the law to be extended to private enterprises with enhanced sourcing requirement. The committee has also suggested that MSME suppliers who import raw material add sufficient value to it to ensure it originated from within the country.

Manufacturing activity in India remains sluggish on weak investment climate and poor demand. The manufacturing sector recorded 1% growth in 2012-13 against 11.3% in 2009-10, sending the alarm bells ringing in the government. Industrial production in April grew by 2.8% with consumer non-durables recording an 8.3% contraction. The MSME sector accounts for 45% of the manufacturing sector and the government is keen to strengthen it since it is a large employment provider. There are around 3.6 crore such enterprises, employing over 8 crore people. India's share in manufacturing has stagnated at 16% when pitted against neighbours like China (30%), Singapore (22%), Thailand (36%) and Malaysia (25%).

New portal to help SMEs appoint channel partners

To help small and medium enterprises (SMEs) appoint or become distributors, franchisees or sales agents in India or abroad and reach out to a larger audience, TradeIndia.com, a B2B marketplace having more than 2.4 million registered users, has launched a new website - GetDistributors.com, a search-based online platform. Of TradeIndia.com's total 2.4 million registered users, over 1.3 million are SMEs. "SMEs have limited access to capital and infrastructure, so they find it difficult to expand their business, when it comes to marketing and appointing new distributors, franchisees or sales agents." If an SME in north India wanted to appoint a distributor in the southern region, it would have to advertise - a costly proposition. Setting up a distribution network also takes time and effort. "In order to address these issues, we have launched GetDistributors.com. Now, they will find it easy to appoint a distributor, sales agent or franchisee in India as well as outside India," he said.

An interested company needs to register (for free) with the portal, stating whether it wishes to appoint distributors, sales agents or franchisees, or become one, and naming the industry vertical in which it operates. If this elicits any response, the company that posts the notice is notified. The website also offers an 'ask the experts' section where a member can post questions about distributors, franchises and sales agents, and get detailed answers from an expert. The major industry verticals that the portal will cater to are agriculture, apparel and fashion, automotive, chemicals, consumer electronics, hospital and medical supplies, pipes, tubes and fittings, and scientific and laboratory instruments.

There are international companies operating in India which wish to make Indian companies - including SMEs - their distributors, franchisees or sales agents, and this would offer new opportunities to SMEs and help them diversify their portfolio. The portal offers a range of business solutions to industry through online services, directory services and facilitation of trade promotional events. It acts as a bridge between buyers and sellers, manufacturers, importers and exporters.

Foreign retailers want buffer time for SME shift

The retail industry has urged the Centre to provide a buffer time to overseas investors in the multi-brand segment while switching from one supplier in the small and medium enterprise (SME) segment to another, once the former outgrows the $1-million limit. If the government agrees to grant this time, then the department of industrial policy and promotion (DIPP) will have to modify the extant foreign direct investment (FDI) policy and again seek Cabinet approval.

Currently, the multi-brand retail policy for foreign direct investment stipulates that at least 30% of the products purchased shall be sourced from Indian 'small industries', which have total investment in plant and machinery not exceeding $1 million. This valuation refers to the value at the time of installation, without providing for depreciation. Further, if at any point in time, this valuation is exceeded, the industry shall not qualify as a 'small industry' for this purpose. However, once the SMEs investment exceeds this limit, the companies will need some time to move on to the next SME to procure its raw material. If this relaxation is granted, the department would be required to modify the policy and refer it to the Cabinet- similar to the case of FDI in single brand retail when it had changed the clause relating to mandatory sourcing from SMEs to 'preferably'.

Demand revival, new markets give boost to Tirupur exports

The revival in demand from traditional markets like Europe and the US and rupee depreciation against the US dollar, coupled with expected additional orders from newer markets such as Africa, Russia and Israel, will profit Tirupur which is the hub of knitwear and readymade garments. After two years of flat growth, the Tirupur Exporters' Association (TEA), consisting of over 700 exporting units, expects to post 20% growth in the current fiscal. Exports were for Rs.13,000 crore in the last fiscal ended March 2013 and in the previous fiscal they were Rs.12,500 crore.

New US biz centre to boost ties with Indian SMEs

SMEs in Mohali, Punjab, adjoining Chandigarh, expect to gain from setting up of the American Business Corner (ABC) in the Mohali Industrial Area by the US government's department of commerce. This is northern India's first such facility, and is expected to help create business links between US and Indian SMEs.

ABC's activities will include dissemination of catalogues of US and Indian products to potential buyers, and holding of workshops and seminars on topics ranging from trade and finance to IPR (Intellectual Property Rights). It will also act as a clearing house that will connect the 450 members of the Mohali Industries Association (MIA) with US companies.

ABC is a novel concept. SMEs of the two countries did not have an opportunity to connect with each other. The setting up of ABC will be beneficial for all members who are looking for an opportunity to do business with the US. It will not only boost Indian exports to the US but will also help Indian SMEs to reach out to the best technology. Mohali, a planned satellite town of Chandigarh, has a large concentration of SMEs which manufacture a wide range of products including railway components, auto parts, tractor parts, sanitary fittings, furniture, PVC pipes, chemicals, corrugated boxes, rubber and silicon material, precision parts, industrial gases, engineering items and electronic goods. The SMEs also manufacture TV sets, transformers, electronic sockets, mini computers, electronic telecom equipment, dish antennas and computer peripherals.

HUMAN RELATIONS HOLDS THE KEY

DR. A. JAGAN MOHAN REDDY

Introduction :

All of us are aware that human relations play an important role in today's contemporary organizational setup. Further, the Gallup study has proved beyond doubt that in creating a strong and vibrant working environment, which facilitates accomplishment of outstanding results, immediate Manager plays a crucial role. It may not be an exaggeration to say that success or failure of a manager to a large extent depends on the way he manages his relations. In other words the whole management revolves around relations.

What is Relationship?

A relationship is normally viewed as a connection between individuals, such as a romantic or intimate relationship, or a parent child relationship. Individuals can also have relationships with groups of people, such as the relation between a pastor and his congregation, as uncle and a family, or a mayor and a town. Finally, groups or even Nations may have relations with each other, though this is a much broader domain than that covered under the topic of interpersonal relationships. All this is fine. Before we look at the precautions to be taken in managing our relations our relations first let's go through the stage of development of a relationship:

The ***natural development of a relationship*** follows five stages :-

- ***Acquaintance-*** becoming acquainted depends on previous relationships, physical proximity, first impressions, and a variety of other factors. If two people begin to like each other, continued interactions may lead to the next stage, but acquaintance can continue indefinitely.

Dr. A. Jagan Mohan Reddy

- ***Buildup-*** During this stage, people begin to trust and care about each other. The need for intimacy, compatibility and such filtering agents as common background and goals will influence whether or not interaction continues.

- ***Continuation-*** This stage follows a mutual commitment to a long-term friendship and generally a long, relative stable period. Nevertheless, continued growth and development will occur during this time. Mutual trust is important for sustaining the relationship.

- ***Deterioration-*** Not all relationships deteriorate, but those that do tend to show trouble. Boredom, resentment, and dissatisfaction may occur and individuals may communicate less and avoid self-disclosure. Loss of trust and betrayals may take place as the downward spiral continues, eventually ending the relationship.

- ***Termination-*** The final stage marks the end of the relationship, either by death in the case of healthy relationship or by separation.

Since all other resources are equally available, accessible and affordable it is the Human Resource which only can create/provide the cutting edge to the organization in their quest for excellence. Hence, managing human relations assumes added importance. The one, needless to say, who manages well performs well and does well. Hence the young managers need to keep the following in view.

Learn to Live with Others' Imperfections

The winter was one of the coldest ever and most of the animals couldn't survive the cold and had died. But only one kind of animals, the porcupines, realizing the situation, decided to group together to keep warm. This way they covered and protected themselves but the quills of each one wounded their closest companions.

After a while, they decided to distance themselves one from the other and they began to die, alone and frozen. So they had o make a choice; either accept the quills of their companions or disappear from the earth. Wisely they decided to go back to being together. They learned to live with little wounds caused by the close relationship with their companions in order to receive the heat that came from others. This way they were able to survive. So the best relationship is not that brings perfect people together, but when each individual learns to live with other's imperfection and admire their good qualities.

Never Forget Your Companions/Friends

When Krishna and Balarama were studying at the ashram of Sage Sandipani, there was another boy, Sudhama studying with them. All three became very close friends and after they completed their studies, SriKrishna and Balarama went back to Dwaraka and Sudhama to his house. Sudhama was struggling to take care of the family and on his wife's advice decided to go to his close friend SriKrishna. According to our scriptures, one should not go empty handed while visiting the elders, rulers, teachers or God and hence his wife went to their neighbors and brought three handfuls of cooked rice flakes.

Kuchela did not even have a proper cloth, but somehow packed the rice flakes and sets on his journey. Due to long travel, he was looking very dirty with torn clothes. But on repeated requests the guards took pity and sent the message. When SriKrishna heard that his childhood friend came to visit him, he jumped with joy. He received Sudhama personally; showed him the palace and its opulence. He requested Sudhama to sit on the throne. SriKrishna washed Sudhama's feet and sprinkled the water on his head. SriKrishna worshipped Sudhama with flowers and then introduced him to his wives. After some time Krishna started searching him and found a cloth packet. He opened the cloth packet and with great surprise, said, "Sudhama! This is great. You brought cooked rice flakes for me? You still remember how much I liked to eat these. I asked my wives to prepare this many times, but they never made it for me. All these years I have been missing these. Sudhama! You are great". Then SriKrishna took a handful of rice flakes and put it in his mouth.

When he ate first he gave Sudhama Wealth and second Moksha. When Krishna was ready to eat the third handful Rukmini stops him. Next day, he gave a very warm send off to Sudhama. Slowly, Kuchela started walking back to his town and until he came out of the palace Kuchela could not think what was going on. After long time when they met, SriKrishna showed his wealth but did not ask whether he needed any help, or what was the purpose of the visit etc. Sudhama came to ask for monetary help, but he did not have chance to ask. With this kind of thinking, he was walking back. Kuchela also thought that if he got wealthy, he might forget God. Thinking on these lines when he reached his place after six months he was surprised to find a big palace in place of his house.

Sudhama's wife welcomed him and informed about two people coming and offering all this as gift from God. Krishna is an excellent example how not to forget friendship though living in great wealth. A friend always desires the best for the other even at the expense of his own comfort. This is the beauty of friendship. On the other hand look at Drupad who studied, along with Drona, at the Bharadwaj ashram. Despite promising half of the kingdom when required, Drupad refused to recognize him when Drona approaches for help. Adding salt to the injury he accuses Drona that he had dared to consider a king as his friend. Thus Drona was turned out of the palace and the humiliation was more than he could bear. Anger raged in his heart like a fire that would not be put out. Then and there Drona vowed to punish the king for his arrogance and for treating so casually a sacred thing like friendship. Subsequently through his archery and other skills becomes Acharya for Kauravas and Pandavas and we all know how Drona teaches him a lesson through his disciple Arjuna.

As We Sow So We Reap

One night, at 11.30 pm., an older African American Woman was standing on the side of an Alabama highway trying to endure a lashing rain storm. Her car had broken down and she desperately needed a ride. Soaking wet, she decided to flag down the next car. A young white man stopped to her, generally unheard of in those conflict-filled 1960's. The man took her to safety, helped her get assistance and put her in to taxicab. She seemed to be in a big hurry, but wrote down his address and thanked him.

Seven days went by and a knock came on the man's door. To his surprise, a giant console color TV was delivered to him. A special note was attached. It read: "thank you so much for assisting me on the highway the other night. The rain drenched not only my clothes, but also my spirits. Then you came along. Because of you, I was able to make it to my dying husband's bedside just before he passed away..God bless you for helping me and unselfishly serving others". Sincerely, Mrs. Nat King Cole. So be good to others and God will do good to you.

Always Remember Those Who Serve

A 10 year old boy entered a hotel coffee shop and sat at a table. A waitress put a glass of water in front of him. "How much is a strawberry ice cream? He asked." "Ten rupees" replied the waitress. The little boy pulled his hand out of his pocket and studied the coins in it. "Well, how much is a plain vanilla ice cream?" he inquired. By now more people were waiting for a table and the waitress was growing impatient. Five rupees" she brusquely replied. The little boy again counted his coins. "I will have the plain vanilla ice cream" he said. The waitress brought the ice cream,, put the bill on the table and walked away. The boy finished the ice cream, paid the cashier and left. When the waitress came back, she began to cry as she wiped down the table there, placed neatly beside the empty dish, were two coins. He couldn't have the strawberry because he had to have enough left to leave her a tip.

Every Body Needs a Shoulder

Everyone will cry some time in life and need a shoulder to cry on when they need it. Hence, the most important body part is not a selfish one. It is made for others and not for yourself. It is being sympathetic to the pain of others. People will forget what you said; People will forget what you say; but people will never forget how you made them feel.

Now coming to relationship between employees and their managers/management we all know that they are of substantial value in any workplace.

Employee and Management Relations

Human relations are the process of training employees, addressing their needs, fostering a workplace culture and resolving conflicts between different employees or between employees and management. Better Human Relations, good working environment and outstanding efforts by employees. ***So what does a manager need to do?***

Motivate your employees

Without a stable and inviting workplace culture, difficult challenges can arise both in the logistics of managing employees and in the bottom line. Businesses with engaging workplaces and a well-trained workforce are more likely to retain and attract qualified employees, foster loyalty with customers and more quickly adapt to meet the needs of a changing marketplace.

Improving retention

The quality of workplace relationship is critical to employee retention. Employee retention may seem trivial-especially in a workplace that's used to high turnover. But managers must remember that turnover is financially very costly. Every new employee requires a substantial investment of time and energy in their recruitment and training.

Focus on Workplace Relations

Workplace relationships provide a source of employee motivation, which is important to maintaining productivity. Employees who are interested in their work and in the well-being of other employees tend to be more productive than those who are not. This productivity pays obvious financial dividends to the company, as it can get more done in less time with fewer costs. Building relationships, by both recognizing an employee's value to the company and having a concern for their needs often goes a long way.

Fostering Creativity

The modern business environment often rewards business that is able to quickly develop products that meet changing consumer needs. In some industries –such as technology, for example- employees' ability to come up with effective new ideas is often the difference between the entire company's success and failure. Employee's creativity is often dependent on their ability to communicate with other employees and share ideas. Without quality workplace relationships employees are less likely to be able to develop and share solutions that a business needs to survive.

Conclusion

Today's managers need to pay greater attention to human relations as they hold the key for creating a strong and vibrant work environment. As JM Keynes rightly pointed out, "the day is not for off when the economic problem will take the back seat where it belongs, and the arena of the heart and the head will be occupied or reoccupied, by our real problems/ the problems of life and of **human relations,** of creation and behavior and religion". Hence, let's hope that our managers pay adequate attention to the vital aspect of human relations and enable the organizations to excel in their respective areas.

The author is Associate Professor (HR) in Institute of Public Enterprises, Hyderabad

An athlete trains hard; it is the same routine every day. He thinks about his goal.... You have to be disciplined if you want to be world class.

–Milkha Singh, The Flying Sikh

MICRO CREDIT - THE ENGINE OF INCLUSIVE GROWTH

DR. KARTICK DAS

The Self Help Groups (SHGs) methodology was first developed in Karnataka in 1992 to link rural population to the formal financial system. Now about 8.6 crore households have access to banking through SHGs.

Linking SHGs with bank finance has been identified as a key tool towards achievement of holistic inclusive growth. Despite the vast expansion of the formal credit system in the country, marginal farmers, landless labourers, petty traders and rural artisans belonging to socially and economically backward classes and tribes whose propensity to save is limited or too small to be mopped up by the banks, continues to depend on money lenders. In order to minimize the dependence on money lenders, NABARD, APRACA and ILO have carried out a study and brought out the concept of SHGs and launched a pilot project supported by refinance. The criteria would broadly be adopted by NABARD for selecting SHGs:

- Membership of the group could be between 10 to 20 persons.
- The group should be in existence for at least six months.
- The group should have actively promoted the savings habit.
- Groups could be registered or unregistered.

What is Micro Credit?

Foreseeing need of sustainable development for the impoverished; Muhammad Yunus, the father of microfinance, popularized the concept of micro credit. Micro credit, being part of financial inclusion, is defined as the provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve their living standards (as per RBI Master Circular, 2008). In India, the most flourishing testing ground of social entrepreneurship has been in the area of micro credit, and more recently microfinance. Culling from international literature empirical features of micro credit are:

- Quantum of loans is small,
- No collaterals are required,
- Rural and urban poor are the major borrowers,
- Ideally loans are used for income-generation through market-based self-employment,
- Loans are administered through borrower groups,
- Owing to NGOs' controlling disbursement as well the basic terms and conditions for sanction, they sometimes become private transaction.

Why Micro Credit?

Providing credit is the top priority for policy makers to achieve inclusive growth. Unless we are able to meet the credit needs of our people, we can never hope to grow in a sustainable way. Despite multiple agencies giving credit to the rural sector, the critical gap in rural credit still exists resulting in the exploitation of the rural masses by money lenders. The status of micro credit is as follows **:-**

- Considerable gap between demand and supply for all financial services.
- Majority of poor are excluded from financial services.
- About 56 per cent of the poor still borrow from informal sources.
- 70 per cent of the rural poor do not have a deposit account.
- 87 per cent have no access to credit from formal sources.
- Less than 15 per cent of the households have any kind of insurance.
- Bankers feel that it is fraught with risks and uncertainties.
- High transaction costs.
- Unfavourable policies like caps on interest rates which effectively limits the viability of serving the poor.
- Lack of an appropriate legal vehicle.

Frame work for Micro Credit

In India, there are two routes through which micro credit is provided to borrowers. The first is the "Bank-SHGs linkage programme" by which National Bank for Agriculture and Rural Development (NABARD) and commercial banks promote the formation of SHGs. Banks lend directly to SHGs, which, in turn, open group savings accounts in the banks. The second route is the "Micro Finance Institute (MFI) model", which is the most important institution in the chain.

The SHGs-Bank Linkage Programme

In 1991-92, a pilot project for linking about 500 SHGs with banks was launched by NABARD in consultation with the Reserve Bank of India. Since launching it as pilot project, it has proved its efficacy as a mainstream programme for banking by the poor who mainly comprise the marginal farmers, landless labourers, artisans and craftsmen and others engaged in small business like hawking and vending in the rural areas.

MFI Model

Microfinance refers to a movement that provides low-income households a wide range of financial services, including not just credit but also savings, insurance and fund transfer. The Indian MFIs are among the fastest growing sector and most efficient in the world today and will continue to develop into an important delivery mechanism to reach out to the poor and empowering women. The role of MFIs is to enhance human capital and to evolve the bankable clients to make poverty irrelevant.

SHGs-bank linkage programme and MFIs model have become an important alternative to traditional lending in terms of reaching the poor and will continue to be an important delivery mechanism as **: -**

- Poor people need not just loans but also savings, insurance and money transfer services.
- Microfinance must be useful to poor households: helping them raise income, build up assets and/or cushion themselves against external shocks.
- Subsidies from donors and government are scare and uncertain, and so microfinance must reach to the large numbers of poor people.
- Microfinance means building permanent local institutions.
- Microfinance also means integrating the financial needs of poor people into a country's mainstream financial system.
- The key bottleneck is the shortage of strong institutions and managers.
- Donors should focus on capacity building.

- Interest rate ceilings hurt poor people by preventing microfinance institutions from covering their costs, which chokes off the supply of credit.
- MFIs should measure and disclose their performance – both financially and socially.

What is needed to be done?

Micro credit institutions should fund their loans through savings accounts that help poor people manage their myriad risks. Governments should provide an enabling legal and regulatory framework which encourages the development of a range of institutions and allows MFIs to operate as recognized financial intermediaries subject to simple supervisory and reporting requirements. Usury laws should be repelled or relaxed and MFI should be given freedom of setting interest rates and fees in order to cover operating and finance costs from interest revenues within a reasonable amount of time. MFIs on their own are unlikely to be able to address formidable challenges of underdevelopment, poor infrastructure and governance. It needs **: -**

- Appropriate legal structures for the structured growth of microfinance operations.
- Ability to access loan funds at reasonably low rates of interest.
- Appropriate loan products for different segments.
- Ability to innovate, adapt and grow.
- Bring out a compendium of small and micro enterprises for the microfinance clients.
- Ability to attract and retain professional and committed human resources.
- Identify and prepare a panel of locally available trainers.
- Ability to train trainers.
- Capacity to provide backward linkages or create support structures for marketing.
- Finding adequate levels of equity for the new entities to leverage loan funds.

Micro credit is not yet at the centre-stage of the Indian financial sector. The knowledge, capital and technology to address these challenges, however, now exists in India, although they are not yet fully aligned. With a more enabling environment and surge in economic growth, the next few years promise to be exciting for the delivery of financial services to poor people in India. Micro credit will continue to develop into an important delivery mechanism to reach out to the poor and achieving financial inclusion and empowerment of women. Its role in enhancing human capital is considerable. The objective of the micro credit initiatives must be to evolve the bankable clients to creditworthy clients, thus making concerns about poverty irrelevant.

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May the road rise up to meet you.
May the wind be always at your back.

–Lrish Proverb

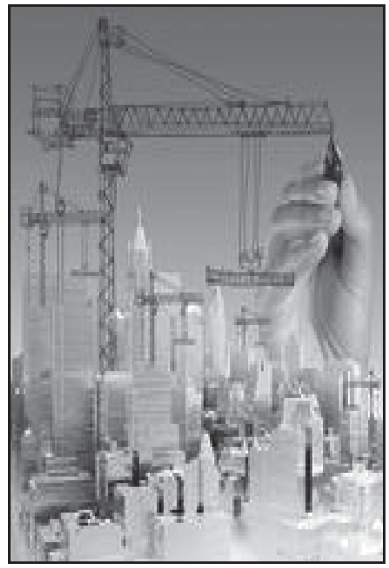
World Bank forecasts FY14 growth at 5.7%

The World Bank in June, 2013 forecast an annual growth rate of 6.7 per cent for India within the next two financial years, with exports and private investment projected to strengthen and provide a boost to growth. The country's gross domestic product (GDP) in factor cost terms is projected to grow 5.7 per cent in the financial year ending March 2014, and then accelerate to 6.5 per cent and 6.7 per cent, respectively, in the subsequent two financial years, it said in its Global Economic Prospects report. South Asia's regional growth will be driven mainly by a projected pick-up in India. Exports and private investment, which slowed in 2012, are projected to strengthen during the 2013-15 and provide a boost to growth. The recovery will depend on the pace of policy and fiscal reforms, and remains subject to significant uncertainty and downside risks. Some upside risks to the outlook include a faster than projected pick-up in global demand and a larger than expected decline in commodity prices.

According to the report, a greater dependence on foreign investment inflows to finance India's significantly larger current account deficit compared to the past, has increased its vulnerability to a sudden reversal of investor sentiment. *"Several factors could result in a slowing or reversal of investment inflows — an unanticipated monetary tightening in some high income countries; resurgence of debt tensions; escalation of geopolitical conflict; and even disenchantment with the pace or nature of domestic reforms,".*

Gross direct tax receipts up 21% in April-May

Gross direct tax receipts in the first two months of the fiscal rose 21.1% to Rs.63,252 crore from a year ago, mainly on account of pending tax refunds. The tax department collected Rs.52,231 crore in the first two months of the last fiscal. The outstanding amount of refunds reflected in the fact that despite the huge jump in gross direct tax receipts, net direct tax collection was up only by 6.44% at Rs.37,596 crore, as compared to Rs.35,322 crore in the same period in the last fiscal. Gross corporate tax receipts rose 14.91% to Rs.27,957 crore as against Rs.24,329 crore in the same period last year. Gross personal income tax receipts rose 27.29% to Rs.34,805 crore as against Rs.27,343 crore in the same period last year.



Net collection of wealth tax rose 86.67% to Rs.28 crore as against Rs.15 crore in the same period last year while Securities Transaction Tax (STT) collection shrank by 14.63% to Rs.461 crore as against Rs.540 crore in the same period last fiscal.

Indirect tax collection up 3.8% in April-May

Indirect tax collection in April - May, the first two months of the 2013-14 fiscal, grew by 3.8 per cent to Rs.71,379 crore. Customs duty collection for the two months was Rs.28,080 crore, while service tax collection was Rs.19,710 crore, Finance Ministry sources said. Excise duty collection for the period was Rs.23,589 crore. Indirect tax collection in May grew by 4 per cent to Rs.37,695 crore. Customs duty collection for the month stood at Rs.14,997 crore, while service tax and excise duty collections were Rs.8,998 crore and Rs.13,700 crore. The government has fixed the target of indirect tax collection, comprising customs, excise and service tax, at Rs.5.65 lakh crore for 2013-14. In the 2012-13 fiscal, the government had revised the indirect taxes target to Rs.4.69 lakh crore as against the Budget estimates of Rs 5.05 lakh crore. It managed to exceed the revised target on the back of an aggressive tax collection drive.

Enterprise Software Mkt to Reach $3.92B in 2013

The enterprise software market in India is projected to reach $3.92 billion in 2013, a 13.9 per cent growth over 2012 revenue of $3.45 billion, research firm Gartner said in June. "Growing maturity of Indian users is an important driver for overall growth." Compounding the demand is the ongoing tendency for greater customer services along with the continued drive for infotech cost savings and incorporation of emerging technologies like mobility, cloud and business process management. In 2013, India is expected to be the fourth largest enterprise software market in Asia-Pacific. The country is forecast to account for 11.6% per cent of the region's total revenue of $33.73 billion in 2013 and 1.32 per cent of the total worldwide software market of $296 billion.

Spice exports cross Rs.10k-cr mark in 2012-13

India's spice exports crossed the Rs.10,000-crore mark during the last fiscal despite the global economic slowdown, Spices Board officials said on June 10, 2013. During 2012-13, a total of 6,99,170 tonne of spices and spice products valued at Rs.11,171.16 crore ($2040.18 million) have been exported from the country against 5,75,270 tonne valued at Rs.9,783.42 crore ($2037.76 million) in 2011-12. The volume of exports has increased by 22% and value by 14 %.

While pepper, cardamom (small) and ginger recorded a decrease in exports — both in terms of volume and value during the year — cumin, mint and seed spices achieved impressive gains. The export of seed spices witnessed a phenomenal growth of 55% in terms of volume and 62% in terms of value. A total of 18,6075 tonne of seed spices valued at Rs.1,672.99 crore was exported during the financial year 2012-13. Mint product exports increased by 35% in volume and 49% in value during the last fiscal to achieve a realisation of Rs.3,321.79 crore. Chilli continued to remain upbeat as a total quantity of 2,81,000 tonne of the spice valued at Rs.2,261.44 crore was exported as against 2,41,000 tonne valued at Rs.2144.08 crore, registering an increase of 17% in volume and 5% in value. Garlic showed a whopping increase both in terms of volume and value as 24,000 tonne was exported at a value of Rs.74.49 crore as against 2,200 tonne valued at Rs.14.15 crore in the previous year. As compared to the previous year, there is an increase of 991% in terms of volume and 426% in terms of value. Pepper exports dropped by 40% in volume and 23% in value with only 16,000 tonne of the commodity exported from the nation as against 26,700 tonne in FY12.

India, Thailand to speed up plan to construct trilateral highway

India and Bangkok discussed ways to expedite the completion of the trilateral highway from India's northeast to Thailand via Myanmar which would be ready by 2015 and will spur growth in trade and investment in the region. India-Thailand relations are characterised by shared bonds of civilisational contacts. The partnership has been strengthened by close cooperation in political, security, economic and cultural contacts as well as coordination on regional issues. Bilateral trade has touched $9.4 billion and over 70 major Indian companies have invested in Thailand in anticipation of the Asean Economic Community in 2015. According to a source, The Dawei deep sea port on the western seaboard of Myanmar is a mega project being developed with Thailand's help and 8 special purpose vehicles will be set up between the Thailand and Myanmar for the same.

India has also embarked on a major infrastructure investment programme, with the Delhi-Mumbai Industrial Corridor that will help make the country a trade and investment hub in the Asia-Pacific region. "The government has set itself an ambitious target of $1 trillion for investment in infrastructure in its 12th five-year plan.

Foreign chains get leeway on back-end investments

Department of Industrial Policy & Promotion (DIPP) ensured certain clarifications to the FDI policy as under :

- **Govt says** foreign retailers can invest in existing back-end units, too, provided they put up to $50 million in creating new facilities
- **Retailers had been complaining** about ambiguity over certain of back-end infrastructure in the foreign direct investment policy
- **According to DIPP,** creating additional infra is the main objective of the policy
- **Govt wants** foreign retailers to complete linkages, because existing infra is weak and inadequate
- **FDI policy** does not clearly say whether foreign investment should go to new back-end facilities only or existing ones, too

Govt not able to acquire land for NIMZs

Government's manufacturing thrust has run into trouble with many states expressing difficulty in acquiring the vast tracts of land needed to set up dedicated zones. Five states viz Assam, Manipur, Meghalaya, Punjab & Himachal Pradesh have written to the Department of Industrial Policy and Promotion, requesting it to consider revising the minimum land requirement (from existing 5,000 hectare) for developing National Manufacturing Investment Zones (NMIZs).

"Some states in north and north-east have expressed their inability to set up NMIZs as it would involve either acquiring huge agricultural land or hilly terrain interspersed with valleys and plains,". However, Government will not reduce the minimum area size for NMIZs. Instead, these states can develop clusters and avail almost all the benefits of national manufacturing policy (NMP) on their clusters.

The national manufacturing policy (NMP), which was notified in 2011, had said that while NIMZs are an important instrumentality, the proposals contained in the policy apply to manufacturing industry throughout the country including wherever industry is able to organize itself into clusters and adopt a model of self-regulation as enunciated. According to the planning commission officials, government is not thinking of reducing the land size for NMIZs as it did for special economic zones as the NMP is relatively new and any reversal in policy at this point of time will hit the investor sentiments. Last month, government had reduced by half the minimum land required for setting up of SEZs after investments had virtually stagnated in these export zones over the last two years.

However, this change in policy for SEZs came in after several years of the SEZ Act being notified in 2005. Centre had so far granted in-principle approval to four NMIZs, one each in Maharashtra, Karnataka and two in Andhra Pradesh.The objective of NMP is to increase the share of manufacturing to GDP from the existing 15% to 25% by 2025 and create 100 million jobs. This would be done by setting up Greenfield integrated townships or NMIZs with a minimum area of 5,000 hectare.

PM sets infrastructure targets

Prime Minister Shri Manmohan Singh on June 28, 2013 addressed the bottlenecks in infrastructure, regarded as one of the main obstacles in the slackening investment zeal of Indian business, dragging down overall economic growth. He reviewed the status of major infra projects and tasked various ministries to roll out public-private partnerships (PPPs) in the next six months of identified projects worth Rs.115,000 crore. These include the Mumbai Elevated Railway Corridor, two new locomotive projects, one expressway project between either Delhi and Jaipur or Delhi and Ludhiana, and two new ports, in West Bengal and Andhra Pradesh. He also set targets for various other infrastructure projects in 2013-14. In civil aviation, these include two new international airports at Bhubaneswar and Imphal; 50 new small airports by the Airports Authority of India, and eight new airports in PPP mode, at Navi Mumbai, Juhu-Mumbai, Goa, Kannur, Pune, Sriperumbudur, Bellary and Rajgarh. Besides, airport operations and maintenance through PPP contracts will be introduced in AAI-run airports. Those being considered are Chennai, Kolkata, Lucknow, Guwahati, Jaipur and Ahmedabad airports.

Exports from SEZs up by 31% to Rs.4.76 lakh cr in 2012-13

Exports from special economic zones (SEZs) grew by about 31% year-on-year to Rs.4.76 lakh crore during 2012-13, compared with shipments worth Rs.3.65 lakh crore in 2011-12.

As per the Export Promotion Council for EOUs and SEZs (EPCES), out of 389 SEZs notified, 170 are operational and these exports are helping in the reducing the widening current account deficit (CAD).

During 2012-13, SEZs have attracted a total of Rs.2.36 lakh crore investment and provided direct employment opportunities to over 11 lakh people.

"Inconsistent tax policy, especially with the introduction of minimum alternate tax (MAT) and dividend distribution tax (DDT), has discouraged investors. If the income tax benefit is not given to SEZ developers and units, growth of the sector will remain a dream not fulfilled,". Indirect tax benefit offered to SEZ units are in the line of what have been offered to DTA exporters and EOUs. The council also urged the finance ministry to revisit the tax provisions related to SEZs on the back of declining GDP growth and escalating CAD.

Govt approves 16 FDI proposals worth Rs.1,647 cr

The government has approved 16 projects envisaging foreign investment worth Rs.1,647 crore based on the recommendations of the Foreign Investment Promotion Board (FIPB) in its meeting held on May 10, 2013.

FIEO to Jointly Set Up Trade Centres in Gujarat

In a bid to push exports from Gujarat, the Federation of Indian Exports Organisations in May said it plans to set up facilitation centres in export centric clusters of the state. The recommendation to the state from the apex export body set up by commerce ministry comes at a time when Centre has set challenging targets for international trade by 2020. The Centre also expects the States to supplement them through their own efforts.

Top infra companies interested in rlys' Rs.4,000-cr corridor project

The Dedicated Freight Corridor Corporation (DFCC), the special purpose vehicle (SPV) of ministry of railways to construct corridors on the eastern and western flanks of the country at the of cost or Rs.95,000 crore, will soon call bids for the 400-km Kanpur-Mugalsarai section of the 1,839-km-long Eastern Freight Corridor, connecting Ludhiana and Dhankuni (West Bengal). "Around 44 companies have shown their interest to bid for the section. We have sent their queries to World Bank, the funding agency for the Eastern corridor. A request for proposal (RFP) will be issued four weeks after the response is received from the World Bank," said a senior DFCC official. This is the second major contract on the eastern corridor that will be awarded. The first contract, of Rs.3,300 crore for building a double-track section between Khurja and Kanpur, was given to Tata-Aldesa, comprising Tata Projects India and the Spain-based infrastructure construction group Aldesa. The World Bank is financing the Eastern Corridor project from Mughal Sarai to Ludhiana (around 1,100 km), the rest of the stretch from Mughal Sarai to Dankuni is being financed in two modes — from Mughal Sarai to Sonnagar , the 150-km stretch is being financed through railway equity, and the 540-km Sonnagar-Dankuni section is to be implemented on PPP basis. The total in principle loan commitment by the World Bank is $2.725 billion, which it is releasing in tranches. The work on the 1500-km-long Western Corridor, connecting Ludhiana in Punjab with Dankuni in West Bengal, is also progressing. The contract to build the 640-km Rewari-Palanpur stretch on the western segment at the cost of Rs.6,700 crore is being given to Sojitz and L&T combine, a final approval is yet to come from Japan International Cooperation Agency (JICA), the funding agency for the eastern corridor. Three Japanese companies — Sojitz, Mitsui and Marubeni — have been shortlisted by the DFCC for this Rs.4,000-crore project.

Banks told to bring the urban poor into the fold

The Reserve Bank of India has asked banks to bring in metropolitan areas under the lead bank scheme for the first time, a move aimed at providing to the urban poor doorstep banking and direct transfer of cash benefits under social welfare programmes. Financial exclusion is not merely a rural phenomenon, it is in fact widespread in metros. RBI has, therefore, directed that the lead bank scheme dating to 1969 be extended. Lead bank scheme is an integrated mechanism to extend banking facilities to consumers, especially those who belong to the economically weaker sections. The lead bank in every district assumes leadership role for coordinating the efforts of the lenders.

The RBI has advised the banks to hold deposit camps for opening bank accounts for all eligible individuals and link these to Aadhaar numbers. It has also asked the banks that they should have an effective mechanism in place to monitor and review the progress of this drive. It has also emphasized on financial literacy, the lack of which led to the mushrooming of chit funds or companies running Ponzi schemes. These dubious companies are more active in regions which have gaps in banking access and financial literacy. "The triad of financial inclusion, financial literacy and consumer protection have been recognised as intertwining threads in the pursuit of financial stability," the RBI has said.

World Bank approves $100-m loan to NHB

The World Bank has approved a concessional loan of $100 million to the National Housing Bank (NHB) for implementation of the low income housing programme. This is the first ever line of credit being availed by NHB from the World Bank. The loan has been granted under the concessional international development association window on a long term basis for a period of 25 years. The programme is designed to create significant social and developmental impact in the housing sector, consistent with the objective and charter of the NHB.

The World Bank programme will support the NHB in refinancing mortgage loans for people in the lower income segments, who need long term mortgages at affordable rates. This borrowing will be guaranteed by the government of India. The programme has been designed after a detailed study on the profile of the low income housing status in the country with special regard to the aspirational drive among vast population in this segment and with due recognition of the informal nature of their income. As the programme will be scaled up in future, it will have the potential to help larger number of families in the lower income brackets to own a house of their own, and thereby improve home ownership in the country.

Sidbi to disburse 12.5% more funds in FY14

Sidbi, engaged in promotion and financing of micro, small and medium enterprises (MSMEs), is planning disbursements of Rs.45,000 crore in 2013-14. This would be 12.5 per cent higher over Rs.40,000 crore which Sidbi disbursed in the last financial year. Besides MSMEs, SIDBI is also lending to micro finance institutions, selectively. Shri Sushil Muhnot, CMD, SIDBI said, the bank has hosted a comprehensive website for development of youth entrepreneurship and offers advisory services to MSMEs through 300 cluster-based credit advisory centres.

Securitization to Turn Costlier for banks with new Distribution Tax

Securitisation, a key route for private and foreign banks to meet priority sector commitments, will turn costlier for them as the government has imposed additional tax on investors from June this year. Non-banking finance companies, which raise funds by securitising their loan portfolio in favour of these banks, may have to shell out a higher interest rate as banks will try to pass on the additional tax burden on the issuer. If banks want to pass on the entire burden on issuers, they have to invest at about 270 basis point higher interest rate. The Lok Sabha has passed the Finance Bill 2013, on April 30, with the proposal to levy a 30 per cent distribution tax on investors in securitisation deals through SPVs. A forum called Indian Securitisation Foundation has convened a meeting on May 22-23 in Mumbai to discuss this emerging situation. After the new securitisation guidelines issued in May last year, the volume of fresh issue dipped to Rs.28,400 crore from Rs.44,500 crore in the preceding fiscal.

A senior official with a leading NBFC said the securitisation route may turn more costly for them as banks would try to pass on the burden. "The issuers and investors can avoid the additional burden through bilateral deals. But in case of direct buyout of loan portfolios, banks will have to bear the credit risk fully as RBI does not allow credit enhancement under bilateral arrangements," he said.

NBFCs and MFIs get bank fund through securitisation at rates lower than those prevalent for bank loans. "We understand that the distribution tax will not be deducted by securitisation trusts if the instruments are invested in by MFs, and therefore, MFs will find it attractive to invest in pass-through certificates issued in securitisation deals," said Shri Sandeep Singh, Senior Director at India Ratings & Research.

Monetary Policy Statement 2013-14

Dr. D. Subbarao, Governor, Reserve Bank of India, in a meeting with chief executives of major commercial banks presented the Monetary Policy Statement for 2013-14 on May 3, 2013. The highlights are:

Projections

- Baseline GDP growth for 2013-14 projected at 5.7 per cent.
- M3 growth for 2013-14 projected at 13 per cent for policy purposes.

Stance

- The stance of the monetary policy is intended to:
- continue to address the accentuated risks to growth;
- guard against the risks of inflation pressures re-emerging and adversely impacting inflation expectations
- appropriately manage liquidity to ensure adequate credit flow to the productive sectors of the economy.

Monetary Measures

- Repo rate under the liquidity adjustment facility (LAF) reduced by 25 basis points from 7.50 per cent to 7.25 per cent.
- Bank rate adjusted to 8.25 per cent.
- Cash reserve ratio (CRR) of scheduled banks retained at 4.00 per cent of their NDTL.

Priority Sector Lending - Limits Revised

The Reserve Bank has advised that the following limits under priority sector have been revised upward from April 1, 2013:

Agriculture

- The limit of loans to farmers against pledge/ hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months increased from ‘ 25 lakh to ‘ 50 lakh both under direct and indirect agriculture.
- The limit of loans to dealers/sellers of fertilisers, pesticides, seeds, cattle feed, poultry feed, agricultural implements and other inputs raised to 5 crore per borrower from 1 crore.

Micro and Small Enterprises

The limit of bank loans to micro and small service enterprises (MSEs) engaged in providing or rendering of services has been increased from ‘ 2 crore to ‘ 5 crore per borrower/unit, provided they satisfy the investment criteria for equipment as defined under the MSMED Act, 2006.

MISCELLANY

What is goodwill impairment?

Goodwill is a set of unidentifiable intangible assets through which an enterprise is suppose to derive future economic benefits, explains Arijit Barman

What constitutes goodwill?

It is generally recognised or booked in a transaction where a business is being purchased by one entity from another. It is the excess of the total consideration paid for the business over the value of all its other assets and liabilities (referred to as net assets). Under the Indian accounting framework, goodwill can originate in a merger or acquisition through a high court-prescribed scheme or it may be recorded on account of consolidation of acquired entity by the holding company or when a group of assets are purchased for a lump-sum consideration. Indian GAAP prohibits capitalisation of internally generated goodwill.

When is goodwill written off, or impaired?

Just like an asset on a balance sheet, a company is continuously required to assess the value of the goodwill. It is generally tested for impairment on an annual basis unless there is a significant change in the business environment. Goodwill is written off when the carrying value of the group of assets is higher than value in use or net realizable value less costs to sell. Value in use is generally determined through a discounted cash flow method whereas realizable value is determined through market-based inputs.

What can cause goodwill impairment?

Adverse effect of changes in technology, markets and economic or legal environment. Adverse interest rate movements. Evidence of obsolescence or physical damage to the company's assets. Significant changes in the enterprise; say, plans to discontinue or restructure ops, plans to dispose of an asset before expected date Actual net cash flows or operating profit or loss flowing from the asset/ company are significantly lower than those budgeted. Negative publicity about a firm can create goodwill impairment, as can the reduction of brandname recognition.

What is the difference between amortisation and goodwill impairment?

Amortisation is the systematic reduction of the carrying amount over its useful life. It is similar to depreciation. If goodwill arises on account of an M&A then it is generally required to be amortized within five years unless a higher period can be justified. Impairment is generally carried out in respect of goodwill arising on account of consolidation of legal entities or a slump sale. This is required at an annual frequency unless we have triggers to do it on a quarterly or half-yearly basis.

Where do goodwill writeoffs get reflected?

They are reduced from the carrying amount of goodwill in the balance sheet with a corresponding entry in the profitand-loss account.

Are Indian companies mandated to conduct goodwill tests?

Indian companies are generally required to assess at each balance sheet date whether there is any indication the goodwill is impaired or not. If one or more indications exist, then the company is required to carry out impairment testing on a more frequent basis, quarterly or half-yearly.

Amritsar-Kolkata Industrial Corridor Approved

The government has approved the setting up of an inter-ministerial group to undertake preparatory work on the proposed Amritsar-Delhi-Kolkata Industrial Corridor. This group will examine the feasibility of setting up the Amritsar-Delhi-Kolkata Industrial Corridor alongwith the structural and financing arrangements that would be required to operationalize it at the earliest. It has been asked to submit its report within a month.

The Amritsar-Kolkata Industrial Corridor is patterned on the Delhi-Mumbai Industrial Corridor (DMIC). The DMIC uses the Western Dedicated Freight Corridor as the backbone. The DMIC has financial support from the Japanese government and is expected to attract large investments leading to rapid industrial growth in Rajasthan, Gujarat, Haryana and Maharashtra through the development of new cities, industrial zones, and world-class infrastructure. The Amritsar-Delhi-Kolkata Industrial Corridor will use the Eastern dedicated freight corridor as the backbone. The Eastern DFC extends from Ludhiana in Punjab to Dankuni near Kolkata. Therefore, the Amritsar-Delhi-Kolkata Industrial Corridor will be structured around the Eastern DFC and also the highway network that exists on this route. It will also leverage the Inland Waterway System being developed along National Waterway-1 , which extends from Allahabad to Haldia.

It will cover Punjab, Haryana, Uttar Pradesh, Uttarakhand, Bihar, Jharkhand and West Bengal. This is one of the most densely populated regions in the world and houses about 40% of India's population.

Shimla's bus terminal to be connected to Mall road via ropeway.

The Himachal Pradesh government has approved a Rs. 250-crore ropeway project to overcome Shimla's chronic problem of traffic congestion. The ropeway connecting Shimla's inter-state bus terminus at Tutikandi with the Mall road will be built under the public-private partnership (PPP) mode. The Himachal Pradesh Chief Minister, Shri Virbhadra Singh gave approval to the project at a meeting of the Himachal Pradesh Infrastructure Development Board in July, 2013. The three-km ropeway would carry around 1,500-2,000 people per hour each way and the one-side travel time would be around 10 minutes.

Officials said that approval was also given to link Aadi Himani Chamunda temple in the Dhauladhar mountain range in Kangra district with a ropeway. This would help the pilgrims to visit the ancient hilltop shrine, which can be reached only through an uphill trek of about 16 km from the famous shrine of Chamunda Devi near Dharamsala town, some 250 km from Shimla. The Aadi Himani Chamunda six-km-long ropeway with a carrying capacity of 1,000-1,200 people per hour each way would be constructed at a cost of Rs.200 crore and the total travel time would be around 20 minutes.

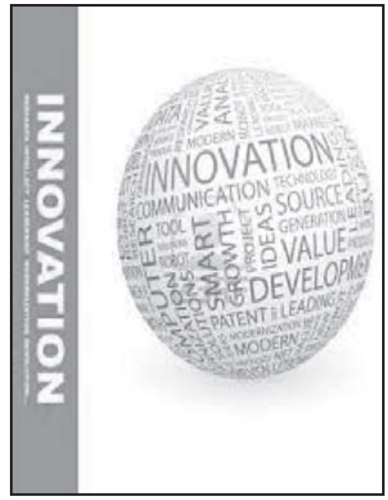
APIIC to De-notify 4 SEZs

AP Industrial Infrastructure Corporation (APIIC) has decided to ask the Union Government to de-notify four SEZs, one each in Visakhapatnam, Tirupati, Kadapa and Karimnagar, which were notified nearly five years ago.

"IT / ITeS companies are not showing interest to set up their units in the SEZs located in tier-II cities of the state even years after notifying these zones, largely citing the economic slowdown as the key reason," said Shri Jayesh Ranjan, managing director of APIIC. These SEZs will be converted into general industrial parks. The government has been receiving interest from other industrial players to set up their facilities in these centres. "There is a good demand to set up marine products and food processing units at the Gambhiram SEZ (near Visakhapatnam)." Industry bodies and IT companies blame the absence of infrastructure for not moving to tier-II cities. "Middle level managers refuse to relocate to these centres in the absence of social infrastructure like schools and hospitals." Government officials said the SEZs in the state attracted $3.2 billion (about Rs.17,600 crore) of investments and created 1.24 lakh jobs so far and reported $2.75 billion (about Rs.15,100 crore) of revenues last year.

Land quota for MSMEs

The Odisha State government has decided to reserve 20% area in all industrial hubs and land banks for Micro, Small And Medium Enterprises (MSMEs), said MSME Minister, Shri Damodar Rout. He said the state has benefitted from large industries and needs to promote ancillary units. The state-owned Industrial Infrastructure Development Corporation (Idco), which promotes exclusive zones for MSMEs in industrial hubs, will help set up exclusive industrial parks at Kalinga Nagar, Barbil, Jharsuguda, Sambalpur, Dhenkanal, Rourkela, Bargarh, Balasore, Dhamra, Gopalpur, Chhatrapur, Rayagada, Kalahandi and Choudwar.



There are more than 50,000 MSMEs in the State. Of these half are sick and deal with sponge iron, textile, food processing and construction. If the State government's procurement policy is implemented in 2014, it will infuse new life into the MSME sector. The policy will make it mandatory for state public sector undertakings to make 20% of their purchases from MSMEs. The Odisha Food Processing Policy, 2013, is also expected to help MSMEs get several financial incentives and operational support.

Divestment of Neyveli Lignite Corporation shares to state PSUs approved

The Securities and Exchange Board of India (SEBI) and the Union government in July, 2013 approved the Tamil Nadu government's request to divest 3.56% shares of Neyveli Lignite Corporation to the state public sector undertakings to meet the regulatory norm of 10% public holding. The shares, which would cost Rs 500 crore, would be purchased by Tamil Nadu Industrial Development Corporation (TIDCO), Tamil Nadu Industrial Investment Corporation (TIIC), State Industries Promotion Corporation of Tamil Nadu (SIPCOT), Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO) and Tamil Nadu Power Finance & Infrastructure Development Corporation Ltd. (POWERFIN) which come within the definition of qualified institutional buyers.

Executive Committee Meeting of COSIDICI:

The Executive Committee meeting of COSIDICI was held on June 27, 2013 at Jaipur {Rajasthan}. The Executive Committee appreciated the COSIDICI National Awards function which was held on February 15, 2013 at *"Scope Convention Centre"* Lodhi Road, New Delhi as well as the "SOUVENIR" brought out on the occasion and decided to hold the next National Award Function either at New Delhi or Goa.

The Executive Committee also felt that COSIDICI may collaborate with some of the states which could make a presentation on the incentives provided by them to attract investment in their respective states. Also a forum of Entrepreneurs who had received the awards may be created to facilitate interaction with other awardees. The forum could also serve as the idea centre for new and innovative methods which could be adopted by the SLFIs to provide better services to the entrepreneurs.

COSIDICI's Assistance to Member Corporations :

The Executive Committee lauded the efforts of COSIDICI in assisting RFC in execution of Young Entrepreneurs Incentive Scheme which had been formally launched on April 19, 2013 by the Hon'ble Chief Minister of Rajasthan, Shri Ashok Gehlot in a time bound manner. The scheme was introduced in view of the fact that the new entrepreneurship in the country is not getting any encouragement or incentive. The young and educated lot which has innovative ideas and zeal to set up their own ventures has no avenues to turn to for low cost funding and guidance in setting up their industrial units. The scheme aims to provide collateral free loans to the young entrepreneurs below 35 years for projects within the range of Rs.25 lacs to Rs.1 crore at a very attractive interest rate of 7.50% without any application or processing fee.

The applications were invited through a PAN INDIA online competition held between 1st May to 10th June, 2013. The scheme was popular as more than 45000 young people registered under the scheme. The web portal for submitting applications and online evaluation was designed by Centre for Innovation, Incubation and Entrepreneurship of IIM, Ahmedabad and the Business Plans were evaluated by two sets of experts from reputed educational & professional institutions, Banking and Industry Sectors and other State Financial Corporations. The panel was finalized by COSIDICI and the entire evaluation process was also monitored by them to observe total transparency. The evaluation process was completed and the merit list approved by the State Government was announced on June 26, 2013. The first 20 applicants were felicitated and given a cash prize of Rs.5,000/- each by the Chief Secretary, Rajasthan on June 27, 2013.

Under the scheme the first 1000 applicants would also be eligible for additional Rs.10,000/- as handholding money on submission of Detailed Project Report [DPR]. Their DPRs will be processed for land allotment from RIICO and sanction of loan by RFC. Shri Yaduvendra Mathur, IAS informed the Executive Committee that Rajasthan Financial Corporation had already organized an *"Entrepreneurs Conclave"* in April, 2013 to develop entrepreneurship. The Corporation will also be organizing training workshops for capacity building and to provide guidance and mentorship at every stage to these young people in implementation of their projects and realizing their dream of becoming successful entrepreneurs.

The Executive Committee was happy to note the above and urged the members to make use of the facilities being offered by COSIDICI.

Registration of SIDCs under Section 45-1A of the RBI Act, 1934 :

The Executive Committee felt that the SLFIs were bringing about holistic development of the country and filing of voluminous monthly returns impeded them from carrying out their developmental role and also resulted in their incurring costs thus affecting their efficiency and productivity. It, therefore, decided that COSIDICI may form a sub group comprising of the SIDCs which were registered with RBI as NBFCs to examine the requirement of their registration. Also RBI had stipulated different criteria under which the companies were registering as NBFCs. The SIDCs were Non Deposit taking entities. They were set up as wholly owned state government undertakings and their accounts were audited by the office of the CAG. Keeping in view their developmental role the developed nations like the United States of America and Canada had again started supporting the Development Financial Institutions in their respective countries. The members, therefore, felt the need of the hour was to promote these DFIs to enable the country to achieve its goal of *'inclusive growth'.* To facilitate this process the Executive Committee requested COSIDICI to approach the Ministry of MSME to support SLFIs by providing them with fund support under various schemes of the Ministry for promotion and development of MSMEs in the States.

Training Programme for Officer of SLFIs :

The Executive Committee was happy to note that the next Training Programme would be organized from 21st to 24th January, 2014 at College of Agricultural Banking (RBI), Pune. It urged the Members to make an optimum use of the Training facilities being provided by the College. The Executive Committee further suggested that COSIDICI may tie up with Asian Institute of Technology (AIT), Bangkok Thailand or any other such Institution to conduct its own International Exposure Programme on financing of MSME.

Strategies for Revival and Restructuring of SFCs :

The Members felt the SFCs had to remodel and reinvent themselves by identifying their strengths and weaknesses to adapt to the changing economic environment. Shri B.S. Pai Angle, General Manager, EDC Ltd., Goa informed the Executive Committee that EDC Goa had been making losses but had reinvented its Business Model in 2005 due to which its NPAs had been brought down from 75% to 15% and its networth had increased from Rs.(-)20 crores to more than Rs.200 crore. The Corporation had initiated various measures like financing of Infrastructure Development, setting up and managing several other Corporations for the government of Goa and taken up various fee based activities enabling it to maintain its growth momentum and enhance its utility to the shareholders.

Shri P. Joy Oommen, IAS, CMD, Kerala Financial Corporation agreed and informed the Executive Committee that the Kerala government recognized the role of KFC in contributing towards the growth of the state economy. Banks normally do not give loans under Rs.1 crore. This gap is being filled up by SFCs. Financing of first generation entrepreneurs was a risky business and some failure was expected. Even in United States and Germany around 30% of the first generation entrepreneurs do not do well. It was, therefore, expected that there would be some NPAs in this high risk area but it was necessary for *'inclusive growth'*. The inherent strength of SFCs was that they provided single window clearance and helped the first generation entrepreneurs by hand- holding them till they became viable thus promoting industry in the states. It was, therefore, necessary to give some benefit to the SFCs for promoting entrepreneurship. In this connection, he felt that the amendment of the SFCs Act, 1951 was necessary. Shri Oommen informed that KFC had prepared a list of the proposed amendments. The Executive Committee decided that the SFCs may approach the Hon'ble Finance Minister with a request to carry out these amendments. The SFCs Act was last amended in the year 2000. Thereafter G.P. Gupta Committee report was submitted in the year 2001 which had been in favour of the SFCs. There has been a marked change in the economic scenario since then. The Executive Committee agreed and decided that COSIDICI may take up with the Government of India to set up another Committee to make recommendations for revival of these Corporations. The Executive Committee further Resolved: *"that meanwhile a Committee under the Chairmanship of Shri P. Joy Oommen, IAS, CMD, Kerala Financial Corporation be set up to study the SFCs and make recommendations for their revival. Shri Oommen was requested to propose the names of the people for the above Committee. The Committee could study these SLFIs and examine ways and means of reviving them to facilitate flow of credit to MSME sector. The States could also be included as partners in this study."*

Shri Oommen further stated that the changing economic scenario required that the SLFIs should come up with innovative ideas to provide credit to the MSME sector.

Shri Yaduvendra Mathur, IAS, President COSIDICI & CMD, RFC agreed and said RFC had tried to rejuvenate its business model. It had made its One Time Settlement with SIDBI and had entered into real estate funding for small sized commercial and residential buildings. The Corporation was, therefore, on the road to becoming self-sufficient. Shri N.R. Sridhar, Executive Director, KSFC informed the Executive Committee that KSFC was facing difficulty in recovery even when it had collateral security because the Hon'ble Supreme Court has stated that the SFCs cannot proceed against the collateral securities under section 29 of SFCs Act. In the case of KSFC Vs. N. Narsimhan, the Hon'ble Supreme Court had prohibited SFCs from taking over the property of a surety in the event of default committed by the principal borrowers. KSFC had, earlier been selling collateral securities under section 29 of SFCs Act before the passing of the judgement of the Hon'ble Supreme Court. After passing of the Supreme Court Order on 13.03.2008, the Karnataka High Court was inclined to allow the writ petitions filed by the parties earlier to passing of the above judgement. Shri Sridhar said that it would detrimentally affect the recovery proceedings of the SFCs and will have far reaching consequences. KSFC had, therefore, initiated steps to file a review petition to make the judgement effective with prospective effect. Shri Sridhar requested that as the matter affected all the SFCs they may also get themselves impleaded in this SLP. The Executive Committee agreed and advised that meanwhile KSFC may recover its dues as arrears of Land Revenue u/s 32(G) of the SFCs Act.

Shri Dharam Veer, DGM (Law), RFC advised that the recovery efforts of the SFCs was further impeded due to various court judgements. The over-riding right of Crown Debt is recognized over other debts in so far as the priority of charge is concerned resulting in settlement of dues of various departments of Central Government e.g. Excise, Customs, I.T. etc. etc. before the dues of the secured lenders. The disposal becomes difficult because of attachment of units by these deptts. of the Central Govt. on the plea that being Crown Dues, these have precedence over the secured debts of Financial Institutions. It was advised to the Executive Committee that COSIDICI had taken up the matter with SIDBI. SIDBI has already recommended the amendments to the SFCs Act, 1951 which had been proposed by COSIDICI to the Government of India and the above request has been factored in. COSIDICI has received a letter from SIDBI dated May 26, 2011 that it has recommended modifications to sections 29(1), (4) and (5) of the SFCs Act 1951 and also recommended addition of a new clause viz. 29 (6). These amendments if passed by Government of India, would address the above as well as other concerns of SFCs.

The Executive Committee further felt that SFCs needed to access low cost funds and reinvent themselves. The Executive Committee, therefore, Resolved : *"that a task force under the convenorship of Shri Yaduvendra Mathur, IAS, President COSIDICI & CMD, RFC be formed. This group may explore the possibility of creating alliances with NSIC, HUDCO, & Ministry of MSME to benefit from their experience in the relevant fields of their expertise and thus strengthen the SLFIs."*

The miracle isn't that I finished.
The miracle is that I had the courage to start.

–John Bingham

Truth, being limitless, unconditional, unapproachable by any path whatsoever, cannot be organised; nor should any organisation be formed to lead or to coerce people along any particular path.

–J Krishnamurti