THE JOURNAL FOR CMAs

THE MANAGEMENT ACCOUNTANT

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CAPACITY BUILDING FOR SUSTAINABILITY

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
www.icmai.in

REACH YOUR CUSTOMERS THROUGH THE MANAGEMENT ACCOUNTANT

The Institute of Cost Accountants of India

The Institute of Cost Accountants of India (ICAI) is a statutory body set up under an Act of Parliament in 1959. The Institute, as a part of its obligation, regulates the profession of Cost and Management Accountancy. The Institute also believes that cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting are the key drivers of the profession. ICAI is headquartered in Kolkata. It has four Regional Councils in Kolkata, Delhi, Mumbai and Chennai and 96 Chapters in important cities in India and nine Overseas Centres. The Ministry of Corporate Affairs, Government of India, has administrative control of the Institute.

the MANAGEMENT
ACCOUNTANT

The Institute publishes **The Management Accountant** Journal for Cost and Management Accountants (CMAs) since 1966. The magazine, which touched its Golden Jubliee year of publication in 2015, has insightful and informative articles on current developments and changes in the global and national financial scenarios. The wide circulation and inputs from academicians, researchers and industry stalwarts are the keys to the success of this journal.

Circulation and content

- The magazine reaches about 40,000 members, students, non-members, Government departments and organisations, corporates, educational institutions and libraries
- It has a target set of readers and therefore is more visible
- Articles and case studies on various subjects like Cost & Management Accounting, Taxation, Audit, Financial Reporting, Banking, Governance and Ethics
- Current readership of our journal is more than 5 Lakhs around the Globe in 212+ countries through 6 e-commerce portals both in digital & print version and growing day by day

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The Institute of Cost Accountants of India

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA (erstwhile The Institute of Cost and Works Accountants of India) was first established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy.

On 28 May 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act 1959 as a statutory professional body for the regulation of the profession of cost and management accountancy.

It has since been continuously contributing to the growth of the industrial and economic climate of the country.

The Institute of Cost Accountants of India is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

MISSION STATEMENT

The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.

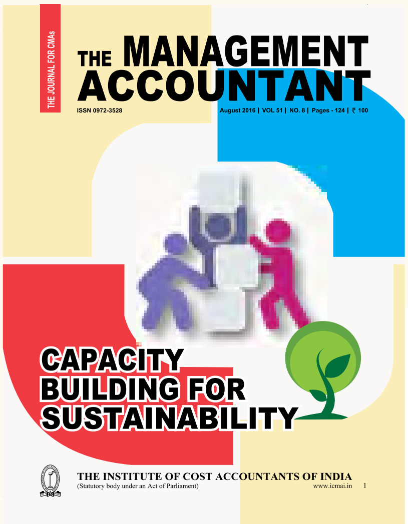
VISION STATEMENT

The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.

IDEALS THE INSTITUTE STANDS FOR

- *to develop the Cost and Management Accountancy profession*
- *to develop the body of members and properly equip them for functions*
- *to ensure sound professional ethics*
- *to keep abreast of new developments*

*Behind every successful business decision, there is always a **CMA***



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₹ 300 p.a. or ₹ 30 for a single copy

New President

CMA Manas Kumar Thakur

CMA Manas Kumar Thakur has been unanimously elected as the President of the Institute of Cost Accountants of India for the year 2016-2017.

Apart from a Fellow Member of the Institute, CMA Thakur also holds B.Sc. and B.Com degree. Since childhood days his mind was application oriented, thus, he found keen interest both in mathematics as well as in playing football. He has represented his District and State in his short span of football career.

An academician with more than 25 years of teaching experience he has authored several books on Valuation Management, Operations Management, Cost Audit, Laws & Audit, Cost & Management etc. He has published several articles in different reputed journals and offered his professional acumen in different professional institutes including Government organizations.

He takes keen interest in delving into corporate and professional issues. He is closely associated with various fields of financial and education sector and is an experienced mentor and counsellor to young professionals and students. CMA Manas Kumar Thakur is holding Certificate of Practice since 1993 and carries with himself a rich experience of 23 years of practice. Before joining in practice he was in service in various reputed organisations like Brooke Bond India Ltd., Lipi Scan Pvt. Ltd. etc.

Recently he has been awarded with "Bharat Nirman Award" by a reputed Delhi based NGO.

CMA Manas Kumar Thakur was a Regional Council Member during 2004-2011 and became the Chairman of EIRC in 2009-2010. He was elected to the Central Council of the Institute from Eastern Region for the periods 2011-2015 and 2015-2019. He has served as the Vice President of the Institute of Cost Accountants of India for the year 2015-2016.

He is the member of different Chambers of Commerce like ASSOCHAM, CII, Bharat Chamber of Commerce, Indian Chamber of Commerce and also an Advisory member of CDR of SBI. He is also the Partner of Thakur & Co. (Cost Accountants).

New Vice President

CMA Sanjay Gupta

CMA Sanjay Gupta has been elected as Vice-President of the Institute of Cost Accountants of India for the year 2016-17. CMA Sanjay Gupta is a Fellow Member of the Institute of Cost Accountants of India.

A combination of youth, dynamism, experience, Leadership Skills and excellence with more than 17 years of impeccable professional standing and proven track record, CMA Sanjay Gupta has been elected to the Central Council for two consecutive terms (2011-15, 2015-19). He was the Chairman of NIRC of the Institute in 2009-10. He has been the Chairman of WTO and International Affairs Committee of Institute since 2011. He has also effectively contributed to the cause of the profession as a member of the Risk Management and Corporate Governance Committee, Finance Committee, Infrastructure & Information Technology Committee, Committee for Accounting Technicians, Committee for Advanced Studies, Committee for Members in Industry, Research, Journal & IT Commitee, Direct Taxation Committee and many other committees in the past. He is also the Director of ICWAI Management Accounting Research Foundation.

A proponent of putting Costing & Management Accountancy Profession on global map, he has also represented the profession on the international front at a number of global meetings and conferences like Integrated Reporting necessary for Sustainability, Reporting of usage of Natural Resources, Cultural Diversity and its impact on Sustainable Business, Integration of Sustainability with Financial Reporting etc.

CMA Sanjay Gupta has around 18 years of experience in Telecom, Power & Aviation Sector in the fields of Costing, Regulatory, Revenue Assurance, mergers & amalgamations, Costing, Management Accounting, Budgeting, Forecasting and Systems Development. He has been an eloquent Speaker on various topics in Regional/National and International conferences organized by ICAI, NIRC, Chapters & other professional bodies like The Prince's Accounting for Sustainability Project (A4S), IFAC, GRI, TRAI, ASSOCHAM, FICCI, IUCN etc. CMA Sanjay Gupta has been actively involved as Speaker in the Management Colleges like IMT Ghaziabad, Symbiosis Bangalore, IITs & IIMs and has also been in the Committee for the Selection Interviews for the MBA Batches for various colleges.

CMA Sanjay Gupta is also the Partner of Sanjay Gupta & Associates, Cost Accountants.

EDITORIAL

Greetings!!!

Capacity building is the process of unleashing, strengthening, creating, adapting and maintaining capacity over time (OECD, 2006). It refers to premeditated, synchronized and mission-driven efforts aimed at strengthening the management and governance of nonprofit organizations to improve their performance and impact. This occurs through organization development activities, such as leadership development, strategic planning, program design and evaluation, board development, financial planning and management and others.

IFAC recognizes the importance of understanding country context and tailoring Professional Accountancy Organization (PAO) capacity building efforts to address the unique needs of each national environment.

IFAC has identified the nine components that cover the full spectrum of a PAO's responsibilities and, when properly addressed, contribute to a successful PAO that serves both the public and private sectors.

The nine components are interdependent but fall into three categories–the building blocks of PAO capacity building:

- **Sustainability**: appropriate legal foundation(s), governance structure, and operational capacity;
- **Standards and enforcement:** facilitating the adoption and implementation of standards for accountancy education, ethics, audit, and public sector accounting based on international benchmarks and monitoring compliance;
- **Relevance:** connectivity between a PAO and its membership base and broader society in order to understand and respond to the needs of both groups across the private and public sectors.

Core Capacity Building Activities

Capacity building engages organizations in the following core activities using a combination of standard and tailored approaches:

- **Assessment**- Asset based forms and processes have been designed to assist in pinpointing their current status and goals for growth. Complete the assessment, examine results, use the results to develop action plan priorities and goals and measure progress.
- **Planning**- Using a format that aligns with the assessment, then complete action plans that prioritize growth areas and include goals and action steps. The action plan guides the use of resources to address priorities.
- **Implementation**- Resource Linkage and Technical Assistance. Based on the action plan, identify resources, choosing from a range of options.
- **Evaluation and Learning**- Finally, reassess their capacity periodically, comparing their new capacity levels in different elementary areas to their initial assessment. They monitor, document and report their progress on action planning and capacity development, and engage in learning opportunities.

While the importance of capacity building is widely acknowledged, more attention needs to be drawn to the identification and implementation of effective capacity building approaches. The ultimate goal of capacity building is to sustain a process of individual and organizational change and to enable organizations, groups and individuals to achieve their development objectives. Any capacity building activity needs to be carefully designed so that it contributes to this goal. In this process, it is essential that the needs of the beneficiaries as well as the already existing capacities in a country are carefully assessed and that the specific capacity building objectives are clarified.

This issue also presents a good number of articles on the cover story theme 'Capacity Building for Sustainability' by distinguished experts and authors as well as an interview from industry stalwart. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at *editor@icmai.in*. We thank all the contributors to this important issue and hope our readers enjoy the articles.

THE JOURNAL FOR CMAs

THE MANAGEMENT ACCOUNTANT

-: PAPERS INVITED :-

Cover stories on the topics given below are invited for 'The Management Accountant' for the four forthcoming months.

Theme: Cost Competitiveness - Complexity to Confidence
September 2016

Subtopics

- Strategies for staying Cost Competitive
- Building Market Share by Cost Competitiveness
- Cost Competitiveness for Sustainability
- Economics of Cost Competitiveness
- Strategic Cost Analysis
- Case Studies
- Role of CMAs

Theme: Economic Innovations - the game changer
October 2016

Subtopics

- Innovations in Finance and its impact on economy
- Accounting Standards as a game changer
- New tools in Strategic Cost Management
- Innovations in production process
- Innovations in IT/ITES
- Innovative ideas on Cost Management - role of CMAs
- Innovations in different sectors of economy - case study

Theme: The Changing Role of Management Accountants
November 2016

Subtopics

- Traditional role to a more dynamic involvement in businesses
- Experiencing change from a strategic apex role
- Management Accountants as business partner and change agent
- New tools and techniques
- Performance measurements
- Corporate Governance and business ethics
- Achievement towards sustainability goals
- Case Studies

Theme: 25 Years of Economic Reforms in India
December 2016

Subtopics

- Issues & Challenges
- Economic and Fiscal policy Reforms and its impact
- Sector wise Reforms and its impact
- India in the Global economy in post-reforms period
- Economic Reforms and Social developments
- Economic Reforms and Nation Building - Role of CMAs
- Economic Reforms - Unfinished Agenda

The above subtopics are only suggestive and hence the articles may not be limited to them only.

Articles on the above topics are invited from readers and authors along with scanned copies of their recent passport-size photograph and scanned copy of declaration stating that the articles are their own original and have not been considered for publication anywhere else. Please send your articles by e-mail to editor@icmai.in latest by the 1st of the previous month.

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PRESIDENT'S COMMUNIQUÉ

We have gone through some difficult times like everyone else and perhaps our working together and respecting each other's abilities, in addition to that little thing called love, will help us survive.

-- Cynthia Weil

CMA MANAS KUMAR THAKUR
President
The Institute of Cost Accountants of India

My Dear Professional Colleagues,

Namaskaar

This is a very humbling day for me as I am collecting my thoughts to address all of you as President of this great Institution for the first time.I feel nostalgic as It reminds me of my very first day when I passed out from the Institute believing that this was the best profession for me. This is the very same inspiration that continues to drive me today when I have taken over as the President of the Institute.

It is an incredible honour for me to lead and serve this great Institute. I am grateful to my predecessor CMA PV Bhattad for showing confidence and faith in me and my abilities. I am thankful to all my Council Colleagues for unanimously electing me as President and I hope that their full support will continue to be there to the Chair. I take this opportunity to congratulate my visionary colleague CMA Sanjay Gupta on his election as Vice-President of the Institute. I hope that with his cooperation and support we will be able to put our best foot forward for the development and growth of the profession and the Institute.

I am thankful to the Past Presidents of the Institute for their blessings and good wishes. I am of the firm belief that the Institute has got its present shape due to the efforts and vision of our Past Presidents. I am grateful to the Icons of the Profession for their continuous support and guidance. I acknowledge the support of the Regions and all Chapters of the Institute and urge them to work in the interest of the profession and the Institute with much more vigour.

Meetings with Stakeholders

I am looking forward to getting around the stakeholders and doing a lot of listening. In my first few days of taking charge as President, I along with Vice-President had several meetings with Ministers and departmental heads. We met Hon'ble Shri ArunJaitley, Union Minister of Finance & Corporate Affairs who was gracious enough to listen to our concerns and assured us all necessary support. We met Hon'ble Shri AR Meghwal Ji, Minister of State for Finance & Corporate Affairs and discussed with him our expectations and concerns. We hope that MCA will continue to support and guide us on various professional and administrative matters. We had a meeting with Hon'ble Shri Santosh Gangwar, Minister of State for Finance. He is one of the few VIPs who have been constant well-wisher of the Institute. We look forward to have lot of support from him. We also had a courtesy meeting with Hon'ble Col. RS Rathore, Minister of State for Information and Broadcasting.

Our meeting with Shri Tapan Ray, IAS, Secretary, MCA was quite positive. He assured us all the necessary help from the Ministry to resolve the pending issues. He also expressed his concern about the ongoing untoward mailing business of some of our members which is painting a very bad picture of our profession and Institute. Meeting with Additional Secretary, Economic Affairs was quite fruitful and a lot of discussion took place on the issue of IBC 2016. Institute has got representation in two of the Working Groups constituted by the MCA for implementation of IBC 2016. With a view to improve our relations with the representatives of people i.e. Members of Parliament, we had courtesy meeting with number of MPs.

We also met Addl. Chief Advisor (Cost) & Advisor (Cost). I wish to inform you that the MCA has constituted a Standing Technical Committee to examine the Standards on Cost Auditing submitted by the Institute for Government approval. The Institute has its representative on this committee and it is expected to start functioning shortly.

Support from members

Friends, I expect the constructive support of members of the profession to the leadership in each aspect of working. We are like a family and in every family there are issues but these issues should be resolved within the family by the family. In the interest of the profession I urge the members not to involve in sending unnecessary emails in various groups on social media. I am sure the stakeholders do not find these things in good taste and consequently negativity is created in their minds about the profession and the Institute. I sincerely appeal to the members to think about it.

Support from Staff

I am proud to be leading a team of talented and committed people in the Institute across the Country, who has been putting its best efforts in the interest of the Institute. We have a very talented and dedicated pool of employees which is a great asset for the Institute. It is our duty to lead them in right direction with proper guidance. The most important thing is that we all focus on being on top of our business. We need to keep it simple and industry focused. We must understand that periods of change can be unsettling, but we have to take our destiny in our own hands and be absolutely focused on delivering the best possible experience for our stakeholders. In my first meeting with the Institute's staff I made it quite clear that we should look to improve our performance all the time.We may need to take few hard decisions. The decisions will be based on what's best for the Institute, profession, members, students and all stakeholders. We have some urgent issues to deal with, but we must address them in a way which is consistent with building a long-term sustainable future.

Agenda for a bright future

Friends, you may be aware that it has not been an easy time for our profession and Institute. The competition has become extremely tough, and it is the survival of the fittest kind of situation. Hence, capacity building of members is of utmost importance. We are losing market share in terms of students even after having the best syllabus in the business. These are some of the urgencies which we need to address immediately. My predecessor had already taken necessary steps and now I will have to take it forward. Apart from this and follow up for our long standing demands from Government I will try to implement the following points for a bright and sustainable future of the Institute and Profession:

- Relaunch the existing President's Portal for Members & students with e-learning, live chat, problem solving process etc. Members & students can submit their grievance, queries, suggestion etc. directly to President via this portal. President's Office will be directly looking after all such things and will be responsible for the whole system.
- Brand Building: More emphasis will be given to create or increase the brand value of our Nobel Profession as well as liaison with Government.
- Liaison with the Chief Ministers of all states with a presentation containing role of the CMA profession towards the development of respective state.
- Setting up a dedicated technical team consisting of qualified professionals to take up important assignments from stakeholders.
- Priority areas like GST, IBC 2016 etc. will be emphasised.
- Placement Department will be strengthened to take up additional responsibility of effective and proactive career counselling.
- New Cell for Skill and Entrepreneurship

PRESIDENT'S COMMUNIQUÉ

Development to support Government policy and create brand value of the Institute in socio economic context.

- Advanced Studies Department will be strengthened in order to introduce more diploma courses for non CMAs, like Engineers, MBAs in association with MARF. (After passing the diploma course they may be given certain exemptions to get enrolled into CMA Course)
- With a vision to expand its activities to the state level the MARF will be strengthened.
- Apart from Cost Audit, special emphasis will be given to explore new areas for CMA Professionals in important sectors like Health, Bank, Education, Insurance, Transport, MSMEs etc.
- We are working on a unique Chapter Adoption Policy wherein 15 Council Members will take responsibility to improve the non-performing / least performing chapters of their respective region and motivate them to be a part of the main stream with much more vigour.
- Propagate the significance and importance of Cost Management Mechanism in the countries where CMA professional body does not exist.
- Since students are the most important pillar of the Institute, special initiatives will be taken to secure their future by providing them placement or enable them start their practice as CMA.
- To continue supporting Government initiatives like SwachchtaPakhwada, Yoga Diwas and others such programs. I am pleased to inform that the MCA has appreciated the initiatives of the Institute taken during the recently concluded Swachchta Pakhwada.

The above mentioned list is not exhaustive but just an indication of my honest approach to the cause of profession and the Institute. I have always communicated openly and transparently with members and students and expect the same from them in return. I want to have your thoughts and constructive ideas. I want to know what you think we could do differently or better. Hopefully we will get a chance to do this in members' or students' meets, but for the sake of immediacy I urge all of you to please post your comments or suggestions or ideas on President's Portal of the Institute's website by following the link *http://icmai.in/President_Portal/Suggestions-login.php*.

Launching of SYLLABUS 2016

The Institute is launching its syllabus 2016 today to nurture young business leaders of tomorrow who can convert the dream of Make in India into reality by taking strategic management decisions effectively in both the national and international arena. The new syllabus is based on the international standards set by IFAC and IAESB (International Accounting Education Standards Board).

Welcome new Members

I congratulate and welcome all the new 315 Associate members who were granted membership and all the 81 members who were advanced to Fellow membership during the month of July 2016. I am pleased to inform that for all online payments related to membership, members need to pay only the applicable fees. No convenience charges, as was applicable earlier, will be charged for payments made through debit/credit card or net banking.

Friends, in the end I just want to remind you the motto of our Institute in the spirit of its emblem; "Tamaso Ma Jyotirgamaya" meaning "From darkness (of ignorance) lead me to Light (of Knowledge)". In the same spirit I urge all of you to come together and contribute your bit to make the Indian Industry cost competitive and cost conscious in order to realise our beloved Prime Minister Hon'ble Shri Narendra Modi Ji's dream of "Make in India".

I know I can count on your support, and I'm looking forward to working with you for a better future of the generations to come.

I wish prosperity and happiness to members, students and their families on the occasion of Teej, Nag Panchmi, Independence Day, RakshaBandhanand Shri Krishna Janmashtmiand wish them success in all of their endeavours.

With warm regards,

(CMA Manas Kumar Thakur)
1st August 2016

The Institute of Cost Accountants of India

(Council Committees for the year 2016-17)

Standing Committees

1. Executive Committee (Quorum: 4)

Chairman
1. CMA Manas Kumar Thakur, President

Members
2. CMA Sanjay Gupta, Vice- President
3. Shri Sushil Behl, Government Nominee
4. CMA P.V. Bhattad, IPP
5. CMA Amit Anand Apte
6. CMA Dr. P.V.S. Jagan Mohan Rao
7. CMA H. Padmanabhan

Secretary
CMA Kaushik Banerjee, Secretary

2. Examination Committee (Quorum: 4)

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Members
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3. CMA Biswarup Basu
4. CMA P. Raju Iyer
5. CMA Papa Rao Sunkara
6. CMA Balwinder Singh
7. CMA A.B. Nawal

Secretary
CMA Amitava Das, Director (Examination)

3. Finance Committee (Quorum: 4)

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4. CMA Niranjan Mishra
5. CMA Dr. I. Ashok
6. CMA Avijit Goswami
7. CMA Vijender Sharma

Secretary
CMA Arnab Chakrabarty, Sr. Director (Finance, Admin & HR)

Other Committees

4. Disciplinary Committee U/s 21B(1) (Quorum: 3)

Presiding Officer
1. CMA Sanjay Gupta, Vice- President

Members
2. CMA Niranjan Mishra
3. CMA P. Raju Iyer
4. Disciplinary Committee U/s 21B(1) - Government Nominee
5. Disciplinary Committee U/s 21B(1) - Government Nominee

Secretary
CMA S. C. Gupta, Director(PD)

5. Training & Education Facilities Committee (Quorum: 4)

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Members
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5. CMA Amit Anand Apte
6. CMA H. Padmanabhan
7. CMA Dr. I. Ashok

Secretary
CMA Sucharita Chakraborty, Joint Director (Academics & Studies)

6. Research, Journal and IT Committee (Quorum: 4)

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Members
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4. CMA Dr. P.V.S. Jagan Mohan Rao
5. CMA Papa Rao Sunkara
6. CMA P. Raju Iyer
7. CMA H. Padmanabhan
8. CMA Amit Anand Apte

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Ms Anita Singh, Additional Director (IT)

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4. CMA Balwinder Singh
5. CMA Niranjan Mishra
6. CMA Avijit Goswami
7. CMA P. Raju Iyer
8. CMA Dr. I. Ashok
9. Advisor (Cost)
10. CMA B.B. Goyal

Secretary (Professional Development)
CMA J.K. Budhiraja, Senior Director (Technical)

Secretary (Banking & Insurance)
Shri Pradipta Gangopadhyay, Deputy Director (Research & Journal)

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Members
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3. Shri Sushil Behl, Government Nominee
4. CMA P.V. Bhattad, IPP
5. CMA Biswarup Basu
6. CMA Amit Anand Apte
7. CMA H. Padmanabhan
8. CMA A.B. Nawal

Secretary
CMA Nisha Dewan, Joint Secretary

9. Auditing & Assurance Standards Board (Quorum: 7)

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Members
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3. CMA Balwinder Singh
4. CMA Niranjan Mishra
5. CMA Amit Anand Apte
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9. CMA Ajay Deep Wadhwa
10. Nominee of MCA
11. CMA B.M. Sharma
12. CMA A.N. Raman
13. CMA Chandra Wadhwa
14. Nominee of - CII/FICCI/ ASSOCHAM/ PHDCCI
15. Nominee of - CII/FICCI/ ASSOCHAM/PHDCCI
16. Nominee of - CII/FICCI/ ASSOCHAM/PHDCCI
17. Nominee of CAG
18. Nominee of Regulator - TRAI/PNGRB/SEBI/CCI
19. Nominee of Regulator - TRAI/PNGRB/SEBI/CCI
20. Nominee of ICSI
21. Nominee of IIM - Dr. Pankaj Gupta

Secretary
CMA J.K. Budhiraja, Senior Director (Technical)

10. Regional Council & Chapters Coordination Committee (Quorum: 4)

Chairman
1. CMA Niranjan Mishra

Members
2. Shri Surender Kumar, Government Nominee
3. CMA Balwinder Singh
4. CMA Dr. I. Ashok
5. CMA Amit Anand Apte
6. CMA H. Padmanabhan
7. CMA Avijit Goswami

Secretary
CMA Arnab Chakrabarty Sr. Director (Finance, Admin & HR)

11. WTO, International Affairs and Sustainability Committee (Quorum: 4)

Chairman
1. CMA H. Padmanabhan

Members
2. Shri K.V.R. Murthy, Government Nominee
3. Shri Ajai Das Mehrotra, Government Nominee
4. CMA Avijit Goswami
5. CMA P. Raju Iyer
6. CMA P.V. Bhattad, IPP
7. CMA A.B. Nawal

Secretary
CMA Nikhil Agarwal, Sr. Officer (International Affairs)

12. Taxation Committee (Quorum: 6)

Chairman
1. CMA A.B. Nawal

Members
2. Shri Ajai Das Mehrotra, Government Nominee
3. Shri Sushil Behl, Governemnt Nominee
4. CMA Amit Anand Apte
5. CMA Papa Rao Sunkara
6. CMA Balwinder Singh
7. CMA Dr. P.V.S. Jagan Mohan Rao
8. CMA S. R. Bhargave
9. CMA Mohammad Rafi
10. CMA N. Swain
11. Shri Sanjay Goyal

Secretary
CMA Chiranjib Das, Joint Director (Tax Research)

13. CAT Committee (Quorum: 4)

Chairman
1. CMA Dr. I. Ashok

Members
2. Shri Surender Kumar, Government Nominee
3. CMA Biswarup Basu
4. CMA Papa Rao Sunkara
5. CMA Amit Anand Apte
6. CMA Avijit Goswami
7. CMA H. Padmanabhan

Secretary
CMA L. Gurumurthy, Senior Director (CAT, Training & Placement)

14. Corporate Laws, Governance & Corporate Sustainability Committee (Quorum: 4)

Chairman
1. CMA Dr. P.V.S. Jagan Mohan Rao

Members
2. Shri K.V.R. Murthy, Government Nominee
3. Shri Ajai Das Mehrotra, Government Nominee
4. CMA Biswarup Basu
5. CMA Vijender Sharma
6. CMA Papa Rao Sunkara
7. CMA A.B. Nawal

Secretary
CMA Dibbendu Roy, Joint Director (Finance)

15. Members' Facilities & Services Committee (Quorum: 3)

Chairman
1. CMA Biswarup Basu

Members
2. CMA A.B. Nawal
3. CMA Niranjan Mishra
4. CMA Papa Rao Sunkara
5. CMA Vijender Sharma
6. CMA P. Raju Iyer

Secretary
CMA Arup S. Bagchi, Director (Membership)

16. Members in Service & Training & Placement Committee (Quorum: 4)

Chairman
1. CMA P.V. Bhattad, IPP

Members
2. Shri K.V.R. Murthy, Government Nominee
3. CMA Dr. P.V.S. Jagan Mohan Rao
4. CMA A.B. Nawal
5. CMA Avijit Goswami
6. CMA Dr. I. Ashok
7. CMA Vijender Sharma

Secretary
CMA L. Gurumurthy, Senior Director (CAT, Training & Placement)

17. Cost Management Accounting & Election Reforms Committee (Quorum: 3)

Chairman
1. CMA Vijender Sharma

Members
2. Shri Ajai Das Mehrotra, Government Nominee
3. CMA Dr. P.V.S. Jagan Mohan Rao
4. CMA P.V. Bhattad, IPP
5. CMA Biswarup Basu
6. CMA Dr. I. Ashok

Secretary
CMA Kaushik Banerjee, Secretary

18. Infrastructure Committee (Quorum: 4)

Chairman
1. CMA Manas Kumar Thakur, President

Members
2. Shri Ajai Das Mehrotra, Government Nominee
3. Govt Nominee CAG
4. CMA Vijender Sharma
5. CMA Dr. I. Ashok
6. CMA Dr. P.V.S. Jagan Mohan Rao
7. CMA P.V. Bhattad, IPP

Secretary
CMA Kushal Sengupta, Joint Director (Finance)

19. Cost Accounting Standards Board (Quorum: 9)

Chairman
1. CMA Balwinder Singh

Members
2. Shri Sushil Behl, Government Nominee
3. CMA Niranjan Mishra
4. CMA P. Raju Iyer
5. CMA Dr. P.V.S. Jagan Mohan Rao
6. CMA Avijit Goswami
7. CMA B.B. Goyal
8. CMA K. Narasimha Murthy
9. CMA D. V. Joshi
10. CA Chandrashekhar Chitale
11. PCA/Co-opted - Name to be given
12. CMA M.R. Rath
13. CMA Sushil Kothari
14. Nominee of Corporates/Industry
15. CMA Sham Waugh
16. Nominee of Academic Institutions
17. Nominee of Regulator - TRAI/PNGRB/SEBI/CCI
18. Nominee of Regulator - TRAI/PNGRB/SEBI/CCI
19. Nominee of Regulator - TRAI/PNGRB/SEBI/CCI
20. Nominee of Regulator - TRAI/PNGRB/SEBI/CCI
21. Nominee of - CII/FICCI/ASSOCHAM/PHDCCI
22. Nominee of - CII/FICCI/ASSOCHAM/PHDCCI
23. Nominee of - CII/FICCI/ASSOCHAM/PHDCCI
24. Advisor (Cost)
25. Nominee of MCA
26. Nominee of CBEC
27. Nominee of CBDT
28. Nominee of ICAI
29. Nominee of ICSI

Secretary
CMA J.K. Budhiraja, Senior Director (Technical)

20. Disciplinary Committee U/s 21D

(Quorum: 2)

Chairman
1. CMA Manas Kumar Thakur, President

Members
2. CMA P.V. Bhattad, IPP
3. Disciplinary Committee U/s 21D - Government Nominee

Secretary
CMA Kaushik Banerjee, Secretary

21. Coordination Committee of The Institute of Cost Accountants of India, The Institute of Company Secretaries of India and The Institute of Chartered Accountants of India

(Quorum: 2)

Chairman
1. CMA Manas Kumar Thakur, President

Members
2. CMA Sanjay Gupta, Vice- President
3. CMA P.V. Bhattad, IPP
4. CMA H. Padmanabhan

Secretary
CMA Tarun Kumar, Joint Director (President's Office / Vice President's Office)

President and Vice President are Permanent Invitees to all the Committees except Disciplinary Committees.

Office bearers of Regional Councils for the year 2016-2017

EIRC	
Name	Position
CMA Bibekananda Mukhopadhyay	Chairman
CMA Pranab Kumar Chakrabarty	Vice Chairman
CMA Ashis Banerjee	Secretary
CMA Cheruvu Venkata Ramana	Treasurer

SIRC	
Name	Position
CMA V. Murali	Chairman
CMA Dr. A. Mayil Murugan	Vice Chairman
CMA Suresh R. Gunjalli	Secretary
CMA Jyothi Satish	Treasurer

NIRC	
Name	Position
CMA Ravi Kumar Sahni	Chairman
CMA Sunil Kr. Singh	Vice Chairman
CMA Anil Sharma	Secretary
CMA Rajendra Singh Bhati	Treasurer

WIRC	
Name	Position
CMA Pradip H. Desai	Chairman
CMA Kailash R. Gandhi	Vice Chairman
CMA Laxman.D. Pawar	Secretary
CMA Shriram N. Mahankaliwar	Treasurer

CMA Manas Kumar Thakur, President and CMA Sanjay Gupta, Vice-President of the Institute felicitating Shri Arun Jaitley, Hon'ble Union Minister for Finance and Corporate Affairs at his office on July 28, 2016.

CMA Manas Kumar Thakur, President of the Institute and CMA Sanjay Gupta, Vice-President of the Institute felicitated Shri Arjun Ram Meghwal, Hon'ble Minister of State for Finance and Corporate Affairs on July 28, 2016

CMA Manas Kumar Thakur, President and CMA Sanjay Gupta, Vice-President of the Institute met with Colonel Rajyavardhan Singh Rathore, Hon'ble Minister of State for Information and Broadcasting

CMA Manas Kumar Thakur, President of the Institute being felicitated by the Council Members and CMA Kaushik Banerjee, Secretary of the Institute on July 22, 2016 at the Institute headquarters in Kolkata

CMA Manas Kumar Thakur and CMA Sanjay Gupta, President and Vice-President of the Institute felicitating Shri Santosh Kumar Gangwar, Hon'ble Minister of State for Finance. CMA Amit Apte, CMA Niranjan Mishra, Council Members and CMA SK Bhatt, Chairman, NIRC are also seen

CMA Manas Kumar Thakur and CMA Sanjay Gupta, Newly Elected President and Vice President of the Institute respectively, CMA PV Bhattad, Immediate Past President of the Institute in the middle along with the Council Members, CMA Papa Rao Sunkara, CMA Biswarup Basu, CMA Dr I Ashok, CMA Avijit Goswami, CMA Amit Anand Apte, CMA Ashok B. Nawal, CMA P Raju Iyer, Prof Surender Kumar, CMA Niranjan Mishra, CMA Dr PVS Jagan Mohan Rao and Secretary of the Institute, CMA Kaushik Banerjee at the Headquarters of the Institute on July 22, 2016 in Kolkata.

CMA Sanjay Gupta, Vice-President of the Institute being felicitated by the Council Members and CMA Kaushik Banerjee, Secretary of the Institute on July 22, 2016 at the Institute Headquarters in Kolkata

Mrs. Rani Singh Nair, IRS, Chairperson, Central Board of Direct Taxes being felicitated by CMA Manas Kumar Thakur, President, CMA Sanjay Gupta, Vice-President, CMA P Raju Iyer, and CMA Balwinder Singh, Council Members of the Institute

Shri Najib Shah, IRS, Chairman, Central Board of Excise & Customs being felicitated by CMA Manas Kumar Thakur, President, CMA Sanjay Gupta, Vice-President, CMA P Raju Iyer and CMA Balwinder Singh, Council Members of the Institute

CMA Manas Kumar Thakur and CMA Sanjay Gupta, President and Vice-President of the Institute, CMA Amit Apte, Council Member of the Institute felicitated Smt Aruna Sethi, Addl. Chief Adviser (Cost), Ministry of Finance

CS Mamta Binani, President, ICSI visited New Delhi office of the Institute to greet the newly elected President and Vice-President of the Institute, CMA Manas Kumar Thakur and CMA Sanjay Gupta respectively on 28th July 2016. CS Vineet K Chaudhary, Council Member, ICSI is also seen

CMA Manas Kumar Thakur, President, CMA Sanjay Gupta, Vice-President, CMA Amit Apte and CMA Niranjan Mishra, Council Members of the Institute met with Shri Tapan Ray, IAS, Hon'ble Secretary to the Government of India, Ministry of Corporate Affairs

CMA Manas Kumar Thakur, President and CMA Sanjay Gupta, Vice-President of the Institute felicitated Shri R Asokan, Advisor (Cost), Cost Audit Branch, Ministry of Corporate Affairs. CMA Amit Apte, CMA Niranjan Mishra, Council Members and CMA Kaushik Banerjee, Secretary of the Institute are also seen.

Discussion Meet on

Cost Management Issues in Higher Education Sector

The Directorate of Research and Journal of the Institute organized a Discussion Meet on 'Cost Management Issues in Higher Education Sector' on June 24, 2016 at EIRC auditorium of the Institute. CMA Dr Debaprosanna Nandy, Director, Research and Journal of the Institute commented that the objective of such a discussion was to prepare a concept note that would be forwarded to the policymakers for consideration. CMA Manas Kumar Thakur, Vice President of the Institute in his special address expressed his gratitude towards the Indian government for its initiative in introducing Cost Audit in Higher Education Sector. He spoke about the rich heritage of Indian universities. Takshashila University and the Nalanda University were reputed and attracted students from all over the world. Nabadwip, known as the Oxford of the east, was a center of Sanskrit and philosophy in medieval India and The Navya Nyaya school of logic (which originated in India) soared high under the philosophers of Nabadwip. He expressed his concern as the Indian higher education sector has fallen from such richness to a dismal state. He opined that the initiative of the Indian Government in introducing cost audit is a step in right direction as the role of Cost and Management Accountants is crucial for resource analysis in higher education sector. CMA Harijiban Banerjee, Past President of the Institute presided over the meeting, highlighted the importance of higher education for economic development of the country. He expressed his optimism regarding the role of the Institute in restoring cost effectiveness in higher education sector. Professor Dhrubojyoti Chattopadhaya, Vice Chancellor, Amity University, Kolkata the moderator of the session, made an interesting observation as he pointed that the Indian higher education sector passed through significant periods. In ancient times, Indian higher education was globalised as students from as far as Babylonia, Greece, Syria, Arabia, Phoenicia and China came to study in Takshashila and Nalanda. But subsequently the Indian Higher Education sector underwent sea changes as it became localized and existed in isolation. And after a century long slumber, the Indian higher education woke up to the call of globalization to find itself strayed amidst the international education scenario. Professor Chattopadhaya opined that the education sector is critical as on one there is the question of 'education for all' and on the other, there is the question of effective cost management, pivoted around input-output analysis which makes the educational entities sustainable. Professor Asitava Jana, Ph. D (Education Policy/Higher Education, Florida State University), Education Information System, Policy Evaluation, and Cost Consultant, the key note speaker of the Meet presented a sketch that landscaped the higher education scenario in America. He

made a comprehensive analysis of an array of economic and social benefits (public and private) of higher education and stressed the intervention of the state for ensuring 'education for all'. He emphasized that higher education directly contributes in creating human capital and is also instrumental in building up the social capital. Professor Jana, very interestingly, pointed out that the value system, which is an important ingredient of higher education, of the Indians residing in America is stronger than the American people. Professor Jana noted that higher education institutions in America are categorized as public or private which are further classified as 'for-profit' and 'not-for-profit' entities. From a slide presented by Professor Jana, it had been observed that 'for-profit' private institutions (Degree granting institutions) which were a mere one percent of the total private institution in 1980-81 have increased to 32 per cent in 2011-12. Professor Jana also pointed that the public institutions (4 year degree granting) have significantly declined from 28 per cent in 1980-81 to 23 per cent in 2011-12 highlighting declining role of the state in higher education sector. Professor Jana presented a comprehensive list of revenue sources of the higher education institutions in America. According to his power point presentation it is evident that American higher education sector is dominated by private (for-profit and not-for profit) research institutes where revenue generation is highest during the period 2003-2013. Professor Jana cited the Delta Cost Project Report (January 2016) to illustrate that there has been a steady increase in net tuition revenue accompanied with a decline in state and local appropriation during the period 2003-2013 which heightened after the recession. As a result, by 2013, revenue from state and local appropriations at public bachelor's institutions nearly equaled that from net tuition revenue, and the increase in public funding at public research and master's universities were not enough to reverse the growing gap between that funding and funding that comes from net tuition. Thus, significant conclusion can be drawn from Professor Jana's lecture. 'Education for all' is not the guiding criterion in American higher education landscape. Rather cost management and 'input-output' analysis are important factors. The participant institutions are depending more on net tuition fees from students rather than on state and local appropriations, specifically after the recession. Professor Dhrubojyoti Chattopadhaya also forwarded some additional issues in respect to the Indian higher education scenario. He pointed in India, proportionately low percentage of GDP spending on higher education and high rate of population growth are two critical obstacles in the higher education scenario. In spite of several initiatives by Government of India in facilitating public-private ownership in higher education, the 'for –profit' form of higher education institutions is prohibited to operate in Indian higher education sector. The 'not-for-profit' institutions are the preferred private players which are required to plough back their profits for infrastructural developments. Unlike the American higher education sector, majority of higher education institutions in India are public institutions signifying a 'parental' role of the state for ensuring 'education for all'. Participants also made several comments regarding the higher education system in India and the issue of employability in higher education was also questioned. CMA Biswarup Basu, Council Member of the Institute gave the formal vote of thanks and concluded the Discussion Meet.

Prof. Joydip Dasgupta
Nabadwip Vidyasagar College

Glimpses of

1st National Conclave for Members in industry


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37th Cost Conference – 2016

E I R C

The Institute of Cost Accountants of India (ICAI) – Eastern India Regional Council had organized the 37th Cost Conference at Science City, Kolkata on 11th and 12th June, 2016.

The Conference was inaugurated by Shri Sobhandeb Chattopadhyay, Hon'ble Minister in-charge, Power & Non-Conventional Energy Sources, Government of West Bengal on 11th June, 2016 (Saturday). Rear Admiral A K Verma, CMD of Garden Reach Ship Builders & Engineers Ltd. was Guest of Honour. Shri Amit Sinha, Executive Vice President of NSDL and Swami Suparnananda ji Maharaj, Secretary of The Ramakrishna Mission Institute of Culture, Kolkata were the special guests. CMA Manas Kumar Thakur, Vice President of ICAI also addressed the participants in the inaugural session. CMA Shiba Prasad Padhi Chairman delivered the welcome address.

The 2-day Conference was focussed on the theme "Managing cost and taking successful business decisions - Competency of CMAs" and had the deliberations by the eminent experts from different sectors on Manufacturing, Mining, Service, MSME, Power and other service Sectors apart from a CFO Meet and Panel discussion on GST.

The 1st Technical Session was on Manufacturing & Mining. The session was chaired by CMA H Padmanabhan, CCM, ICAI & moderated by CMA (Dr.) I Ashok, CCM, ICAI. CMA Shyamal Bhattacharyya, Member, ICAI-EIRC offered the vote of thanks.

(a) Managing cost and taking successful business decisions – Best Practices in Aluminum Industry was addressed by CMA B K Dash, AGM (Finance), NALCO Ltd., Bhubaneswar

(b) Managing cost and taking successful business decisions – Best Practices in Mining Industry was addressed by CA. CMA S B Mahapatra, Consultant and Sr. Faculty of IICM, Ranchi

(c) Managing cost and taking successful business decisions – Best Practices was addressed by CA. CMA CS Arun Kedia CFO, EMC Ltd., Kolkata.

The 2nd Technical Session was on MSME. CMA Avijit Goswami, CCM, ICAI was the Chairman of the session & CMA Cheruvu Venkataramana, RCM, ICAI introduced the dignitaries. The session was moderated by CMA (Dr.) D P Nandy, Director (Research & Journal), ICAI. Shri Saumyajit Guha, COO, Calcutta Angels Network, Kolkata, CA. CMA Kalyan Kar, Founder & MD, Inthink Knowledge Ventures, Kolkata & Ms. Ushoshi Sengupta, Founder & CEO, TES, Kolkata (also the Miss India Universe of 2010) were the panelists. At the end of session CMA Bibekananda Mukhopadhyay, Vice-Chairman, ICAI-EIRC offered the vote of thanks.

The 3rd Technical Session was on CFOs Meet. The Session was chaired by CMA Sanjay Gupta, CCM, ICAI and moderated by CMA Biswarup Basu, CCM, ICAI. CMA Sabyasachi Mitra, Director (Finance), Howden Solyvent (India) Pvt. Ltd. & CMA Sudip Datta, COO, IL &FS IDC Ltd., Kolkata addressed the session as speakers. CMA Ashis Banerjee, Treasurer, ICAI-EIRC proposed the vote of thanks.

The 4th Technical Session was a Panel Discussion on GST. CMA A B Nawal, Chairman, Indirect Taxation Committee, ICAI moderated the session. Janab Khalid Anwar, Joint Commissioner, Directorate of Commercial Taxes, Govt. of W.B., CMA T B Chatterjee, Sr. Vice President & Company Secretary, DIC India Ltd., Kolkata, CMA Debasis Ghosh, Director, Deloitte Haskins & Sells LLP, Kolkata and CMA Mrityunjay Acharjee, Sr. VP, Balmer Lawrie & Co. Ltd., Kolkata were the panelist. Vote of Thanks was offered by CMA (Dr.) Umar Farooque, Member, ICAI-EIRC

The 5th Technical Session was on Power & Services Sector. CMA Niranjan Mishra, CCM, ICAI was the Chairman of the session. CMA Raju Iyer, CCM, ICAI moderated the session. Shri Amit Sinha, Executive VP, NSDL, Mumbai addressed on NPS. Dr. Jayanta Kumar Seal Associate Professor, IIFT, Kolkata addressed on Cost and Management Accounting practices followed in Ports. Shri Vibhor Tandon, Asst. VP, MCX India Ltd. & Shri Diptendu Moulik, Sr. Executive, MCX of India Ltd. addressed on Commodity Futures & Derivatives, CMA K P.Gupta, GM (Finance), Cost & Budget, NTPC Ltd. addressed on Power & Shri Debashis Mukherjee, General Manager (Credit), UBI, Kolkata addressed on Cost and Management Accounting practices followed in Banks.

CMA Bibekananda Mukhopadhyay extended his whole hearted thanks to all the speakers, Guests, Delegates, Past Chairmen, Past Presidents, CCMs, RCMS, Vice President, Presidents, sponsors, advertisers, Institute Officials for extending their support & making the conference a grand success.

More than 350 participants from industry, practitioners, corporate houses, government departments, Chapters representatives and academicians attended the Conference.

CMA Tapas Paul, a member of the Institute was felicitated on the occasion for his yeomen service to the CMA profession through his initiative CMA Next Step. Asansol Chapter was also felicitated for excellent performance for organizing campus placement & placing the qualified students in different MNCs.

National Seminar on COST MANAGEMENT

IAA Research Foundation organized a national seminar on 'Cost Management' in association with the Institute on July 9, 2016 at J N Bose Auditorium of the Institute. CMA Prof Bhabatosh Banerjee, President, IAA Research Foundation at the inaugural session discussed about promoting fundamental and applied research in accounting and allied subjects. CMA Harijiban Banerjee, past president of the Institute was the chief guest of the session and spoke elaborately on cost management issues. He is optimistic that this joint initiative of the seminar would definitely pave the way towards positive output on cost management. For this he also asserted the research areas needs to be strengthened. CMA Prof Dhrubaranjan Dandapat, secretary, IAARF, gave the hearty vote of thanks and concluded the session. At the GD Roy Memorial Lecture, Prof DV Ramana, Xavier Institute of Management, Bhubaneswar detailed on 'Cost to Serve and Tariff Rationalization in Power Sector'. Prof L.S Porwal, Former Professor, Delhi University and one of the senior most members of the Research Foundation had been felicitated for his outstanding contribution to accounting education and research. CMA Rudranil Roy, Head of Finance, General Electric gave a brief presentation on Cost Leadership and discussed on the importance of cost leadership including high levels of productivity, high capacity utilization, lean production methods etc in the technical session I. CMA Prof Kartick Chandra Paul, Professor, Department of MBA, Vidyasagar University was the moderator and Dr Tanupa Chakraborty, Associate Professor, Department of commerce, CU anchored the session. In the technical session II, CMA Dr Jayanta Kumar Seal, Associate Professor, IIFT explained the Management Accounting Practices in port sector including the brief overview of the port sector in India with special emphasis on Chennai Port. He detailed the business process reengineering techniques, the Activity based costing practiced in Chennai Port Trust, Break Even Analysis etc. CMA Dr Debaprosanna Nandy, Director, Research and Journal of the Institute was the moderator of the technical session II and Prof Ashish Kumar Sana, Calcutta University concluded with the vote of thanks. The seminar ended with a brief presentation by Shri Vibhor Tandon , Assistant Vice President (AVP), Multi Commodity Exchange of India Ltd and Shri Diptendu Moulik, Senior Executive, Multi Commodity Exchange of India Ltd. on commodity market.

Skill Development for capacity building – Telecom Industry

CMA Dr. M. Govindarajan
Sr. Accounts Officer (Taxation),
BSNL, Madurai

Skill Development

Skill development is defined as an ability and capacity acquired through deliberate, systematic and sustained effort to smoothly and adaptively carried out complex activities or job functions involving ideas (Cognative skills), things(technical skills), and/or people (interpersonal skills).

Skill development – why required?

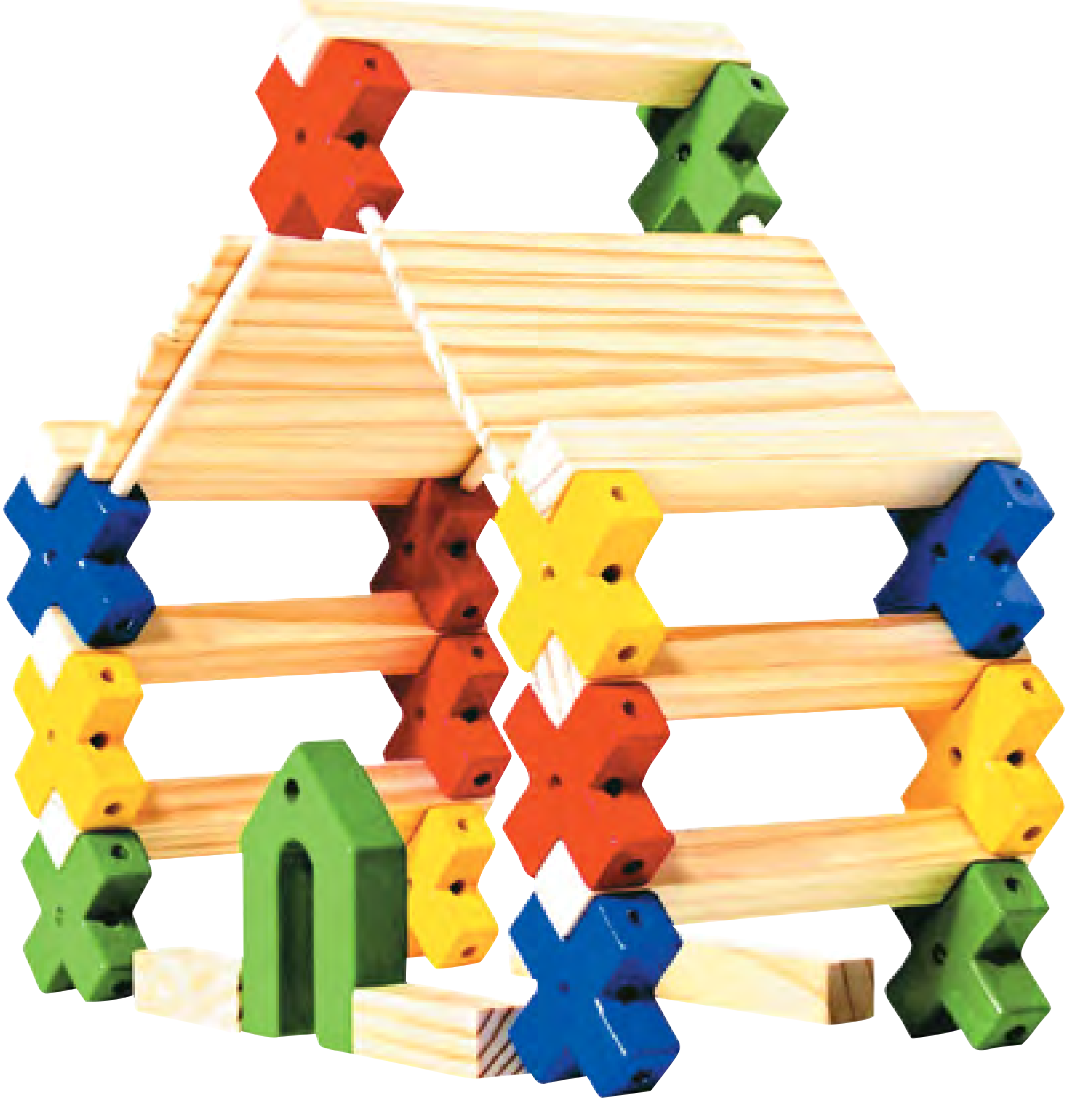
The education system prevailing in India is not giving importance on training young people in employable skills which can provide them with proper employment opportunities. Many of the States are still lacking in educational background and also skill development. In the present international scenario it is great challenge to our country. For the economic growth of our country 75% of new job opportunities are expected to be skill based. Therefore the Government is emphasizing on upgrading people's skills by providing vocational education and training to them.

The Finance Minister in his Budget Speech of 2013 proposed a scheme to encourage skill development for youth by providing monetary rewards for successful completion of approved training programs.

The Central Government has approved the 'Pradhan Mantri Kaushal Vikas Yojana'. The Government has allotted an outlay of Rs.1500 crore to train 24 lakh persons. The scheme would be based on the National Skill Qualification Framework and industry led standards. The training includes soft skills, personal grooming, behavioral change for cleanliness, good work, ethics etc.,

The National Skill Certification and Monetary Reward Scheme have been introduced. The main objectives of this scheme are-

- To encourage standardization in the certification process and initiate a process of creating a registry of skills; and
- To increase productivity of the existing workforce and align the training and certification to the needs of the country.
- To provide Monetary Awards for Skill Certification to boost employability and productivity of youth by incentivizing them for skill trainings
- To reward candidates undergoing skill training by



authorized institutions at an average monetary reward of Rs. 10,000 (Rupees Ten Thousand) per candidate.

- To benefit 10 lakh youth at an approximate total cost of Rs. 1,000 Crores.

Capacity building

Capacity is the ability of the individuals, organizations etc., to perform functions effectively, efficiently and sustainably. Capacity building is an evidence-driven process of strengthening the abilities of individuals, organizations, and systems to perform core functions sustainably, and to continue to improve and develop over time.

United Nations, in the year 1970, created the term 'capacity building'. Since this phenomenon is accepted by the International Organizations, it spreaded all over the world and gained importance. The capacity building involves three levels of activities which are-

- Individual;
- Organization; and
- Institutional.

In respect of individual 'capacity building' is the process for equipping himself with the understanding, skills, access to information, knowledge and training which enables him to perform efficiently and effectively. In respect of organizations, the capacity building is for the elaboration of management structures, process and procedures not only within the organization but also the management of the relationships between different organizations. In respect of institutions, capacity building is making legal and regulatory changes to enable organizations, institutions and agencies at all levels and in all sectors to increase their capacities effectively.

Definition

United Nations Environment Programme (UNEP) recognizes the capacity building as a long term, continuing process in which all the stakeholders participate. UNEP defines the capacity building as-

- The creation of an enabling environment with appropriate policy and legal frameworks;
- Institutional development, including community participation;
- Human resources development and strengthening of managerial systems.

United Nations Environment Program (UNEP) defines 'capacity building' as building abilities, relationships and values which will enable the organizations, groups and individuals to improve their performance and achieve their development objections. It was also described by UNEP as initiating and sustaining a process of individual and organizational change which can equally refer to change within a State, Civil Society or the private sector, as well as a change in process that enhance co-operation between different groups of society.

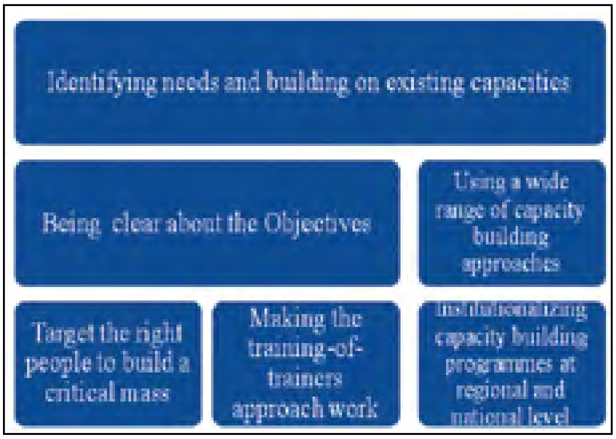
The above definition for 'capacity building' emanates three main aspects-

- It is the catalyst and constant fuel for a process of change;
- The importance of the building institutional capacity; and
- Involvement of wide range of different groups in a society.

Capacity Building is a long-term, continuing and complex process, which depends on the participation and constant interaction between all the involved stakeholders. Capacity Building Strategies and Approaches demand a high degree of flexibility. The demand for capacity building may vary enormously between countries, regions and sectors and the demand for capacity building is constantly changing.

Ways to increase the effectiveness of capacity building

The following are the ways to increase the effectiveness of capacity building, identified by UNEP-



- Identifying needs and building on existing capacities;
- Being clear about the objectives;
- Using a wide range of capacity building approaches;
- Target the right people to build a critical mass;
- Making the training-of-trainers approach work;
- Institutionalizing capacity building programs regional and national level.

Skill development a part of capacity building

Since the process of capacity building is to promote sustainable development, more attention needs to be drawn in the area of skill development. The sustainable development is a broad and encompasses a multitude of activities. Capacity building includes builing abilities, relationships and values. The abilities in an economic is attained only through the skill development of the employees, officers etc., Thus the skill development is one of the important factors for capacity building and sustainable development.

Skill development for capacity development in Telecom Industry

Telecom industry is not having any exception to adopt the skill development. Telecom industry is one of the important forces in the country that has great potential in employment, economic growth, FDI intake etc., The industry contributes 3% of GDP.

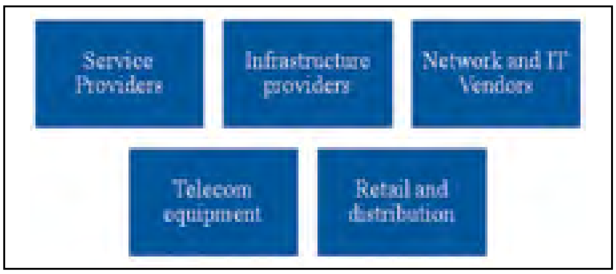
National Telecom Policy, 2012

The following are the objects of the National Telecom Policy of the Government of India-

- One nation, one licence regime with no roaming charges and nationwide number portability;
- Unified licensing, de-linking of spectrum from license, online real time submission and processing;
- Liberalization of spectrum and convergence of network, services and devices;
- Broadband for all with a minimum download speed of 2 Mbps;
- Increase rural tele-density 70% by 2017 and 100% by 2020.

Overview of Telecom Industry

Telecommunication is among the largest sectors in terms of contribution to the GDP. The Telecom industry has the following sectors-



- Service providers;
- Infrastructure providers;
- Network and IT vendors;
- Telecommunication equipment manufacturers; and
- Retail and distribution.

The following are the key developments in the Telecommunication industry since the past years-

- Unified licence;

- Relaxed FDI norms;
- Establish internet connections;
- Expansion to rural areas;'
- Financial support through USO Fund;
- Relaxing Merger and Acquisitions.

Subscriber data as on 30.04.2016

The highlights of telephone subscription data as on 30.04.2016 is indicated in the following table-

Telephone subscribers' data

Paritculars	Wireless	Wire line	Total
Urban subscripers (in million)	586.41	20.80	607.21
Rural subscribers (in million)	447.84	4.23	452.08
TOTAL (in millions)	**1034.25**	**25.04**	**1059.29**

www.trai.gov.in

Overall Teledensity

Particulars	Wireless	Wire line	Total
Urban	147.90	5.25	153.14
Rural	51.19	0.48	51.67
Overall	81.35	1.97	83.32

www.trai.gov.in

Telecom operators

In the wireless wing, the following are the operators are rendering services-

- Bharti Airtel;
- Vodafone;
- Reliance;
- Aircel;
- BSNL;
- TATA;
- Telenor;
- Sistema;
- Videocon;
- MTNL;
- Quadrant.

In the wire line wing the following operators are rendering services-

- BSNL;
- Bharti Airtel;
- MTNL;
- TATA;
- Reliance;
- Quadrant;
- Vodafone;
- Sistema.

The following are the infrastructure providers:

- Indus;
- BSNL;
- MTNL;
- Reliance Infratel;
- Viom Networks;
- Bharti Infratel;
- GTL;
- American Towers.

The following are the network and IT vendors-

- Tech M;
- TCS;
- Wipro;
- Infosys;
- HCL Infotech;
- Sasken.

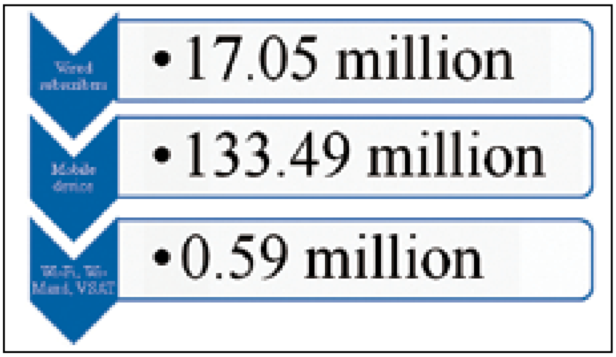
The following are the top players telecom equipment manufacturing sector-

- Ericcson;
- NSN;
- ZTE;
- Huwaei;
- Alcotel-Lucent;
- Samsung.

The following are the top players in retail and distribution sector-

- Samsung;
- Micromax;
- Karbonn;
- Apple;
- HTC;
- Black berry;
- Lava;
- LG;
- Sony;
- Spice;
- Zen;
- ZTE.

The total number of broadband subscribers are as detailed below-



- Wired subscribers – 17.05 million;
- Mobile device users – 133.49 million;
- Fixed wireless subscribers (Wi-Fi, Wi-Max, Point-to-Point Radio & VSAT – 0.59 million.
- Total 151.09 million.

Employment potential

The employment potential in the telecom industry is very high. The CAPEX is required in large for the operators and also skilled manpower to cope up with the latest technologies and apply the same in providing the services to the subscribers. The industry offers a wide range of opportunity as detailed below:

- Application/Product Development;
- Application Testing;
- ERP implementation/integration;
- Network planning;
- Data networking;
- Mobile application development and value added services.

Required skills for telecom jobs

The product companies highly require engineering graduates having the back ground of computer, electronics or telecommunication engineering having the knowledge of computer architecture and systems design. The application development and maintenance provides require application developers with strong programming skills in data base and GUI development. Skills like coding and software testing are highly required for the development domain of the industry. The entry level in the industry may vary from a management trainee to an executive of any vertical in the present day telecom industry.

The major skills required are-

- Core technical skills – electrical concept and equipment handling;
- Project Management;
- Technical know-how;
- Innovation;
- Active infrastructure management;
- Analytical skills;
- Operation management;
- Responsiveness and reliability;
- People Management;
- Training on OHS;
- Machine operating skills;
- Advanced skills for new technology;
- Revenue assurance;
- Cost optimization and efficient enhancement;
- Customer Relationship Management;
- Understanding of market and customer requirements;
- Presentation skills, etc.,

Challenges for operators

In the recruitment of manpower process the operators are facing the following challenges-

- The candidates are lack in exposure, technical in-depth, analytical and logical reasoning;
- The institutes imparting the required qualifications for the Telecom industry are very less in the country;
- High attrition rate in entry levels poses a significant challenge for operators;
- The candidates selected fail to develop a combination of skills, resourcefulness and entrepreneurial abilities.

Incremental requirement of Human resources

KPMG Analysis indicates the following requirement of human resources for various sectors in telecom industry by the year 2022:

- Service providers – 1187378;
- Infrastructure – 130888;
- Equipment manufacturing – 635821;
- Network and IT vendors – 768391;
- Retail – 1438865.

Skill development training

Department of Telecom (DoT) is the licensing authority for Telecom Industry. The DoT constituted an apex body for skill development in Telecom industry to put in place an integrated skill development strategy for the converged ICT sector as a whole, in pursuance of strategy outlined in Chapter IV.8 of National Telecom Policy on 22.04.2013. The Apex Body will be supported by Advisory Groups comprising representatives from industry, academia, PSUs etc. Chairpersons of Advisory Groups will be observer members of the Apex Body. The mandate of the Apex Body will be to oversee and act as guiding and enabling source for all aspects related to skill development in Telecom Sector. The apex body will meet once in six months.

As provided in NTP-2012, the Apex Body is to be supported by Advisory Groups comprising representatives from industry, academia, PSUs etc. Accordingly, Advisory Group on Capacity building has been constituted on 28.06.2013. The Advisory Group will be Standing Group as wide varieties of subjects linked with Skill development initiatives need to be dealt with over a period of time. The Advisory Group will also be responsible to present the matters before the Apex Body for seeking strategic direction/ decisions, as well as informing the Apex Body about the initiatives undertaken and progress made.

On 28.06.2013 itself the DoT constituted another advisory group on 'Content, Quality and Examination Framework. This Advisory Group is expected to focus on Quality with a content driven approach for development of National Occupation Standards, Course Content as per identified Skill Gaps, framework for certification/accreditation and to promote R&D, standardization & domestic telecom equipment manufacturing. The mandate of the Group is to examine and evolve the guiding principles/approach specifically focusing on the strategies enunciated in NTP-2012.

As per para 8.2 of the National Telecom Policy, National Telecom Institute for Policy Research, Innovation and Training (NTIPRIT) was constituted. In order to strengthen and develop as an institute of international repute, for capacity building and enabling research in India centric technologies and policies in telecom domain it was considered appropriate that, to begin with, the training centers of BSNL/ MTNL may be registered with NTIPRIT to provide the initial momentum to the Skill building initiatives in the Telecom Sector. The following training centers were registered with NTIPRIT-

- Seventeen premier Telecom Training Centers of BSNL which are spear-heading BSNL skilling initiatives;
- Institute of Telecom Technology and Management, MTNL, Delhi;
- Centre for Excellence in Telecom Technology and Management, MTNL, Mumbai

The DoT followed with the skill development process. On 22.01.2016 the DoT reached an agreement with Ministry of Skill Development and Entrepreneurship (MSDE) to make concerted joint efforts towards skill development and are in agreement to work together to undertake various activities.

Role of private operators

- Ericsson's EMPOWER is a telecommunications certification programme that combines practical knowledge with simulated training, to empower and make young telecommunications engineers industry ready. Ericsson launched its brand, 'Empower', in September 2009, and joined hands with 12 engineering institutions and currently has association with 75 universities/technical education institutes across India;
- Indus Towers runs a certification programme for two months to equip students in Cell Site Maintenance;
- Vodafone Essar & Texas Instruments, in association with IIT, Karagpur - Next generation network (NGN) and network technology;
- Bharti Airtel, in association with IIT, Delhi - Telecommunications technology and management of infrastructure;
- Aircel & Texas instrument, in association with IISC, Bangalore - Information security and disaster management of infrastructure;
- BSNL & Alphion, in association with IIT, Kanpur - Technology integration, multimedia and computational mathematics;
- BSNL & Alphion, in association with IIT, Chennai – Telecommunication infrastructure and energy;
- TTeleservices, in association with IIT, Mumbai – Rural applications;
- Idea Cellular, in association with IIM, Ahmadabad - Policy, regulation, governance, customer care and marketing.

Recommendations

KPMG in its report 'Human Requirements and Skill requirements in the Telecommunication Sector to National Skill Development Corporation under the Ministry of Skill Development & Entrepreneurship, recommended the following for further skill

Every industry is to take care of its sustainable development in the long run. Capacity Building is the tool for the same. The International Organizations adopt various methods to increase the effectiveness of capacity building for sustainable development. Skill Development is one of the methods in capacity building. Skill development gains importance in India by the present Government. Telecom Industry is one of forces in India which contributes much to GDP. The sustainability of the industry is essential for the economics of the country and for the consumers to reach the latest technology of communication. This article discusses about the various skill development required for the industry and the initiatives taken by the Government and the private operators to impart skill development for the capacity building of the industry

development to Telecom Industry-

- To include telecommunications and related areas as super specializations in Engineering and MBA Colleges;
- To increase focus on soft skills;
- To introduce funding schemes to train potential candidates;
- To develop PPP models in training for infrastructure sharing;
- To develop certified training programs that help trainees 'earn while they learn';
- To provide incentives to employees working in remote tower sites;
- To create a central database for telecommunication employees;
- To create an eco system for engineering graduates.

Role of International Telecom Union (ITU)

The ITU constituted Global ICT Capacity Building Symposium (CBS). It is the main global event for capacity development in the field of information and communication technology (ICT). This Symposium brings together stakeholders from across the world to discuss trends and developments in the sector and their implications for human and institutional capacity building. The symposium initially focused only on matters related to human resources. It has further broadened its scope to embrace human and institutional capacity building, drawing on a global network of expertise from different regions and stakeholders.

The outcomes of the Symposium will provide strategic guidance to the national and international countries. The guidance will include ITU on capacity building in the field of ICT, and on strengthening collaboration among the global ICT capacity building community. The Symposium provides a forum for universities and other training providers to gauge the needs of the market in terms of training and capacity building in the field of ICT, and helps them shape their training and delivery programmes.

The next Capacity Building Symposium will take place in Nairobi, Kenya. The program will be from 6th September to 8th September, 2016. This symposium will be organized by the Telecommunication Development Bureau (BDT) of the ITU. It is hosted by the Communication Authority of Kenya. The theme of the symposium is 'Embracing Capacity Building Opportunities in the Digital Era'. Global leaders have adopted the Sustainable Development Goals (SDGs) as successor to the Millennium Development Goals (MDGs). The prescribed goals are to be achieved at a time of major digital technology transformation which will impact the way people live and societies operate. The Internet of things (IoT) is the emergence of new technology. This technology is at the increase and becomes a reality. The advent of smart cities and smart societies, as well as the growth of big data, require different sets of knowledge and skills across all sections of society.

Conclusion

Governments, industry, universities and other higher education institutions need to invest in, and develop a range of ICT skills at various levels of immersion, which will not only enable increased participation in the economy, but will ensure the creation of digital citizens for a digital society. MA

Reference:

1. *www.dot.gov.in*
2. *www.nscindia.org*
3. *www.trai.gov.in*
4. *www.itu.net*
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6. *Press Release No.49/2016 of TRAI, dated 20.06.2016.*

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Strengthening Accounting in Primary Agricultural Cooperative Societies

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The cooperatives in India are more than a century old. The emergence of cooperatives in a formalized form can be traced to the passing of the "Cooperative Credit Societies Act, 1904" even though some of the cooperatives may have been established prior to that. Subsequent legislative initiatives include Cooperative Societies Act, 1912 which provided for the formation of non-credit societies and federal cooperative organisations. Provinces like Bombay, Madras, Bihar, Orissa and Bengal enacted their own cooperative laws on the lines of the 1912 Act. In 1942, the government enacted the Multi Unit Cooperative Societies Act which was an enabling instrument for incorporation and winding up of cooperative societies.

The Short Term Credit Cooperative Structure (STCCS) is spread throughout the length and breadth of India with the presence of one Primary Agricultural Cooperative Societies (PACS) on an average in every sixth or seventh census village. The only other network that has similar geographical spread is the India Post. As at 31st March 2014 there are 93,042[1] PACS in India as against 154,882[2] Post Offices as on the same date.

The grass-root level PACS are supported by the federated structures at the district level – District Central Cooperative Bank (DCCB); state level State Cooperative Bank (StCB). With the exception that in some States two tier system exits viz., PACS and StCB. Within a state the StCB plays the role of an apex level entity at the state level and respective DCCB plays the role of an apex level entity at the district level or for a cluster of districts.

Significance of Cooperatives:

The significance of PACS can be highlighted with the following: the share of cooperatives in the institutional credit to agricultural was as high as 62% in the year 1992-93[3], even though this has been declining nationally (17% in 2011-12[4]) in some states it is still more than 50%[5] ; during the year 2011-12 the cooperatives provided agricultural credit to 30.9 million farmers as compared to 25.5 million farmers by the commercial banks and 8.2 million farmers by Regional Rural Banks (RRBs)[6].

Reforms to address Challenges:

The Royal Commission on Agricultural observed that *if cooperation fails there will fail the best hope of rural India*[7]. Notwithstanding such importance of the STCCS, these entities are repeatedly challenged on their poor governance and management and financial health. The following extract from the STCCS Revival Package emphasises the needed reforms to strengthen the STCCS and thus contains the message on challenges that STCCS faces:

"The Revival Package was aimed at reviving the short term rural cooperative credit structure (CCS) and make it a well-managed and vibrant medium to serve the credit needs of rural India, especially the small and marginal farmers. It seeks to (a) provide financial assistance to bring the system to an acceptable level of health; (b) introduce legal and institutional reforms necessary for their democratic, self-reliant and efficient functioning; and (c) take measures to improve the quality of management. It is to be emphasized that all three components are equally important and should be treated and implemented as an integrated package" [8]

Steps taken to Strengthen Accounting:

The initiatives required to improve the quality of management included introduction of double entry accounting and systemic book-keeping that can help in reporting true and fair financial. The accounting function within the StCBs and DCCBs is expected to be strengthened with the implementation of core banking solution (CBS). The National Bank for Agriculture and Rural Development (NABARD) supported the PACS by providing "Common Accounting System (CAS)" that was exclusively designed to meet the accounting and MIS needs of PACS. NABARD also supported the PACS on the implementation of CAS with necessary capacity building.

Capacity Building:

The participants in the capacity building programmes on accounting usually included the Chairman/President, Vice Chairman/Vice President and Directors on the Boards of the PACS, the Secretary/CEO of the PACS, Assistant Secretary in addition to those associated with the accounting function of the PACS as well as those associated with auditing and supervision of PACS. Such capacity building programmes covering most of these actors were held extensively in many States with the support of NABARD, training institutions and other stakeholders of STCCS.

Awareness about Accounting:

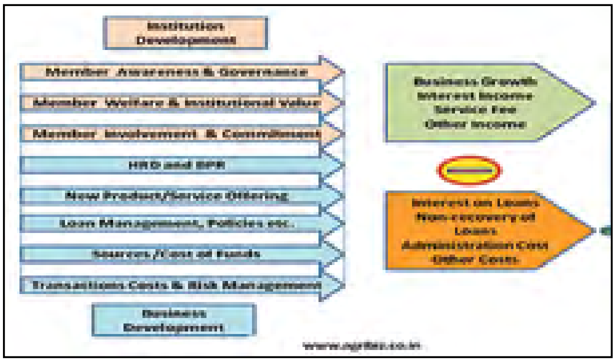
The function of accounting is well beyond the transaction recording, preparation of periodical financial statements and auditing. The actors associated with the governance, management, operations and oversight of PACS shall appreciate the need for or objective of accounting, process of compilation of financial statements and their use, periodicity of compilation of financial statements, significance of auditing and review of audit report to strengthen the PACS and such other aspects.

Inputs from Accounts for BDP: Capacity building is necessary on how the data/information available or generated through the financial statements along with other statistical data/information can be used in the development of Business Development Plans (BDP) of PACS, or even Strategic Plans, if PACS so desire and their implementation. The BDP process requires preparing business development plans based on the potential for business and taking into consideration historical performance of a PACS. Hence historical financial statements and statistical data are essential for the preparation of BDP. The BDP process expects focus on:

- Assessment of local economy so that the product/service offering by PACS can be aligned to the needs of all sections of people in the operational area of PACS, so that the PACS business grows directly and also through increase in active membership.
- Increasing the loaning, savings and other feasible financial and non-financial businesses of the PACS.
- Profit planning: improving the profitability including on how to contain the losses or loss making attributes of activities undertaken by the PACS.

* Improvements to business and operational processes and thereby achieve higher member/customer satisfaction.

Business Model and Accounting: The finance and accounting, even though a support function, is an enabler for any entity to pursue its the business model. The business model of a PACS with need based business development and institutional development initiatives can be summarised as under:



The actors associated with the governance, management and operations of the PACS better understand and appreciate the finance and accounting function within the overall business model of the PACS. BDP prepared with relevant business model helps in the improvement of business through existing products/services as well as with the introduction of new products/services. Accounting helps in reporting improvement of financial health and performance of the PACS and by presenting the same with a true and fair view through the financial statements compiled periodically.

Profit Planning: The profitability of the financial services business of a PACS, in addition to the scale of the business, is significantly influenced by the following:

* Interest earnings (accrued/realised) on the loan and advances by the PACS.
* Interest earnings (accrued/realised) on the deposits with the DCCB (StCB in the case of a two tier system)
* Interest expenditure (paid/payable) on the loans from DCCB
* Interest expenditure (paid/payable) on the savings deposits of the members/others.
* Provision to be made under applicable IRAC guidelines/ NPA provisioning

Salaries, administration and other expenses are usually not that high. Thrust on understanding and ensuring accuracy in the above helps in reporting the profit or loss for a particular period out of financial services business in a fair manner. This is more on the principle of 'Management by Exception'; however without any exception, the generally accepted and applicable accounting principles have to be complied with, in any case, with reference to the overall accounting function. The focus on the above certainly helps in managing the financial performance of the PACS. Profit or loss out of non-financial services business usually depends on trading margins and related costs.

Suggested Approach:

The capacity building programmes shall emphasise on the above and enhance the awareness of the Boards of Directors, Secretary and others so that the PACS can march towards profiteering and be able to contain losses or loss making character of the activities undertaken.

The design and delivery of the capacity building programmes can be for homogeneous groups or heterogeneous groups. Preparation of financial statements can be better presented to participants associated with accounting activity. But programme on financial statements analysis can be very effective when presented to group consisting of President, Vice President, Directors, Secretary and others associated with accounting as well as auditors, inspectors, supervisors and representatives of DCCB and Department of Cooperation.

TNA:

It is desirable to undertake a training needs assessment (TNA) for a set of PACS within the operational area of a DCCB branch or a DCCB and then design the capacity building programmes. The design may include certain standard and common modules and some as per the specific needs of one or more PACS. Illustrative exercises based on the needs of participants in a programme can add value and enhance the absorption of contents presented and discussed. For example the process of extracting a trial balance is better illustrated if the participants are not from commerce background and not familiar with the process. Similarly ratio analysis and interpretation can also be effective when illustrated based on the Audit Report of the participant's PACS in a heterogeneous group.

Essentials as Examples:

* Based on the needs of specific category of the representatives of PACS, as referred to earlier, they shall also be provided with insights on:
* Need for ensuring upto-date transaction recording and book-keeping
* Need for ensuring upto-date Bank Reconciliation
* Need for ensuring upto-date reconciliation of balances outstanding.
* Need for ensuring confirmation of balances with all external entities, atleast once a year (preferably at the end of the financial year)
* Compilation of periodic MIS for use at various levels and interested organisations including DCCB, StCB, Department of Cooperation and others.

- Working on and making use of Financial Statements Analysis including ratio analysis
- Need for financial statements and their analysis, as at the end of previous month, to be submitted to the Board of Directors in the monthly meeting.
- Need for compilation and auditing of Annual Report and conduct of Annual General Body Meeting within three months of the end of financial year, notwithstanding the traditional practices, subject to compliance with applicable legal/regulatory requirements.
- Understanding the Audit Report and comments/ observations of the Auditor.
- Need for submitting "Action Taken Report" to the Supervisor, Inspector and Auditor, respectively, on their reports.

Financial Statements and their Analysis:

With reference to the variety of Financial Statements that are compiled periodically, the capacity building programmes can begin with simple probing questions like:

- *What are the Financial Statements?*
- *Who are interested in the Financial Statements? Who are the users of the Financial Statements?*
- *Why do we need Financial Statements?*
- *When the Financial Statements are or can be analysed?*
- *How can we put in place the Financial Statements Analysis?*
- *How can we assess the impact of any transaction on the performance of the PACS even before the transaction was to take place and while signing/authorizing any voucher or document?*
- *How to prepare and analyse a Trial Balance?*
- *What are Groupings and Schedules?*
- *How to analyse Trading Account? How to ascertain business activity-wise profit/loss? How to allocate or apportion common costs/expenditure?*
- *How to analyse the Profit and Loss Account? How to ascertain product or service-wise profit or loss? How to allocate or apportion common costs/expenditure?*
- *How to analyse Balance Sheet? How to read and understand the quality/type of assets or liabilities? Why is it important to understand options on sources of fund raising and their application/use?*
- *What is a Funds Flow Statement, what are its advantages, how to prepare and use the same?*
- *What is a Cash Flow Statement, what are its advantages, how to prepare and use the same?*

Expected Outcome:

Such capacity building measures can help in compiling financial statements on time and periodically; compiling statements to present the true and fair financials; review and understand the statements so as to be able to take appropriate decisions in the interest of PACS and its member-owners; enhancing the end-use of the statements for efficient governance, management and operations of the PACS. In addition to these the data/information on the PACS can be derived from the financial statements or books of accounts including for the submission monthly performance reports.

On the strengths of such capacity building, the availability of periodic financial statements and other data/information helps in the planning, plan implementation and overall management of the PACS better so that their performance improves. The PACS, on such strengths, can also be positioned to service their member-customers better. The improved financial health and performance of the PACS might also help in rewarding their member-owners with higher returns including dividend payments.

Above all the transparency in reporting the financial health improves, ability to mobilise additional resources will improve and thereby new business opportunities or horizons may begin to open for PACS for their business and institutional development.

Conclusion

Stronger PACS strengthen the overall STCCS at all levels and stronger STCCS can meet the needs of rural population, those engaged in farm and non-farm activities and can help in the sustainability and viability of agriculture as well as in transforming the rural economy. As Royal Commission on Agriculture meant, the stronger and sustainable cooperatives sustain the 'hope' for rural India. MA

FootNote

[1] *http://nafscob.org/pacs_f.htm (as extracted on 30th June 2016)*

[2] *http://www.indiapost.gov.in/our_network.aspx (as extracted on 30th June 2016)*

[3] *Current Issues in Agricultural Credit, RBI, Vol. 28 No. 1, Summer 2007*

[4] *Expert Committee to Examine on Three Tier STCCS (Constituted by RBI, Chairman Dr. Prakash Bakshi, 2013)*

[5] *ibid*

[6] *ibid*

[7] *https://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/SRRCDS250314.pdf (as extracted on 30th June 2016)*

[8] *Objectives: 'Package for Revival of Short Term Cooperative Credit Structure', Government of India.*

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CAPACITY DEVELOPMENT IN EDUCATION SECTOR

-an overview of meritocratic countries

"I never teach my pupils, I only provide the conditions in which they can learn."

- Albert Einstein

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Delhi

"Padhega India tabhi to badhega India", well said! We must have heard this line somewhere but what is the position of education in our country, what are the measures taken by government, and society as a whole to make this dream fruitful, and what improvements can be done in education sector to strengthen the stem of education in our country? Capacity building is one of the best measures for empowering education system. Now, the question arises, what is capacity building and how it will work? Let us have a brief insight of building capacity in education sector and an overview of meritocratic countries.

Comparative statement of education system in India with top performing countries

According to Legatum Prosperity Index 2015, India ranks 92 among 142 countries in the field of education. Legatum prosperity index is a holistic approach to measure the prosperity of the country on basis of subjective and objective data. This index covers the metrics like health, education, personal freedom, social capital, opportunity, and others. Australia is ranked at number one in the field of education as per Legatum Prosperity Index 2015.

Ranking	Country
1	Australia
2	Canada
3	Denmark
4	Netherlands
5	Norway
92	India

(Source: Data of Legatum Institute)

Figure 1.1: Ranking of countries in the field of education as per Legatum Prosperity Index 2015

However, South Korea stands first for best education system followed by Japan, Singapore, and Hong Kong in 2015. The literacy rate of India is 71% while the overall literacy rate of South Korea is 97.9%. Let us have a glance of comparative statement of India and other top five countries with best education system in the world.

	Country	Literacy rate (Adult above age 15 years, both sexes)	Estimated budget (2014) (in billion of US$))
1	South Korea	100% (nearly)	$11.3
2	Japan	99%	$53.152
3	Singapore	96.84%	$11.486
4	Hong Kong	94.6%	$63.8
	India	72.13%	$9.1275

(Source: UNESCO and MBC Times)

Figure 1.2: Comparative statement of countries with best education system

Glimpse of Education system in India

India follows 10+2+3 pattern of education system which was recommended by Education Commission 1964-66. The pattern of education in India can be briefly described as follows:

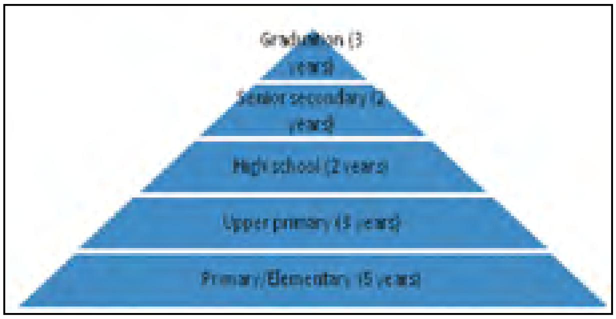
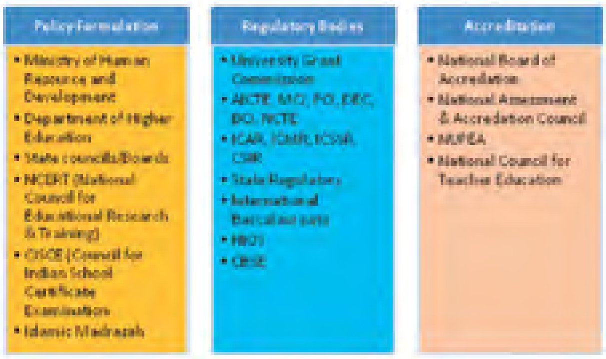


Figure 2.1: Pattern of education system in India

Regulatory framework for education in India:

National Council of Educational Research and Training (NCERT) is the apex body for controlling school education. The regulatory framework of education is India constitutes three levels, policy formulation, regulation, and accreditation.



(Source: India Brand Equity Foundation)

Figure 2.2: Regulatory framework of education system in India

India has one of the largest education networks in the world. The number of institutions in India seemed to be like this in 2013-14.

Number of institutions in India by type (2013-14):

Schools	14,25,564
Universities	712
Colleges	36,671
Stand alone institutions	11,445

(Source: Ministry of human resource development)

Figure 2.3: Number of schools & institutions in India

The market size of education sector is worth US$100 billion out of which the higher education contributes 59.7 per cent of the market size. 38.1 per cent is contributed by school education, and pre-school segment contributes 1.6 per cent, whereas technology and multi-media contributes the remaining 0.6 per cent. (Source: IBEF). Public expenditure on education during the previous years:

Year	Expenditure (Rs. In crore)	Expenditure as % of GDP
2010-11	297311.17	4.05
2011-12	356861.42	4.18
2012-13	410027.98	4.29

Sounistry of human resource development)

Figure 2.4: Expenditure on education sector by Government of India

Capacity Building: Definition And Background

Capacity building strives for the development of skills and efficiencies at different targeted levels to achieve the defined goal. The different levels for capacity building in education sector can be identified as follows:

Figure: 3.1: Levels of capacity building process in education sector

Now, the question arises how to build capacity at different levels in education sector. Let us discuss the capacity building approaches at different levels.

Individual level

Capacity development at individual level can be built with the collective effort of principal, teachers, parents, and students. The capacity development can be achieved at individual level by focussing on three questions:

1. What are their responsibilities?
2. To whom should they be accountable?
3. What are the available resources?

Capacity can be developed at individual level with the help of the following:

- Focus on each student achievement.
- Better working environment for teachers.
- Development of e-**teachers**: E-teacher refers to a system where a pool of videos of good teachers is created so that it can be used by teachers for their improvement.
- **'Video Teacher Observation':** The teachers should record their sessions on every fortnight or on regular interval and it can be used as a reference for students and even self improvement for the teacher.
- Training of teachers
- Subject workshops: Subjects workshops on different subjects' help teachers understand the learning objectives of specific subjects and motivate them.
- Research-based knowledge: Leaders and teachers should update their skills through research-based knowledge and also by sharing experiences with others in similar positions.

In Singapore, Leaders in Education Programme (LEP) is organised which is a six-month full-time program. This programme focuses on technical administration skills and other elements of leadership. The principals hold their posts for 5-8 years, after which they are either promoted, transferred to another school, or rotated to the Ministry to work on policy formulation. During 2006 and 2007, 22 educational systems in 19 countries took part in an OECD activity to evaluate the state of school leadership and investigate different countries' approaches to enhancing the quality and sustainability of school leadership.

Institutional level

Policy makers need to address constraints limiting the capacity of school leaders to engage in meaningful teacher evaluation activities, including providing appropriate training.

Special educator for children with learning disabilities: The Central Board of Secondary Education (CBSE) has mandated the appointment of a special educator for children with learning disabilities for their improvement and to cope up with others.

Teacher Effectiveness Enhancement Programme (TEEP): TEEP is a programme developed for the improvement of efficiency of teachers. It helps to understand the teachers their strengths and weaknesses.

According to the Annual Survey of Education Report (ASER) 2013, most of the children in rural are not able to read and write. It can be addressed with greater emphasis on capacity building of teachers and other staff in these schools.

System level

School Development and Management Committees (SDMCs):

School Development and Management Committees are supposed to take part in monitoring and evaluation of teaching methods, facilitating social audits, helpful in upgrading infrastructure. The National Centre for School Leadership (NCSL) NUEPA has been transforming ordinary schools into schools of excellence.

Administration of school:

The classroom of schools should be well equipped with technology. The infrastructure should be made more functional. The teacher pupil ratio is an important area to be focussed. Lower pupil teacher ratio will enable the teachers to dedicate more time on students. Pupil teacher ratio of our country has the following pattern:

	Primary	Upper primary	Secondary	Senior secondary	Higher
2010-11	43	33	30	34	26
2011-12	41	34	32	33	24
2012-13(P)	30	30	30	40	23

International comparison of pupil teacher ratio (year 2011-12)

Country	Primary (I-V)	Lower secondary (VI-VIII)	Upper secondary (IX-XII)	Higher
India	41	34	32	24
USA	14	15	15	14
Germany	12	12	15	7

(Source: Ministry of Human Resource and Development)

Figure 3.2: Pupil teacher ratio of India and other countries

Societal level:

Moreover, the capacity development can be achieved with the collective effort of society as a whole. Meritocratic countries have uniform pattern of curriculum, and text books all over the country.

Education System of Meritocratic Countries

Why South Korea and Japan lead in education sector?

South Korea has a prominent example of development in education sector. 78% of Koreans were illiterate till Korean War 1950. Afterwards, South Korea committed to educate every child. Now, Korean kids study more than other kids in any other country in the world. The reformation of school education system of Japan started after World War II.

Capacity development in education sector of South Korea and Japan

	South Korea	Japan
On the part of Government	• Korean Ministry of Education attempts to ensure the equality of all schools. • Government has made several changes to close the gap between kids in high-achieving urban schools and lower-achieving rural schools. • More schools are opened in rural areas. • Government offers financial support to all middle school students, subsidized computers, and free meals. • Text books are digitalized to make it easily accessible. • Cyber Home Learning System has been developed by Ministry of education. It is an online program designed to help kids after their school learning. • In South Korea, the Ministry is responsible for hiring school teachers.	• The Ministry of Education maintains a uniform level of education with close supervision on curriculum, textbooks, and classes. • Schools in remote and isolated areas have been provided with special financial treatment for improving and upgrading their difficult conditions. • School curriculum, equipment, teacher qualifications and salaries, and public expenditures per students are almost the same throughout the country. • The education system of Japan follows the pattern of 6-3-3-4 (6 years of elementary school, 3 years of junior high school, 3 years of senior high school and 4 years of university).

	South Korea	Japan
On the part of school administration	• The education system in South Korea is **test-driven**. • There is a massive pressure of clearing entrance exam on students to get admission in high school and college. • The pressure to succeed on this test starts when kids are three or four-years-old. • Their school starts from nine a.m. and continues to five p.m. After the schools children go to Hagwons (private schools for extra class) from five p.m. until ten at night. However, sending the kids to Hagwons is not compulsory. • South Korean schools conduct a lot of tests.	• The curriculum of Japan is world famous. Young Japanese generally know more about another country's history, economy and geography than the students in that country know. • Lot of emphasis is given to master the concept underlying the disciplines. They want the students to understand why something works the way it does. • The emphasis is given to find out the root cause instead of simply following the procedures. • Students in Japanese schools do not skip grades nor are they held back. • Their text books are published in simple manner. • School buildings are constructed in functional way.
On the part of teachers	• Teachers play a prime role in the success of students. South Korean teachers go above and beyond. • South Korean teachers work very hard and are dedicated to their jobs. • The society rewards them for it and they enjoy high social status. • They are paid very well and have great job security.	• Teaching has been a demanding occupation in Japan and teachers are highest paid civil servants in Japan. • Japanese teachers are expected to undergo one year training programme under the supervision of leading teachers.
On the part of parents	• Parents of South Korea are more conscious about the studies of their kids. They spend more on education. 15%-25% of their income is shred off on education, tutoring and supplementary educational materials. • Most of the parents send their kids to Hagwons (extra private school) after their regular school day. • They augment positive relation and healthy communication with their kids and keep an eye on the school activities of their kids.	• Japanese parents are more concerned about the studies of kids. • The parents are more involved in the studies of their kids. • They develop healthy relation with their kids and motivate them. • Parents send their kids to private coaching also to supplement their studies.
On the part of students	• Children spend more time in school and even stay after school hours for extra-curricular activities. • They have lot of home works to do at home. • The students are disciplined and respect their teachers.	• The students spend more time in school. • Japanese students take the meals from the kitchens and serve them to their classmates in their classrooms. • Japanese students are expected to clean both their classrooms and their hallways. • Classes are divided into smaller teams for various activities like cleaning the campus, halls, and yards of school.

Empowering Education System In India

Government Initiatives under Union Budget 2016-17 and plans:

- To make 10 public and 10 private world class educational institutions.
- Budgeted expenditure of INR 500 crore for promoting schedule caste and schedule tribe entrepreneurship.
- To open digital repository for all school leaving certificates and degrees.
- Budgeted expenditure of INR 1,000 crore for higher school financing and INR 1,500 crore for skill development centres.
- To open 62 new Jawahar Navodaya Vidyalayas.
- To cover six crore rural household under rural literacy program.
- To cover more than one crore youths under Pradhan Mantri Kaushal Vikas Yojna (PMKVY).
- To open three Indian Institutes of Information Technology (IIITs), through Public-Private Partnership (PPP) of Government and private companies like Tata Motors Limited, Tata Consultancy Services Ltd and Hubtown Limited.
- "Kaushal Bharat, Kushal Bharat" initiative to train more than 400 million citizens by 2022 that would enable them to find jobs.
- National Policy for Skill Development and Entrepreneurship 2015 (first integrated program to develop skill and promote entrepreneurship).
- Skill Loan Scheme augments to disburse loans of Rs 5,000 to Rs 150,000 to 3.4 million Indians who are planning to develop their skills in the next five years.
- Memorandum of Understanding between Center for Research & Industrial Staff Performance (CRISP) and Government of India to explore national and international opportunities for strengthening skills development in India.
- Increase digital literacy to at least 50 per cent of Indians from currently 15 per cent over a period of next three years.
- Opening of IIT's and IIM's in new locations.
- Promoting online mode of education.

Capacity development with foreign countries:

According to Department of Industrial Policy and Promotion (DIPP), the FDI inflow was counted as US$ 1,209.40 million from April 2000 to December 2016. India allows 100% FDI through automotive route. Several recent remarkable plans have been undertaken by the government to empower the education system in India.

- Intel Corporation, US based multinational corporation has planned to tap **US$40 billion** to private schools to equip the students with the knowledge of computer technologies in collaboration with Extra marks Education.
- EdCast based in Silicon Valley has planned to invest up to US$ 50 million in India with collaboration of more than 500 educational institutions to provide technology based education.
- Venture capital fund Acumen has invested in two Hyderabad-based education start-ups–Ignis Careers (US$ 250,000) and SEED (US$ 650,000)
- Dell Foundation, has made its first two investments in education-based startups: Report Bee and Guru-G.
- Agreement between World Bank and Government of India to line up the credit of US$ 300 million for Madhya Pradesh Higher Education Quality Improvement Project.
- The Japan International Cooperation Agency (JICA) will train bureaucrats from the HRD ministry, and experts from schools boards and primary school teachers in Mathematics and Science Subjects to enable them to learn skills to improve the quality of Mathematics and science education.
- Memorandum of Understanding (MOU) between India and Australia to boost partnerships between the two countries in the fields of higher education and research.
- Nai Manzil scheme for education and skill development of minorities in India will be supported by World Bank with the loan of US$ 50 million.

Conclusion

School acts as a mirror of the political, social, economic, religious and cultural aspects of the society. The capacity development of education system can be achieved in collaboration with Government, school administration, student, teachers, and parents. The duty of parents does not wind up with the admission of their wards in good schools and institutions.

Rather, parents should keep an eye on the daily chorus of their children at schools and colleges. They should understand and encourage their children to achieve their goals. The countries with best education system are following the uniform pattern of curriculum, classes, and textbooks. The curriculum should be designed in such a way that the theoretical knowledge should be followed up by practical knowledge enhancement. The job of teachers should be respectable in the society and they should be rewarded with job security and well pay off. The teachers of South Korea and Japan go an extra mile for the development of students. The teaching pattern should be interesting and fresh to build the interest of students. The teachers should be highly qualified and educated so as to impart their best to the students. Indians have inheritedthe ancient culture of supremac of teachers.

> "Guru Gobind dou khade, Kaake laagun paanye
> Balihaari Guru aapne Gobind deeyo bataaye"

Henceforth, the teachers should always try to understand the skills and hidden potentials of children and motivate them. They should impart the tips and techniques for fast learning, revising patterns to retain things, improving concentration power, and boosting their confidence. The role of teacher is predominant and carries lot of weight. Students and youth are the building blocks of any country. The development of country depends on how the young saplings are nurtured. Hence, the role of education sector is prominent in the development of country. Education sector can be empowered with the capacity development at all levels and with the joining hands of school, parents, teachers, students, and government. MA

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STUDY ON SUSTAINED COMPETITIVE ADVANTAGE OF P&G

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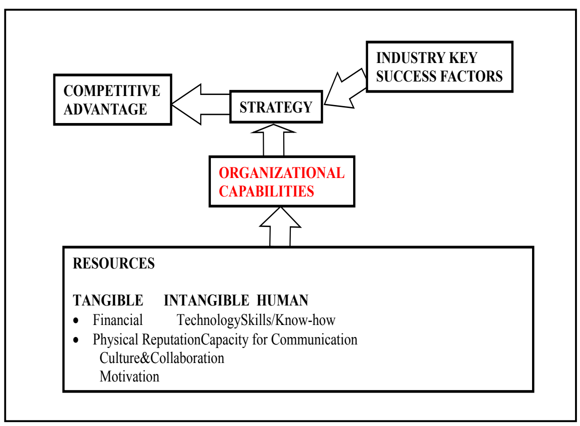
Company Secretary, Noida

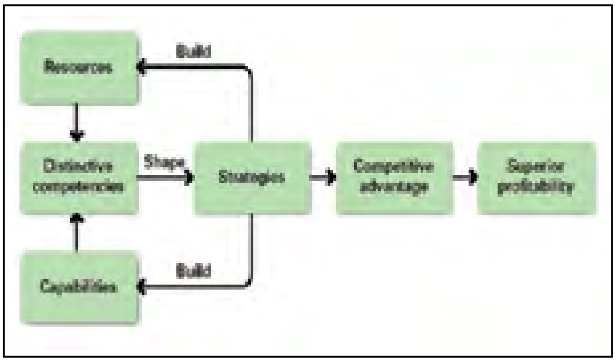
The success of any organization depends on its capabilities which represent manager's proficiency in understanding principles and applying processes consistent with principles for managing people for competitive advantage. To respond to increased competition, managers must learn how to build a sustained Competitive Advantage. It's an internal analysis of organization which includes organizational resources and capabilities leading to distinctive competitiveness. The author, through this article, highlights the process of achieving sustained competitive advantage through researching case of Proctor & Gamble (largest manufacturer and distributor of consumer products) a and analyzing the role of cost accountants in achieving competitive advantage.

Competitive Advantage Strategy Model

Organisational capability is based on a set of principles, not practices, which will be stable over time. Managers who understand the principles of organizational capability and who are continually able to adapt their practices to those principles will be able to sustain their competitive advantage.



Resources are assets employed in the activities and processes of the organization including human, financial, physical, technological and informational. Capabilities are assets like industry-specific skills, relationships and organizational knowledge which are largely intangible and invisible assets.

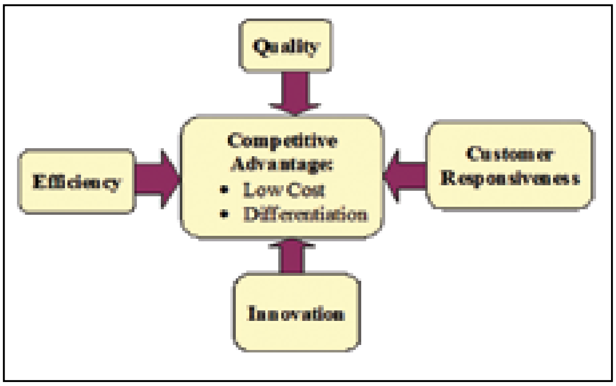


Sustained competitive advantage is when a firm maintains above average and superior profitability for all firms in its industry and profit growth for a number of years.

Achieving competitive advantage involves responding to critical questions:

1. To what extend do we understand economic and social conditions affecting our business?
2. To what extend do we understand and meet customer needs?
3. To what extend does my business have world class performance in each source of uniqueness and have the ability to integrate across four sources of uniqueness?
4. To what extend do we have a shared mindset inside and outside the organization?
5. To what extend do we use all human resource practices to build shared mindset?
6. To what extend do we have the capacity for change?
7. To what extend do we have leadership throughout the organization?

Building Blocks of Competitive Advantage



Greater Efficiency is achieved through productivity thereby leading to lower costs. Quality products are reliable and lead to differentiation by attributes with perceived higher value. Product innovation increases company's pricing options, lowers the production cost and creates uniqueness. Identifying and satisfying customers' needs better than competitors do, ie. Customer response time, design, after-sale service and support, all lead to brand loyalty and premium pricing.

Analysing Competitive Advantage & Profitability

Determining costs of performing specific value chain activities and measuring how company compare cost with those of rivals and reducing the cost ensures competitive advantage. Costs of key value chain activities includes purchase of materials, payment of suppliers, management of inventories, getting new products to market, performance of quality control, filling and shipping of customer orders, training of employees, and processing of payrolls.

Studying The Competitive Advantage Achieved By Proctor & Gamble (P&G)

Procter and Gamble (henceforth P & G) is one of the largest manufacturers and distributors of consumer products in the world with a global reach for it 300+ brands of 180 countries having brands as diverse as disposable nappies, snacks, juice drinks, shampoos, laundry detergents and feminine protection products. During 1990's the company made some significant alterations to its corporate strategy; it aimed to reduce its cost structure and develop its differentiated business-level strategy, in an attempt to increase revenues and profits. The rapid development of international markets and globalisation demanded a corporate "shake up". Moreover, the reduction of trade barriers and tariffs indicated that to retain a competitive advantage globally, company had to develop an effective International strategy, whilst benefitting from economies of scale. Cross-functional integration and speed of innovation increasingly became imperative to corporate strategy.

The cohesion between the strategy and structure of the company is crucial. The structure will align the company with the strategy it wishes to pursue; and, along with the company's culture and control systems, will utilise the value-chain competencies and capabilities, and facilitate increased competitiveness, profitability and superior return on Investment.

Strategies adopted by P&G for achieving competitive advantage

1. Efficiency:

Worker's morale is needed for productivity. AG Lafley, President and CEO of P&G, implemented pay-incentives that tied employees to performance of the Company.

2. Reduction in costs:

- Just-in-Time inventory control system has been implemented to reduce costs, ie., the calculation of demand should accurately match supply and so the supply chain, logistics and distribution channels can be effectively coordinated to manage increase/decrease in demand.
- Integration mechanisms have been implemented through 'direct contact' with one another. This is a simple, cost-effective way to communicate problems and ensures that opinions and concerns are voiced. Moreover, it is essential to have direct contact between different functions, especially those that must co-operate considerably. Conversing directly between one another ensures cohesion of products and market, with overall strategy.

3. Human Capability:

P&G's human resource department has the responsibility for development and growth of people towards higher levels of skill, competency, creativity and fulfillment, in a way that supplements each individual.

4. Innovation:

Focus is on involving people across the business either to develop their ideas or become involved in working together to make ideas happen. At the heart of this culture is the innovative use of connections, centred upon understanding consumers, the energy towards innovation, supported by research and development processes.

Companies must innovate in order to keep ahead of their competitors. The CEO would like to develop a business in which 'big ideas attract the capital and talent they need' and points to innovate equation:

5. Fostering Teams:

The idea of a new product may spring from the mind of an individual, but only a collective effort can carry that idea throughout proto-typing and launch. A broad network of social interactions is required to integrate innovation with both business strategy and work processes.

6. Customer Responsiveness:

P&G's mission extended to include the idea that 'the consumer is boss'. Mission will succeed as the consumers are treated as rich source of information and direction by developing better ways of learning by listening to them, observing them in their daily lives and even living with them. It focuses on few big launches and an innovation that was meaningful to consumers.

7. CMAs Role:

P&G's delivered on an average 6% organic sales growth since the beginning of decade, virtually all of it driven by innovation. The cost accountants reduced research and development spending as a % of sales; it was about 4.5% in late 1990s and only 2.8% in 2007. In that year, they spent US$2.1 billion on innovation and received $76.5 billion in revenues.

Role Of Cost Accountants In Achieving Competitive Advantage

The cost accountants have to take decisions regarding the use of materials, processes, product designs and have to plan the costs or expenses to support operating plan for their department or section.

Organisations increase advertising expenditures to increase sales, increase research and development expenditure to promote new products. Here, concerned managers are deliberately incurred additional costs in a period. Cost and Management Accountants (CMAs) have to ensure that a cost is incurred with the expectation of profit.

CMAs provide decision support for managers in each activity of value chain. Value chain is a visualization of complete business as a sequence of activities in which usefulness is added to products or services produced and sold by an organization. Value chain as a strategic framework for analysis of competitive advantage was promoted by Michael Portal where managers have to become familiar with framework and providing information to implement it.

Conclusion

Building better products or services, pricing goods and services lower than the competition, or incorporating technological innovation into research and manufacturing operations must today be supplemented by organizational capability, i.e., the firm's ability to manage people to gain competitive advantage. To establish organizational capability, companies must innovate to adapt to changing customer and strategic needs to keep ahead of its competitors. While taking organization to its success, we cannot forget the role of cost and management accountants in achieving cost competitiveness at each stage of value chain activities like processing raw materials, management of inventories, training of employees, processing of payroll, etc to achieve the expected profit. MA

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CMA Asim Kumar Basu

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Q.What have been the major innovative financial steps taken during your tenure with this organization to gain more competitive edge?

A MSTC being a trading and e-Commerce company, its major expenditure are of administrative and committed nature. Hence in order to provide services at the competitive rate always a watch has to be kept on containing the overhead to operating income ratio. While taking any decision we always ensure that administrative expenses do not increase unnecessarily. We also give emphasis on training of manpower to increase their productivity. This is evident from the fact that MSTC which handled a business volume of Rs.14100 Crores with a manpower of 310 nos. in 2010-11 has handled a business volume of Rs. 30538 Crores with a manpower of nos.324 in 20115-16. Apart from this I have given emphasis on better treasury management to increase interest income and reduce interest expenses on short-term borrowings for our trade segment. All these have contributed to improve and maintain the bottom line in spite of competition in the market and falling commodity prices.

Q How has been the initiative in e-Commerce in Agricultural and Forest products different from e-Commerce in Mineral products in bringing more revenue to your organization?

A Forest produce which are not perishable and have more demand can be sold through simple forward auction as competition can be generated. For products where supply is more than demand Principal/Seller has to be convinced that as supply is more than the demand their products may be booked at the floor price only. In case of Kerala Forest Department floor/start price is declared and the bidders have to bid over the disclosed price. Our Bangalore office has signed agreement with Karnataka Cashew Development Corporation(KCDC) for sale of cashew plantation. In this case bidding is to be done at the flowering stage.

Q What are the major challenges for sale of Agro Products?

A Main challenges for sale of Agro Products are: presence of middle man, Illeteracy and poverty of the farmers making them vulnerable to exploitation at all levels by all concerned, farmers' inaccessibility to information of market or technology and pressure from middle men to sell under distress at throw away prices. As a result, prices at which they are forced to sell is much lower than the rate at which consumers buy form the market. For example, Pomegranates are sold for Rs 120 to 150 per kg in the market, whereas farmers have sold for Rs 20 to 30 per kg. This amount is not sufficient for them to meet their daily expenses forget about repayment of debAnother important issue is the logistics. Even if we can arrange for auctions on behalf of small group of farmers logistics has to be strong so that material is delivered in the shortest possible time considering perishable natures of the product.

Q ***MSTC is going to set up Auto-Shredding Plant for supply of shredded Scrap to various steel industries. How will this sort of strategy shape more revenue to in your organisation?***

A At present MSTC is in service sector – trading and e-Commerce. MST has planned its foray in manufacturing with setting up first Auto-Shredding Plant in india for manufacturing shredded scrap with use of end of life vehicles(ELVs) as its feedstock. This will bring a major change in scrap industry and help in saving precious foreign exchange spent onf import of shredded scrap and also save natural resources like coal and iron ore used in normal process of steel making. Apart from earning revenue, MSTC plans to do it in national interest and save the precious metals which is otherwise wasted in the manual method of scrap recovery. However, it will not add any revenue directly to MSTC since we are planning to set up the unit under JV with a private company Mahindra Intertrade Ltd. (a part of Mahindra Partners).

Q ***Who are your strong competitors in e-commerce segment of business? What are the major opportunities and threats of this sector in India?***

A We are providing e-Commerce service in B2B and our competitors are mainly Mjunction, ABC Procure, C1 India, Matex and Nexttender. However , we are providing services along with Mjunction in e-auction of Coal for Coal India and SCCL.

With the Govt. of india emphasising on transparency in Govt. transactions and public procurement, there is a tremendous scope in coming years particularly in e-procurement. Since MSTC has created strong credentials in providing hassle free and transparent e-Commerce services to the Govt. departments and the PSUs, MSTC is quite hopeful to garner a good amount of business in e-Procurement in coming days. We are already providing e-procurement services to NHPC, Andrew Yule, MOIL, NTPL, KoPT and other organizations. We have also signed agreement with RBI and Bank of Baroda very recently. We have developed a separate portal for Power Ministry in the name of Deen Dayal Updadhyay Gram Jyoti Yojna (DDUGJY) for procurement of certain major equipments/materials centrally for various users and already there have been transactions worth more than Rs.5000 crores. We expect to get more business only by proving our credentials and based on our performance record. For this we are regularly updating of portal and getting it periodically certified by STQC, an arm of Dept. of IT, Govt. of India. What is more important is that, being a PSU, our portal complies with all the requirements of CVC, Dept. of IT and GFR. Other e-procurement portals lack these. No doubt we have a competitive edge over others on this account. But there are a number of small players in e-Commerce segment who do not have porven track record and who do not comply with all the requirements of public procurement, But they get business from PSUs and the Govt. by influencing or by offering very low rates of service charge.

Q ***Ten years down the line what sort of growth do you see in this sector?***

A There is a scope for phenomenal growth over coming ten years both in B2B and B2C particularly in the private sector where it is not mandated as on date like those in the Govt. and the PSUs to use electronic platform in sale and purchase transactions. In PSUs and Govt. also there is expected to be huge growth in e-procurement. Since our e-procurement is more user friendly and secured complying all the statutory requirements, we expect to garner quite a large volume of business to handle which we have already started planning and training our manpower. We are also planning to a major play in B2C in metal market in coming months.

Q ***What are the major strategies undertaken by your company to bring cost competitiveness ?***

A Majority of expenditure are on employees and other administrative expenses which are of fixed nature. We always try to keep our expenditure under control and try to handle more business without increasing unnecessary expenditure of fixed and committed nature. That is why although our volume of business has increased by 117% over last five years, our administrative expenses have gone up by only 50%. This has helped us to a great extent to make profit in a market of falling commodity prices.

Q ***Cost Management and Waste Management are the buzzwords in the modern business. Please suggest in what ways Cost and Management Accountants may offer their expertise more effectively in this quest?***

A Since we are in IT related services where product wise / service wise costing is not possible, there is no scope as such for cost management. However, there is a scope for judicious overhead management in line with the growth of business volume and service income. What is our major strength is the widest reach amongst our clients with a lean manpower of around 320.

Q ***What policy framework and initiatives would you expect from the Government to boost up e-Commerce?***

A Govt. should make it mandatory to use e-Commerce beyond a threshold value of purchase and sale transactions initially in the Govt. and PSUs and thereafter in the private sector. It should also come out with certain standards/parameters to judge the quality of services rendered by the e-Commerce service providers in different segments. If required, there should be a regulatory body to monitor this. Unless this is done, transparency and fairness cannot be ensured in an e-commerce transaction whether it is for purchase or for sale.

Q ***Would you like to give any message to those aspirants who want to be a part of your organization?***

A There is a tremendous scope for making a career in e-Commerce field today. My message is for making a successful career they should try to know the basics of e-Commerce transactions with its variants, interact with the clients/principals to understand what really want and their constraints and how to meet/tackle them to their maximum satisfaction, be it in terms of higher realization (for sale) and lower cost (for procurement), and then actively participate and interact in designing/customizing the portal. If there is a wide gap between understanding of client's requirements and bidders' expectations and what are provided in the system/portal, e-Commerce transaction cannot succeed and achieve the desired objective. For this, they are required to work as a team, whether they belong to system, operation or finance. They are to keep in mind they are not manufacturing a product but giving a particular service which is very much client and customer sensitive.

Q ***As an esteemed member of this Institute what do you feel ICAI-CMA should do to initiate associations and tie-ups towards effective Industry-Institute interface?***

A Yes, there is a necessity for this. Unless there is a regular interface between the two, the requirements/expectations of the industry from the cost and management accountants cannot be known. These requirements are regularly changing under today's fast changing business scenario. If there is a regular interface between the two, this can help in properly designing and timely updating the course curriculum of the Institute and also arranging proper training for the passed out cost and management accountants so that they can contribute effectively wherever they are working and meet the aspirations of the management.

B R E

Many Implications of Leaving an Economic Union

Dr. Saibal Kar
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XIT

The term BREXIT is right now known to all the esteemed readers. Great Britain, rather England, wanted to exit the European Union and went into a referendum on June 23, 2016 to make a country-wide decision about what it should be. It was not a special day as it began, but ended as one, certainly. It is the first time in the history of Economic and Currency Unions, popularly called ECUs that one or more countries opted out of the treaty. There has not been another occasion before, where a member country actually declared that it shall no longer bear the burden thrust onto the whole group. In this case, the English made it clear that they wish to close down borders to the millions of migrants that arrived in Europe in a very short span of time. It was a major one, but there were many other causes also. The economic unions first and foremost mandate is that all the members stay together and withstand adversity and enjoy success as a community. We will talk about the various nuances of economic and currency unions shortly. But before that, allow me to refer to another issue, which according to many is central to how policy decisions are adopted in democratic countries. First of all, general elections or referendums on special issues are both determined by majority ruling - whichever side gets more votes wins. An important tenet of voting behavior in democracies, as the Greek and Roman scholars and legendary personalities contemplated quite early on, is the education of the voter and spread of information on matters central to choice of representatives or critical issues. Now, most developed democracies continue to enjoy these attributes owing to their conscious effort to instill quality education as well as to record and disseminate information much more freely. Both of these activities cost the exchequer and therefore might pose constraints for not so affluent countries. Importantly, the level of economic development both determines as well as gets determined by country-wide education and information flow. Restricting flow of information often amounts to sub-optimal allocation of public resources, bank credits, incentives for investment, etc. These affect economic growth, in turn. Conversely, better dissemination of information allows individuals, firms and even the government to make appropriate judgments about socio-economic policies. These conditions, it seems, hold strong mostly for all the countries in the Organization for Cooperation and Development (OECD). Surprisingly, with regard to BREXIT, on June 23, it left some ambiguity regarding how deep the knowledge and information of the voters have been all these years on the subject of economic unions. This comment is based on the reports made in serious media outlets that after the referendum was 'over' millions in England searched for the 'meaning' of the word 'European Union' through various search engines. Were they not aware of what it implies? The referendum, however, had been made by then. Later, many people, including some of the notable economists from University of Chicago, where Nobel Laureate Prof. Robert Mundell, of the most prominent proponents of EU, had also worked between 1965 and 1971 (when the European Monetary Union was being considered seriously, before ultimately coming into existence in November 1993) stated that this was indeed a strange outcome in view of all the words spent thus far on rationality of choices. It may be useful to devote a few words on economic unions at this point.

Over the last two decades there has been an unprecedented proliferation of regional trading arrangements (RTA) and free trade agreements between countries both within and across continents. Bilateral and regional trade agreements had existed even before the World War I period, the most notable of which were the commercial treaty between England and Portugal in 1703 and the Anglo-French treaty in the 1860. The post World War II period also saw evolution of the European Union, which was motivated in part by the argument that economic cooperation can mitigate conflicts between them and that economic strength is the basis of political and military power. The formation of European Coal and Steel Community (ECSC) in 1951 and thereafter European Economic Community (EEC) in 1957 that marked the beginning of today's European Union were also motivated by the success of BENELUX customs union formed in 1948 between Belgium, The Netherlands and Luxembourg, which later developed into an economic union after the 1958 BENELUX Treaty. In Asia, there was the Association of South East Asian Nations (ASEAN), which came into force in the late 1960s with Indonesia, Malaysia, the Philippines, Singapore and Thailand as the five founder member countries. There was also the Gulf Cooperation Council (GCC), a political and economic union, was formed by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates in 1981. Caribbean Community and Common Market (CARICOM) and the South African Customs Union (SACU) also evolved during the 1960s and 1970s in other parts of the globe.

But these developments of economic and political cooperation amongst a group of countries had been far outstripped by phenomenal proliferation of new bilateral and regional trading arrangements and trade blocs during the 1990s, particularly in Asia. The number of active RTAs has shot up to 230 by the end of 2003 and further increased to 290 in 2010 from a mere 50 in 1992. This phenomenon is called the contemporary regionalism, with features and motivation behind these trade blocs being distinctly different from those that evolved during 1960s and 1970s, termed as old regionalism.

Unilateral free trade policy is not necessarily an optimal development strategy for a country. Unilateral tariff reduction on part of a country makes it better off in terms of efficiency and resource allocation gains only when its trading partners reciprocate by similar tariff reductions. But, for large countries, there are incentives for unilateral imposition of tariffs on each other's imports. Thus, reciprocation is not ensured through unilateral trade liberalization. Even for the smaller countries, the gain from better allocation of its scarce resources through tariff reductions remain far from realized if its larger trade partner does not reciprocate. This is because, with no increase in market access for its exporters and therefore in the demand for their outputs in these markets, the resources released from the import competing sectors of the economy cannot be effectively used. Note that for smaller countries, who are price takers in the world market, tariff reductions bring in no changes in the terms of trade. Thus, in absence of reciprocation, unilateral trade liberalization may actually result in a decline in the aggregate value of output and growth of the economy. Here comes the importance of a regional approach to free trade as it ensures reciprocation on mutual market access through regional trading arrangements. Note that the European Union is much bigger than free trade only; it includes several other forms of cooperation, common currency, one central bank which aligns all other country-specific central banks in terms of monetary policy regimes and a free border for mobility of all kinds of workers within the boundaries of the member countries. The last one seems to be at the source of the decision that has rocked England already and may have much deeper impact on every other country of the world.

Once reciprocation is ensured through RTAs, substantial gains arise for the member countries, both static and dynamic. Jacob Viner talked about two specific effects of formation of a customs union and welfare consequences thereof. First is the trade creation effect resulting in welfare gains for all member countries, which in a sense reasserts the arguments in favor of gains from trade. The second effect of forming a regional trade bloc is trade diversion, which Viner perceived to be bad for the members. This conclusion was subsequently found to be not a self enforcing proposition and led to a controversy between Richard Lipsey and Jagdish Bhagwati over why Jacob Viner thought trade diversion effect to be bad for member countries of a regional trade bloc.

That trade creation is good can be explained as follows. As tariffs on trade within a regional trading bloc are abolished, the volume of intra-bloc trade increases. For a regional trading bloc amongst countries that are small, such mutual and reciprocated (or regional) tariff reductions do not affect their respective terms-of-trade. Hence, all countries experience gain from forming a regional trading bloc, or to be more precise, a free trade area (FTA) through its trade creation effect. For a trading bloc amongst countries that are large, mutual and reciprocated (or regional) tariff reductions do affect their respective terms-of-trade. Thus, there may be gains and losses for member countries from such terms-of-trade changes. The region as a whole, however, unambiguously gains because of the distortions being eliminated through abolition of tariffs on intra-bloc imports. Thus, in the case where at the regional free trade equilibrium some of the member countries gain and others lose relative to tariff-restricted regional equilibrium before the formation of the customs union, there is scope for compensating the losers through side payments to make the regional trading bloc amongst the large countries (regionally) Pareto optimal and thus beneficial for all. Note that, countries may gain individually even if they experience terms of trade deterioration after the formation of the FTA, provided such deterioration is small enough so that the consequent welfare loss is outweighed by welfare gain from increase in intra-FTA volume of trade.

These characteristics are integral to formation and maintenance of FTAs and economic unions between countries. However, both migration and the credible threats from other member countries in attempting to leave the union might have pushed the patience of the Brits (not for the Scotts and the Irish, as yet) and they decided to quit. Thus, after 43 years as members of the European Union, voters in the United Kingdom have voted to leave. Immediately following, Britain's Prime Minister David Cameron resigned, bringing an abrupt end to his six-year premiership. These changes will have significant economic, political and social consequences. "Brexit was the spark in a place full of gasoline," says Luigi Zingales, professor of entrepreneurship and finance at Chicago Booth University School of Business. "The issue is not only non-performing loans. There is a lack of credibility ... of the Italian banks vis-à-vis the market. You cannot minimise problems for years and then be believed."

The Brexit vote will force the next U.K. prime minister to make a significant choice: Whether to control immigration into the country, or preserve the pre-eminence of the country's financial center, known as the City of London. Doing both appears to be infeasible. Britain voted for Brexit, but many seek ways to avoid it. This draws comparison with the events of almost exactly a year ago when the Greek government ignored the outcome of the Greek bailout referendum.

The three economics professors who compile the data on economic uncertainty across the globe – Scott Baker, Nick Bloom and Steven Davis – have shown that a rise in their Economic Policy Uncertainty index foreshadows lower investment, output and employment. Luigi Zingales further states, "What we have observed in Britain and what we are observing in the U.S. with Trump is a growing mistrust of voters toward experts. In the Brexit debate it was hard to find any economist justifying a departure from the European Union. In fact, many were willing to make forecasts so pessimistic as to be accused of scaremongering. Not only did these forecasts fail to rally the vote for Remain, they probably contributed to the victory of Leave." On the same note, Prof. Anil Kashyap warned that one of the biggest consequences of the British vote to leave Europe is that other countries will consider doing the same. Populism and nationalism are on the rise all over the globe. Now that U.K. voters have been given a chance to express their preferences, I believe that it is almost inevitable that another government inside the EU will hold some sort of similar vote. It is surprising that the market analysts in UK did not consider a short-run impact of BREXIT at all. On the contrary, however, most economists would agree that, the shorter the time frame, the more of an effect there is. That's true in the UK and in the US. Over the longer run, they will be able to sort out trade agreements with Europe. They might take a Switzerland model; they might take a Canadian model and will have time to readjust the plans afresh. The countries in effect will be able to sort out a model. It was also echoed in the discussion by operators in the stock market - the gains and losses are going to be more short-run in nature and the question is whether a country as a whole shall succumb to these effects and set in a path of long-run recession.

Overall, the Brexit shock has given the economy "a good kicking" according to a special set of surveys of businesses taken in the wake of the European Union referendum vote, which suggest the UK economy is now contracting at its steepest pace since the last recession in early 2009. The "dramatic deterioration" will significantly increase the odds of a major monetary stimulus from the Bank of England next month to support the economy.

Markit/CIPS surveys of firms' purchasing managers conducted in recent days suggests activity in both the UK's services and manufacturing sectors have slipped into contraction in the wake of the 23 June vote.

The Purchasing Managers Index reading for the services sector in July was 47.4, well below the 50 mark that signals growth. The reading for manufacturing was 49.1. Combined, that takes the "composite" PMI reading for the economy to 47.7, down from 52.4 previously and its lowest level since April 2009. "The month of July saw a dramatic deterioration in the economy, with business activity slumping at the fastest rate since the height of the global financial crisis in early-2009" said Chris Williamson, chief economist at Markit. At this level, the survey is signalling a 0.4 per cent contraction of the economy in the third quarter... With policymakers waiting to see hard data on the state of the economy before considering more stimulus, the slump in the PMI will provide a powerful argument for swift action. Economists have already slashed their growth forecasts for 2016 and 2017 in the wake of the Brexit vote, with a majority surveyed by Bloomberg expecting the UK to return to recession for the first time in seven years. The readings were worse than City of London traders had been expecting and the pound instantly sank more than a cent and a half to \$1.3115, in the wake of the release, having been trading at \$1.3280 previously.

The Bank of England held off from cutting interest rates in July further from their record low of 0.5 per cent, despite comments from the Governor Mark Carney, in the week after the vote that an easing of monetary policy was "likely" over the summer. But the minutes of the July meeting did say that a majority of members of the nine person Monetary Policy Commitee "expect monetary policy to be loosened in August".

It is important to note that for UK, services account for around 80 per cent of the economy and manufacturing 10 per cent. There is every possibility that with falling interest rates in the UK, there may be short-term capital flight to countries which still offer higher interest rates. India may benefit from such capital inflow. Moreover, this may have a strong domestic impact on prices, employment, production, services, export and import. In a nutshell, the impact of Brexit is about to fall in almost every aspect of life. However, not all may be on the negative necessarily. For example, a weakening pound-sterling may help the UK based exporters while making it harder for importers. It should improve the balance of payments in UK. Question is, does UK have a lot of manufacturing to export, apart from its financial and other service sector outputs? The manufacturing PMI reading in the previous month had been 52.1 and for services it had been 52.3. The drop in the services reading to 47.4 was the steepest monthly decline since the PMIs began in 1996. City of London economists had only been expecting a decline to 49.2.

The bleak PMI results contrast with a report released on Wednesday by the Bank of England's regional agents – seen as the central bank's "eyes and ears" on the ground – who reported that the majority of firms they contacted in the wake of the Brexit vote "did not expect a near-term impact from the referendum result on their capital spending". Yet the agents did report that around one third of firms expected "some negative effects over the next twelve months, with reports of a 'risk-off' approach to expenditures and some imminent plans for spending slipping". What this suggests is quite simple, indeed. The full and pervasive impact of Brexit is not quite comprehensible as of now, and most people are taking the impact as they come on a day-by-day basis. However, the fear of other countries following suit is still very real. Under the circumstances, weaker southern European economies may hold the stronger ones like Germany on ransom for other benefits in order that they do not leave as well. One thing that most of us are still not discussing out in the open is what terrorism and religious fundamentalism could do to a whole lot of countries around the world. If the Syrian crisis and refugee migration had not reached the shores of Europe in the forms of millions of human beings, many of these issues could have been averted for now.

We need another occasion to discuss the entire impact of migration into Europe and its relation with the larger issues of stability of an economic union. MA

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Fiscal Federalism:

Issues and Pitfalls in Local Self Governance

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Democratic decentralization is the development of reciprocal relationships between central and local governments and between local governments and citizens. It addresses the power to develop and implement policy, the extension of democratic processes to lower levels of government, and measures to ensure that democracy is sustainable. Democratic decentralization incorporates both decentralization and democratic local governance[1]. It is more than two decades since India has embarked on the path of democratic decentralisation and grassroots democracy. Constitution has been amended, laws are in place, fund, functions, functionaries have been devolved and we are happy that the world's largest democracy has the vibrancy to institutionalise participatory system of governance. Eleventh and twelfth Schedules of the Constitution define the mandate and Central and State Finance Commissions do the gap analysis periodically and discharge grants to meet the mandate. But have we achieved the desired level of efficiency in implementation and delivery? Have the citizen's charters been fully honoured? Are the accountability standards robust and self-sustaining? Moreover, when India can't boast of a high status in international corruption index, are the huge resources flowing to the grassroots well insured against leakages and wastes? What about recording and upkeep of the assets created? While there is a general belief that decentralization and government corruption are closely linked, theories differ in their predictions of what the net relationship between them should be. A variety of models have been developed to examine the political economy of decentralization, leading to very different implications for the relationship between decentralization and corruption. Broadly speaking, these models emphasize several basic factors: (a) inter-jurisdictional competition; (b) monitoring and direct accountability; (c) dispersion of decision-making powers; (d) competence and bureaucratic 'quality'.[2]

In India, the grassroots democracy involves the *Panchyati Raj* Institutions (PRI) and the Urban Local Bodies (ULB). Through a system of fiscal federalism, a process for devolution of resources with adequate system of checks and balances and standards of accountability has been established. In the present discourse we shall try to flag some of the system frailties which are hampering the efficacy, efficiency and transparency of the system and the possible solutions to the ticklish issues. We must remember that there are three partners involved in delivery: the Union, the States and the local self governance bodies and main stakeholders are "We the people of India".

Budgeting and devolution of funds, grassroots planning and implementation of schemes.

Budgeting process at the PRI/ULB level often show the following gaps:

✤ Non-formulation of annual plan – majority of local bodies are unable to incorporate estimates of receipts and payments relating to plans schemes in their budgets.

✤ Budget proposals not approved by PRIs/*gram sabhas*

Weak budgeting and budget control

✤ Loss of assistance due to non-adherence to stipulated conditions

✤ Blocking of funds/diversion of scheme funds

✤ Felt needs not captured in district plans

✤ Defective selection of beneficiaries

✤ Lack of utilisation certificates – lack of transparency in expenditure

State governments are taking cognisance of these shortcomings and steps are being taken to overcome the deficiencies. We shall discuss the reforms being undertaken by the states at the end. Here may take notice of one good budget model developed by the State of Kerala sometime back. In Kerala, a composite index of entitlement was evolved taking various components for the distribution of grants-in-aid (general sector, Special Components Plan and Tribal Sub Plan) in the following matrix.

Composite Index for Entitlement

Sl. no	Indicators	Weightage (percentage)
1	Population (excluding SC/ST)	60 (GP) 60 (BP) 50 (DP) 70 (ULB)
2	Tribal population	5 (GP) 5 (BP) 5 (DP) 5 (ULB)
3	Geographical area excluding area under forests	5 (GP) 10 (BP) 15 (DP) 5 (ULB)
4	Area under paddy	5 (GP) - (BP) - (DP) -(ULB)
5	Own income of Grama Panchayata	10 (GP) – (BP) – (DP) –(ULB)
6	Composite Index of Agricultural labourers, persons in livestock, fisheries etc. and marginal workers	15 (GP) 25 (BP) 20(DP) -(ULB)
7	Composite index of backwardness: houses without latrine, electricity etc.	- (GP) - (BP) 10(DP) 20(ULB)

(GP – Grama Panchyata, BP – Block Panchayata, DP – District Panchayata)

(Source: Kerala Economic Review 2007, State Board, Government of Kerala)

"My idea of village swaraj is that it is a complete republic, independent of its neighbours for its own vital wants, and yet interdependent for many others in which dependence is a necessity....Here there is perfect democracy based upon individual freedom".

***- M.K Gandhi** (Harijan 26-7-1942)*

However the fact remains that the states have shown different degrees of response in meeting the challenges of efficient devolution of resources and good policy measures are necessary to strengthen the finances of PRIs/ULBs. Perceived benefits to be derived from increased decentralisation like improved service delivery, greater popular involvement in governance and increased revenue mobilisation still remain matters of concern. It has been experienced that based on certificates received from the states it is difficult to provide assurance for utilisation of funds in real time. States' apathy occasionally to transfer funds and functionaries also prove to be an obstacle for PRIs. ULBs can access the market through issue of Municipal bonds with state guarantee, but only financially strong ULBs can resort to the measure and even so the market response may be lukewarm. Tamil Nadu and Karnataka have achieved some success in pooled finance model. The most critical factor for obtaining market finance is an investment grade credit rating for the municipal bond issues. This will require sustainable revenue base and appropriate credit enhancement of the issues. Demand and supply side constraints have to be addressed.3 JNNURM funds have provided some resource boosting for ULBs.

Accounting Issues, Fund Flow, Asset Management, Internal Controls

The local body institutions represent the action of the government at the micro level, thus impacting upon the lives of the governed and the connections between these institutions and other local entities. Accounting and accountability play an important role in the administration and governance of such organizations and, consequently, in the process of ordering activities within local communities.[4] The accounting scenario in Indian local bodies, however, has not developed very uniformly and harmoniously resulting in continuous efforts both at the union and state to streamline the accounting system right from developing a proper accounting standard to designing the initial and subsidiary books of accounts for preparation of correct and proper (and at the same time, simple) financial statements. I remember for one particular ULB accounts were not prepared for 10 years, but when an international bank committed a soft loan for city development and asked for their accounts, a presumptive balance sheet with presumptive opening balances were drawn up which was naturally rejected. Necessity being the mother of invention, state level experts put their heads together and a balance sheet was drawn up with fifty notes to accounts disclosing the legacy issues with an action plan for cleaning the accounts bringing the house to order. In the absence of accounting rules, Statement 10 of Government Accounting Standards Board, USA (GASB 10) and Indian GAAP were freely used for proper disclosure. The deserved international loan was received. Situation has improved since then. ULBs have switched over to accrual system of accounting and pulled up the arrears in accounts. DFID and other international agencies have come forward for the change management and handholding. A National Municipal Accounting Rule was developed under the aegis of CAG of India which the states have either adopted or framed their own rules. Computerisation of accounts Tally or other software has also happened. Paying taxes through computer network has improved collection efficiency and reduced corruption.

In PRIs the situation is on a different footing. Because of multi-tiered fund flow system and reconciliation with cash based accounting system of government, certain issues are still being resolved. CAG has developed a standard format for the three tiers and some states have adopted it. A standard accounting software called PRIA was also developed by NIC. There are some other issues like matching of state and PRIs account codes for capturing the reflection of destination-wise grants in the PRIs accounts which are receiving attention. In distribution of grants also, the variables should be available on a common accounting platform to measure the distance from the median. Moreover, absence of uniform and robust accounting system increases the possibility of corruption, leakages and wastage.

Another issue which troubled the policy makers was transfer of grants to PRIs for creation of capital assets by the PRIs. These assets like roads, bridges etc. were created and owned by the state till the Eleventh Schedule mandated the same to the PRIs. Under the government accounting rules, grants can be transferred under the revenue heads. This created a two-pronged issue. First, transferring under the revenue head will create a huge artificial revenue deficit for the govt. with a skewed budget and second, the destination specific grant will get lost in PRI account and it will never be possible to track the asset. Another window for malfeasance indeed. Government Accounting Standard Board

(GASAB) is seized of the issue. Fund devolution issue may face another challenge when disbursement is from society mode to treasury mode as decided by govt of India. It may introduce a better track control system and cover fiduciary risks, but the PRIs will have to gear up their management system.

Audit is another discussed issue. Local fund audit being a state subject is outside the statutory jurisdiction of CAG. Like accounting, the states have not sufficient skilled manpower set to handle the activity efficiently and professionally. Successive central finance commissions have therefore entrusted CAG to provide Technical Support and Guidance (TSG) to the local bodies for accounting and auditing purposes. Some states have made CAG the statutory auditor under their Acts, with the concurrence of CAG. Till the process of capacity building is on, this practice may continue.

Some areas in internal control cause concern. Apart from weak asset and cash management, inventory control and stores management suffer from serious deficiencies which have been brought to the notice of Kelkar Commission (13 CFC). Reconciliation of receipts and expenditure, bank reconciliation etc. show serious lapses. Internal audit is also another area which has been seriously neglected.

Conclusion: Way Forward

To achieve the goals of democratic decentralisation in local self governance, both the Union and the State governments are giving stress on capacity building, skill formation, IT literacy and professionalism at all levels of local bodies. Some initiatives are internalised, while some are coming are coming from multilateral donor agencies like DFID, World Bank etc. World Bank is carrying the task through their Public Financial Management Reforms (PFMR) programmes. It is intended to be achieved through institutional strengthening, empowering staff with latest skills, improving efficiency in audit procedures and processes including use/development of IT tools. It involves developing/upgrading audit procedures and manuals, demonstrating proof of concept of risk based and management audit through pilots, capacity building of audit staff, IT systems development/ implementation, developing an external communications strategy and providing handholding support. Assessing training needs and developing course modules are also important components of the programme. It is expected that with such comprehensive and positive pro-active initiatives, India will surely present a model system of local self governance cutting across the political agenda. MA

Foot Note

1. *Democratic Decentralization by Camille Cates Barnett, Ph.D. Henry P. Minis Jerry VanSant of the Research Triangle Institute (USAID study, December 1997)*
2. *Decentralization and corruption: evidence across countries by Raymond Fisman & Roberta Gatti (Journal of Public Economics 83 (2002))*
3. *Market Based Financing of Urban Infrastructure in India – Chetan Vaidya (Paper presented to 13th Central Finance Commission at IRMA, Anand)*
4. *Accounting and accountability in local government: An Introduction by Delfina Gomes, University of Minho, Portugal & Massimo Sargiacomo, University G. d'Annunzio, Italy (Accounting History – Sage Publication)*

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DISRUPTIVE INNOVATION INDIAN BANKING INDUSTRY

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Banks are institutions which are engaged in the mobilization of savings in the economy and deploying the same by lending to the needy. There was a complete shift in the way we did Banking pre nationalization (1969), from 'Class Banking' we moved to 'Mass Banking' and 'Security Oriented Lending' to 'Purpose Oriented Lending'.There have been disruptive innovations in the Banking Industry in the new millennium. (Since 2000). Core Banking Solutions, Internet Banking, ATMs, Mobile Banking, Micro Finance Lending, Speed Clearing, Cheque Truncation System, Debit and Credit Cards, etc. to name a few. This article captures major disruptive changes in the banking industry by classifying them into Changes in the Banking system, Changes in the Deposits and Advances area and the Payment and Settlement systems. Banks have now become 'One Stop Solutions for the Financial Services'. Under one roof, the customer can get Banking, Insurance, Mutual Fund services. Under Core Banking Solution (CBS), a customer is no more a 'Branch Customer' – HE is a 'Customer of the BANK'. He can operate his account from any Branch. From Customer of the Bank we are moving ahead to the 'Customer of the Banking System'. Banking in the future will have to rely more on the new generation technologies such as Social Media, Mobile, Analytics and Cloud (SMAC). (CII-KPMG Report 13 September 2013). This article details what could be the disruptions that Indian Banks could face in the next four years.

"Change is the only Constant". (Heraclitus).

"Whenever Change occurs, the ones who adapt to the Change shines and those who do not, become victims of change."

The above statements apply to both organisations and the individuals. Innovation brings about change in the process of manufacture or features of a product. When an innovation by a smaller company with fewer resources successfully challenges established incumbent business we call it as 'Disruption'. The new entrants target segments over looked by the existing players and offer products at much lower price. "Disrupters first appeal to low-end or unserved customers and then migrate to the mainstream market" (Clayton M.Christesen)

In the new millennium, we have come across lots of changes which have re-defined the Banking services. Before the introduction of Core Banking Solutions (CBS), the customer had to go to that very branch where he maintained the account for all his banking needs. After CBS, he can go to any branch and get banking service. Thus, from the 'Branch Customer' he has now become a 'Bank Customer'. The business hours of banking, holidays or strikes by employees are having very minimal impact on customer service due to the wide spread use of technology. Automated Teller Machines (ATMs), Debit Card/ Credit Card, Internet Banking have revolutionized the mode of banking operations. It is now 24 X 7 X 365 days banking with "AAA" facility (Any Time Any Where Any How). The wide spread use of mobile by Indian population in the past two years has given a new dimension to the banking for the future viz., M-Banking (Mobile Banking). The granting of licence to Small Banks and Payment Banks will have great impact on the Financial Inclusion efforts of the Government of India. The issuance of Aadhaar Cards, implementation of Pradhan Mantri Narendra Modi's Jan Dhan Yojana, Self Help Group Financing through Banks and Micro Finance Institutions (MFI), use of Business Correspondents by Banks are going to revolutionalise the mode of disbursing credit to the needy sector of the economy.

Theory of Disruptive Innovation (DI)

A disruptive innovation is an innovation that creates a new market and value network and eventually disrupts an existing market and value network, displacing established market leaders and alliances. The term was defined and phenomenon analyzed by Clayton M. Christensen beginning in 1995. More recent sources also include «significant societal impact» as an aspect of disruptive innovation (Wikipedia)

Christensen defines a disruptive innovation as a product or service designed for a new set of customers. Christensen describes that the disruptive innovation can take place in two ways:

1. Low End Disruption: when a new entrant tries to satisfy the need of low end customers of an existing product.

Here the new entrant tries to offer products at lower price than existing players. This product may not have all the features of the existing products which may be catering to the needs of high end customers. In low-end disruption, the disruptor is focused initially on serving the least profitable customer, who is happy with a good enough product. Once the disruptor has gained a foothold in this customer segment, it seeks to improve its profit margin. To get higher profit margins, the disruptor needs to enter the segment where the customer is willing to pay a little more for higher quality.

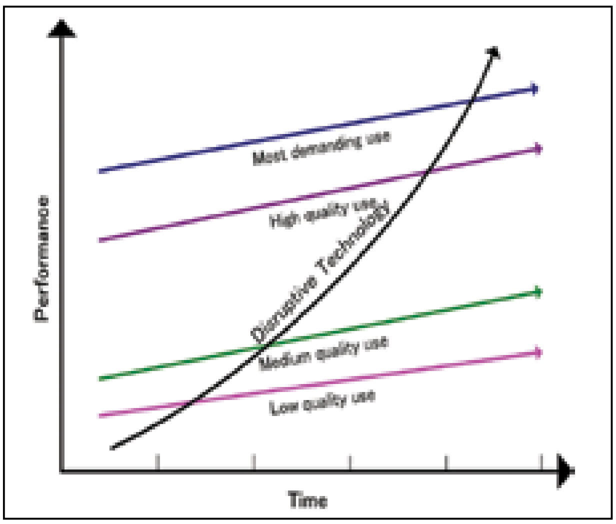


Chart 1 - How Low-end Disruption occurs over time

2. "New market disruption": when a product fits ***a new or emerging market segment that is not being served by existing incumbents in the industry.***

Some of the examples of Disruption are furnished in the following table:

Established Technology	Disrupted Technology
Brick & Mortar Retailing	On-line Retailing
Traditional Film Cameras	Digital Camera
Offset Printing	Digital Printing
Landline Plans	Cell Phones
Traditional Brick & Mortar Banking	Core Banking Software
Remittance by DD/Mail Transfer	Mobile Banking

Sustaining Innovation Vs Disruptive Innovation

Each and every innovation cannot become Disruptive Innovation. No company sits idle once a product is introduced in the market. They will have an R & D Team which keeps innovating new things in tune with the needs of the customer. These innovations do result in increasing the market share and the profits of the existing company. These types of innovations are termed as 'Sustaining Innovation'.

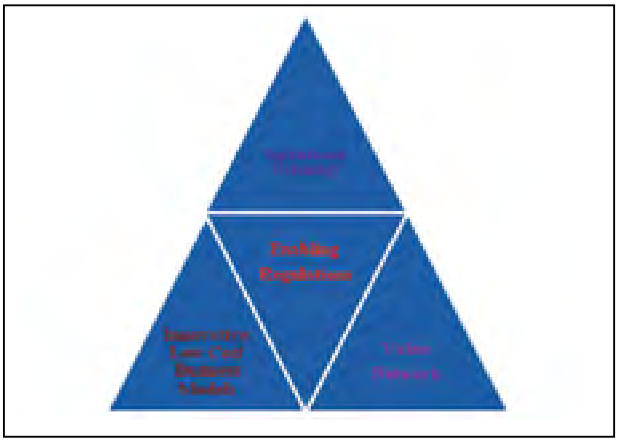
In contrast to the above, Disruptive Innovation caters to new markets not tapped by the existing players. The changes are dramatic and the traditional models are disrupted by the new entrant.

The following table captures the difference between Sustaining Innovation and Disruptive Innovation:

Sustaining Innovation	Disruptive Innovation
Problem is well understood	Vague
Existing Market	Untapped New Market
Innovation enables improved Performance, lower costs and incremental changes	Innovation is dramatic and game changing
Predictable Market	Unpredictable Market

Elements of Disruptive Innovation:

Normally, a DI involves a sophisticated technology that simplifies the existing process, involves low cost business models and the regulations that facilitate change.



Indian Banking Industry – Disruptions in the New Millennium

After understanding the basic concept of DI, let us look back at the Indian Banking industry which has seen lot of disruptions that have changed their business model. Herein below, the disruptions have been discussed under two broad heads:

1. The structure of Banking System, the core banking business model and their main functions of Deposits and Advances
2. Payment & Settlement Mechanism

Changes in the Structure of Banking System

a) Granting of Licence to Payment Banks and Small Banks

On 19th August, 2015, Reserve Bank of India granted in-principle approval to 11 applicants for setting up Payment Banks. This approval is valid for 18 months. These banks cannot undertake lending activities and initially deposit is capped at Rs.1 lakh per customers. 25% of their branches must be in unbanked rural areas. Payment Banks will bridge the last mile between bank branches and remote customer living in a rural pocket. They are permitted to issue ATM and Debit Cards (not credit cards). They may also offer internet banking services to leverage technology to offer low cost banking solutions. They will essentially rely on technology to reach payment services to all customers, using mobiles as a banking vehicle.

RBI also granted approval for 10 Small Banks on 16th Sept 2015. These banks are permitted to do lending activities unlike Payment Banks which cannot. They have to advance loans primarily to the unbanked, small businesses and farmers, micro and small industries and unorganized sector entities which do not have access to finance from the larger banks.

Both the above banks are going to displace existing banks' importance in the Semi Urban and Rural areas. Due to the use of latest technology their cost of operations would be much lower and they would break even in the very first year of operation.

b) Introduction of Core Banking Solutions (CBS)

The scenario of banks' operations before full computerization is just unimaginable at this juncture. Since last decade Core Banking has been introduced in all the Branches of all the banks. CBS has changed the way banking was being done – need to go to specific branch, only on working days and that too during business hours, etc. Now, the customers are enjoying 24 X 7 X 365 days of uninterrupted banking service. From the Customer of a Branch of the Bank now we have moved to Customer of the BANK. A customer can operate at any branch of the bank at any part of the country.

c) Growth of Virtual Banking

In the last five years, use of internets by Indian Population has grown geometrically. With lot of young customers preferring to do the banking operations through internet the importance of the branch as POS is losing importance. Barring a few Senior Citizens and rural customers, internet banking has helped a lot. As of Jan 2015, 75% of the Indian Population was having Mobile Phones. With the rapid speed at which the mobile user is increasing it might have touched nearly 90%. Customers have started using mobile phones for internet banking. This has resulted in the reduced foot falls in the brick and mortar branches of the banks. Virtual Banking model is slowly picking up.

d) Introduction of Aadhaar and Prime Minister's Jan Dhan Yojana (PMJDY)

Unique Identification Authority of India (UIDAI), which administers the Aadhaar scheme, as on March 2015 (Times of India, 29.03.2015) has assigned 786 million Aadhaar numbers across the country. PMJDY scheme was started with a target to provide 'universal access to banking facilities' starting with "Basic Saving Bank Account" with an overdraft upto Rs.5000 subject to satisfactory operation in the account for six months and RuPay Debit card with inbuilt accident insurance cover of Rs. 1 lakh and providing social security schemes i.e., Pradhan Mantri Suraksha Bima Yojana , Pradhan Mantri Jeevan Jyoti Bima Yojana & Atal Pension Yojana .

Milestones achieved under PMJDY in just one year of its implementation – August 2015

✤ Banks have opened 17.74 Crore accounts under PMJDY with deposit of more than 22000 crores.

✤ Aadhaar has been seeded in 41.82% of account opened under PMJDY

✤ Zero balance accounts in PMJDY have declined from 76% to 45.74% from September 2014 to 19th August 2015

✤ More than Rs 4273 crore have been routed through these accounts till June 2015 towards payment of wages under MNREGA.

✤ DBTL transactions: Transfer of subsidy of more than Rs 17446 crore through Jan Dhan accounts from November 2014 to 31st July 2015.

Pradhan Mantri Jan - Dhan Yojana
(Accounts Opened as on 20.04.2016)
(All Figures in Crores)

Bank Name	RURAL	URBAN	TOTAL	NO OF RUPAY CARDS	AADHAAR SEEDED	BALANCE IN ACCOUNTS	% OF ZERO-BALANCE-ACCOUNTS
Public Sector Bank	9.50	7.49	16.99	14.37	8.13	28876.72	26.79
Regional Rural Bank	3.29	0.54	3.83	2.66	1.19	6480.21	22.65
Private Banks	0.49	0.31	0.80	0.75	0.30	1402.37	39.31
Total	13.27	8.34	21.61	17.78	9.62	36759.30	26.52

Source: http://www.pmjdy.gov.in/account.

In the 21.61 Crores Accounts opened, Deposits balance was Rs.36,759.30 Crores

PMJDY Scheme has not only found an entry in the Guinness Book of World Records but along with Aadhaar Scheme has revolutionalised the method of providing subsidies to the rural people. Now, through the DBT (Direct Benefit Transfer), the government assistance to the poor and needy (in the form of subsidies, unemployment allowance, etc.) get directly credited to their bank accounts. This has not only ensured that the benefit reaches the poor but also helped in plugging the leakages in the system. Government is contemplating to bring Kerosene also under DBT scheme where the subsidy is very high and the misuse of the same can be plugged.

e) Provision of all Financial Services under one roof

All categories of Banks (Public, Private or Foreign) have in the last one decade become "One Stop Solution" for all financial service needs of the customers. In fact, Banks are doing more of non banking functions like Selling Insurance Policies, Mutual Funds etc. These activities help them in getting Commission without the risk associated with the lending and the need for maintenance of capital for these businesses (Banks are required to maintain 9% of their Risk Weighted Assets as Capital – CAR). Banks have set up separate cells under various banners – Private Banking, HNI (High Net worth Individuals) Banking, Wealth Management, etc. which offer advisory services.

f) Micro Finance /Self Help Group (SHG) Lending

Micro Finance refers to lending small amounts. Normally, it is lent to a group of people. Most of the beneficiaries are women. Loans under this have helped women in the rural and semi urban areas to attain financial independence. Lending to this sector takes two models:

i). Direct Lending by Banks to Self Help Groups.

NGOs assist in forming the groups, helping them mobilise savings and maintain accounts. After the group attains experience (termed 'mature'), Banks lend money based on the savings of the group and their activity needs. Banks have found that the Non Performing Advances (bad debts) under this sector is very minimal (less than 1%) because the group members take responsibility for the payment of the loans taken by any member. Peer-level pressure works well

ii). Banks Lending to Micro Finance Institutions (MFIs): MFIs specialize in lending to this sector. They have corporate structure. Some of them have come out with public issue and a few of them got licence from RBI to start 'Small Banks'. Here, the yield (interest on advance) for the bank is low but so also the administrative cost and risk of NPA. The MFIs lend to the SHG at higher rates of interest and the difference forms their profit.

Micro Finance lending has disrupted the rural lending model of the banks.

2. Changes in the Payment & Settlement System:

The passing of Payment and Settlement Act, 2007 and Payment and Settlement Regulations 2008 (which came into force from 12.08.2008) has altered the payment & settlement space drastically.

a. Speed Clearing and Cheque Truncation System (CTS)

Speed Clearing refers to collection of outstation cheques through the local clearing. It facilitates collection of cheques drawn on outstation core-banking-enabled branches of banks, if they have a net-worked branch locally. This reduces the movement of cheques from presentation center to the drawee centre and also the time taken for realisation of the outstation cheque. Earlier it used to take anywhere between 1 to 3 Weeks for an outstation cheque to get collected. Now, it is like any local cheque gets collected in 2 days (t +1=2 days).

Similar to Speed Clearing, CTS reduces the movement of outstation cheques and the days required for collection. Here, an electronic image of the cheque is transmitted to the paying branch through the clearing house, along with relevant information like data on the MICR band, date of presentation, presenting bank, etc.

While in Speed Clearing the presence of the paying bank branch in the clearing house location is a necessity under grid-based CTS, the geographical coverage becomes more as the chances of paying bank not having presence in the grid location is very rare.

With the introduction of Speed Clearing and CTS the banks have lost in two ways – one the commission income has lowered and second more importantly the float they were enjoying for nearly 8-10 days has been lost. This has resulted in increasing the cost of funds to the Banks.

b. New Speedy Electronic Modes of Remittance : NEFT & RTGS

National Electronic Funds Transfer (NEFT) is a mode of remittance where with the intervention of RBI, the funds get transferred between customers of different banks within the same day (2 to 4 hours maximum). NEFT is processed batch wise and it shall be used where the individual transaction is of the value of below Rs.2/- lakhs.

Real Time Gross Settlement (RTGS) shall be used where the amount of remittance is Rs.2/- lakhs and above. Here, the beneficiary's account is credit instantaneously (real time – Maximum of 2 hours).

Prior to these new modes, customers used to send money from one place to another through Mail Transfer or Demand Draft. The implementation of NEFT and RTGS has again reduced the time taken for crediting the account of beneficiary and the charges (Exchange) for remittance also has become less. As observed in the previous point, Banks lost the float of 7-10 days (from the DD date to the date of clearance) here again and thereby cost of funds went up.

c Moving towards Paperless System

Reserve Bank of India has introduced lot of new measures which has reduced the use of paper and also usage of Cash. Some of them are detailed below:

- ***Electronic Clearing Service - ECS Debits & Credits*** - ECS is an electronic mode of payment / receipt for transactions that are repetitive and periodic in nature. ECS is used by institutions for making bulk payment of amounts towards distribution of dividend, interest, salary, pension, etc., or for bulk collection of amounts towards telephone / electricity / water dues, cess / tax collections, loan instalment repayments, periodic investments in mutual funds, insurance premium etc. Essentially, ECS facilitates bulk transfer of monies from one bank account to many bank accounts or vice versa.
- ***Plastic Money – Debit Cards, Credit Cards and Prepaid Cards*** - Debit cards are issued by banks and are linked to a bank account. Credit cards are issued by banks / other entities approved by RBI. Prepaid cards are issued by the banks / non-banks against the value paid in advance by the cardholder and stored in such cards which can be issued as smart cards or chip cards, magnetic stripe cards, internet accounts, internet wallets, mobile accounts, mobile wallets, paper vouchers, etc. All these cards can be used for purchase of goods and services at Point of Sale (POS)/E-commerce (online purchase).

Payment System Indicators - Annual Turnover

Item	Volume (Millions)		% Change	Value (Rs. Billions)		% Change
	2015	2014		2015	2014	
RTGS	92.8	81.1	14%	754032	734252	3%
ECS (Dr)	226	192.9	17%	1739.8	1268	37%
ECS (Cr)	115.3	152.5	-24%	2019.1	2492.2	-19%
NEFT	927.6	661	40%	59803.8	43785.5	37%
Debit Cards	808.1	619.1	31%	1213.4	954.5	27%
Credit Cards	615.1	509.1	21%	1899.2	1539.9	23%
Prepaid Instruments	314.5	133.6	135%	211.9	81	162%

Source: RBI Annual Report 2015

The above table gives an idea about the volume and value of the transactions routed through the various modes of payment.

During the year 2014-15 total retail payments in volume was 4,620.9 million and the value was Rs. 1,54,129.3 billion. Of these, Total Paper Clearing was 1,195.8 billion and the value Rs. 85,439.3 billion. The balance being Electronic Clearing. ***It can be observed that Electronic clearing accounted for 74.12 % of the total volume and 44.56% of the value.***

Mobile Banking - Mobile phones, as a medium for extending banking services, have attained greater significance because of their ubiquitous nature. The rapid growth of mobile users in India, through wider coverage of mobile phone networks, have made this medium an important platform for extending banking services to every segment of banking clientele in general and the unbanked segment in particular.

What factors could be the Disruptors for the Indian Banking Industry in the next 4 years ?

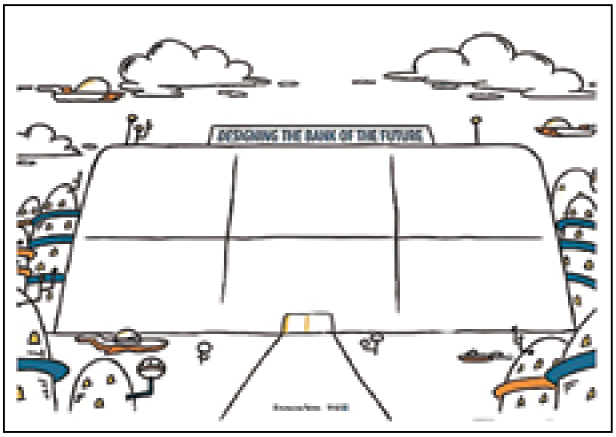


Chart 1: Source: Digits – Tech News and Analysis from WSJ – oct29,2014

1. Technological Disruption in the Payment Industry:

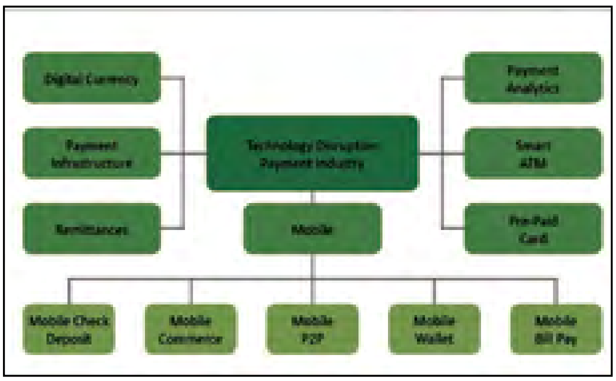


Chart 2: Source: http://www.tcs.com/resources/white_papers/Pages/Impending-Disruption-Payment-Marketplace.aspx

Wide spread use of Mobile Phones is an enabler for payments using technology and sometimes, without the intervention of the Banks. 75 percent of the population has mobile subscriptions, a total of 946 million. A deeper look into the web traffic in the country reveals, 72 percent of all online activity in India is done on mobile. Paytm, Oxigen Wallet and other payment agencies are already being used by customers for making on line payments. Vodafone M-Pesa is very popular for transfer of money from one place to another.

The following Chart shows the usage of digital media in India as on January 2015:

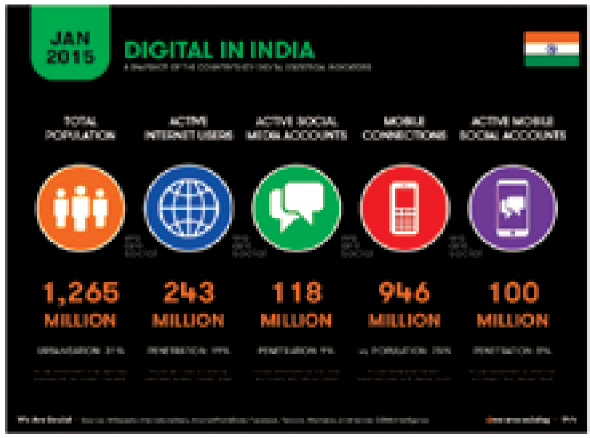


Chart 3: Source: https://www.techinasia.com/indiawebmobiledatajan2015

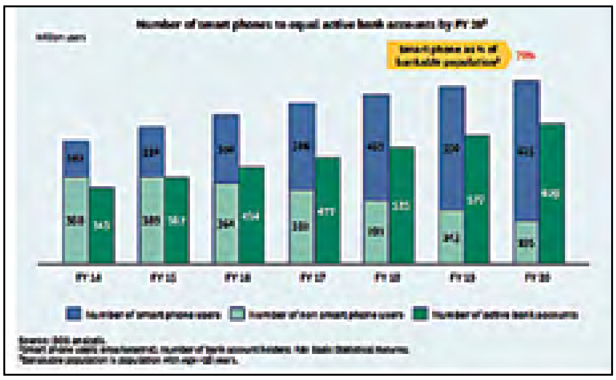


Chart 4: Source: Digital Banking_BCG Report 2014

From the above chart, we can observe that the no. of phones is already more than the number of active bank accounts. The smart phone numbers in 2015 is 57.88% of the active bank accounts. In the next two years it would reach 88.95% of the active bank accounts. This implies that there will be a big shift in the mode of banking operations and the 'MOBILE/CELL PHONES' are going to be in the lime light.

India to overtake US in smartphones by 2016'

"China will continue to lead the world rankings in 2016 with

624.7 million smartphone, followed by India (204.1 million), the US (198.5 million), Russia (65.1 million) and Japan (61.2 million)," the report said. *(http://indiainbusiness.nic.in/newdesign/index.php?param=newsdetail/10367)*

As can be seen from the Chart 2 (Technology Disruption in Payment Industry) Mobile would be used for variety of functions.

✷ **Mobile Commerce –** M-commerce (mobile commerce) is the buying and selling of goods and services through wireless handheld devices such as cellular telephone. Known as next-generation e-commerce, m-commerce enables users to access the Internet without needing to find a place to plug in.

✷ **Mobile P2P - Person-to-person payments (P2P)** is an online technology that allows customers to transfer funds from their bank account or credit card to another individual's account via the Internet or a mobile phone. ***There are two general approaches for initiating a person-to-person payment:***

In the first method, users establish secure accounts with a trusted third-party vendor, designating their bank account or credit card information to be used to transfer and accept funds. Using the third party's website or mobile application, individuals can complete the process of sending or receiving funds. Users are generally identified by their email address and can send funds to anyone who is a member of the network.

In the second method, customers use an online interface or mobile application (developed by their bank or financial institution) to designate the amount of funds to be transferred. The recipient is designated by their email address or phone number. In this method, recipients need not have an account with the financial institution of the sender in order to receive a money transfer.

✷ **Mobile Wallet** - It is a mobile-based virtual wallet, where a mobile possessor can preload a certain amount in an account created with the mobile wallet service provider, The amount loaded can be spent at online and offline merchants listed with the mobile wallet service provider. Depending on the service provider, you can also pay through app, text message, social media account or website. State Bank of India's mobile wallet State Bank Buddy is a semi-closed prepaid wallet which can be used to transfer money to other wallet users and bank accounts, anytime, anywhere.

✷ **Mobile Bill Pay –** Use of cell phone for making utility payments

✷ **Mobile Cheque Deposit** - As of now, this facility is not available in India. In USA, any customer who gets cheque in settlement of his dues need not visit branch/ATM/E Kiosk to deposit the cheque. He can just take an image of the cheque and send through mobile to the bank. Bank will do the collection of the amount without the need of the cheque. The physical cheque is either destroyed or cancelled by the account holder. This is similar to the CTS which is now available for transactions between banks/branches.

Omnichannel Banking

'Omnichannel Banking' provides a consistent experience across channels to provide customers with seamless access to financial products and services—where and when they are needed. In the world of Omnichannel banking, customers are in control of the channels they wish to use. For example, they can begin an interaction using one channel (mobile while at home) and end it in another (branch while on the way home from work). (Cisco IBSG Global Research)

Omnichannel banking is different from the current "multichannel" approach in which banks encourage customers to use the least expensive channel, while delivering minimal cross-channel consistency and an inconsistent user experience.

New Branch Model

Though this would be the traditional brick and mortar branch, the type of functions that the bank would be doing in future is different. Here only face-to-face customers who seek financial services advice shall drop in.

Virtual Banking would be the order of the day

Video will be at the center of branch transformation. Customers would prefer video conferencing for any clarifications on the loan applications or advice on financial investments. This would mean reduction in the no. of physical branches in the first instance and in due course the number of banks. Already we have been seeing that many of the Banks have introduced e-lobby, e-kiosks etc wherein there would only be systems installed for drawing cash, pass book updation, cash deposit, cheque deposit, pass book printing.

Social Media, Cloud Technology and Analytics:

Social media can be used as an effective tool to interact with the customers regarding queries and complaints. These can also be used for transfer of funds. ICICI Bank had launched a Facebook application called 'Pockets' in 2013. Kotak Mahindra Bank launched KayPay, a bank agnostic payment product for Facebook users to send money to each other.

The advent of Cloud Computing has resulted in the dismantling of traditional cost structures. It enables organizations to shift from a CAPEX heavy model to a variable cost model. Software licenses, servers, networking equipments, storage devices are typically considered to be the key CAPEX components. In a cloud model, the bank pays for what it needs when it needs it. Cloud also allows a bank to scale its business operations.

Analytics and Big Data are going to change the CRM (Customer Relationship Management) in the banks. The role of analytics has evolved from being a simple support function to that of a key business differentiator.

Analytics today can be effectively deployed at every stage of the consumer lifecycle. The Know your customer (KYC) activity in the customer on boarding process is increasingly dependent on analytics tools to identify the right set of customers. Anti-money laundering (AML) monitoring is another aspect where complex algorithms are used to identify reportable transactions.

Similarly consumer spend analysis can assist banks in identifying cross sell and up sell opportunities.

Wearable Banking

With the innovation of Smart Watches, banking is slated to shift from pockets to wrists. Wearable Banking will help banks to roll out contextual notifications to clients. World of predictive banking would emerge. Products will become more and more customized to suit each of the customers. Banks can go beyond banking by tracking the pulse rate, sleeping habits, daily exercise and create customized insurance product at lowest insurance premium. Use of smart watch may dispense with PIN and a person's heart beat may become the authentication factor. More and more of biometric authentication may evolve. Wearables may become a key device for multi-factor authentication. When a customer passes through the branch of a bank he may get the balance in his Savings Account.

Conclusion

Mobile Banking and Digital innovations are going to be the disruptors of the Indian Banks in the next four years. The following chart of BCG Analysis brings out a comparison between the current model and the emerging paradigms

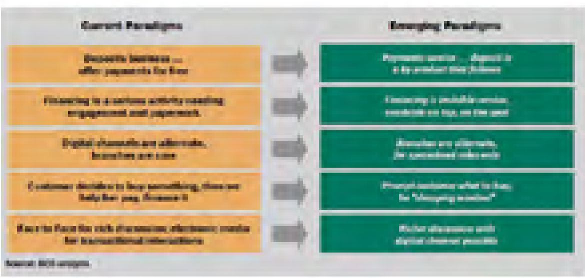


Chart 7: Source: Digital Banking_BCG Report 2014

The future of the Banking would change from 'Customer of a Bank' to 'Customer of the Banking System'. Like Mobile Number portability, the customer's account number with a bank could be used for transacting or availing services from any other bank. The number of banks and branches would come down drastically. The type of services rendered inside a physical branch would change from the routine to the advisory nature. Many of the Private Sector Banks are already in the advanced stage of preparation in this area. It is the Public Sector Banks which have to cover a lot of ground, without further delay, if they have to retain their identity and grow in the business. MA

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Reporting of Frauds

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In this article we will understand the various issues that may arise while reporting for fraud as per Companies Act 2013. Let's first understand the law relating thereto.

Section 447 of The Companies Act 2013 as applicable from 1st April 2014 defines Fraud as "Fraud in relation to affairs of a Company or any body corporate, includes any act, omission, concealment of any fact or abuse of position committed by any person or any other person with the connivance in any manner, with intent to deceive, to gain undue advantage from, or to injure the interests of, the Company or its shareholders or its creditors or any other person, whether or not there is any wrongful gain or wrongful loss."

Section 143(12) of Companies Amendment Act 2015 states that-

"Notwithstanding anything contained in this section, if an auditor of a Company in the course of the performance of his duties as auditor, has reason to believe that an offence of fraud involving such amount or amounts as may be prescribed, is being or has been committed in the Company by its officers or employees, the auditor shall report the matter to the Central Government within such time and in such manner as may be prescribed.

Provided that in case of a fraud involving lesser than the specified amount, the auditor shall report the matter to the audit committee constituted under section 177 or to the Board in other cases within such time and in such manner as may be prescribed.

Provided further that the companies, whose auditors have reported frauds under this sub-section to the audit committee or the Board but not reported to the Central Government, shall disclose the details about such frauds in the Board's report in such manner as may be prescribed."

As per Section 143(13) No duty to which an auditor of a Company may be subject to shall be regarded as having been contravened by reason of his reporting the matter referred to in sub-section (12) if it is done in good faith.

While based on Section 143(12) of Companies Act 2013 above provisions applies to Chartered Accountants (Statutory Auditor), Section 143(14) of Companies Act 2013 makes above provisions applicable to Cost Accountants and Company Secretaries also for their audits done under sections 148 and 204 respectively. Section 139 makes this applicable to branch auditors.

Section 143(15) If any auditor, cost accountant or Company Secretary in practice do not comply with the provisions of sub-section (12), he shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees.

Rules for fraud Reporting

Rule 13 of the Companies (Audit and Auditors) Amendment Rules, 2015 relate to reporting of frauds by auditors which is given below:

(1) If an auditor of a Company, in the course of the performance of his duties as statutory auditor, has reason to believe that an offence of fraud, which involves or is expected to involve individually an amount of rupees one crore or above, is being or has been committed against the Company by its officers or employees, the auditor shall report the matter to the Central Government.

(2) The auditor shall report the matter to the Central Government as under:-

(a) the auditor shall report the matter to the Board or the Audit Committee, as the case may be, immediately but not later than two days of his knowledge of the fraud, seeking their reply or observations within forty-five days;

(b) on receipt of such reply or observations, the auditor shall forward his report and the reply or observations of the Board or the Audit Committee along with his comments (on such reply or observations of the Board or the Audit Committee) to the Central Government within fifteen days from the date of receipt of such reply or observations;

(c) in case the auditor fails to get any reply or observations from the Board or the Audit Committee within the stipulated period of forty-five days, he shall forward his report to the Central Government along with a note containing the details of his report that was earlier forwarded to the Board or the Audit Committee for which he has not received any reply or observations;

Companies Act 2013 has changed the way frauds in Companies are treated and reported. Fraud is defined in the Act for the first time. Auditors are mandated to report frauds to the Ministry of Corporate Affairs. There are certain conditions that must be met before any case is categorized as fraud and reported to the Central Government. For easier understanding, relevant clauses of Act and Rules are compiled here. Reporting process for cases that do not fulfill the conditions of reporting to Central Government is also mentioned.

(d) the report shall be sent to the Secretary, Ministry of Corporate Affairs in a sealed cover by Registered Post with Acknowledgement Due or by Speed Post followed by an e-mail in confirmation of the same;

(e) the report shall be on the letter-head of the auditor containing postal address, e-mail address and contact telephone number or mobile number and be signed by the auditor with his seal and shall indicate his Membership Number; and

(f) The report shall be in the form of a statement as specified in Form ADT-4.

(3) In case of a fraud involving lesser than the amount specified in sub-rule (1), the auditor shall report the matter to Audit Committee constituted under section 177 or to the Board immediately but not later than two days of his knowledge of the fraud and he shall report the matter specifying the following:-

(a) Nature of Fraud with description;
(b) Approximate amount involved; and
(c) Parties involved.

(4) The following details of each of the fraud reported to the Audit Committee or the Board under sub-rule (3) during the year shall be disclosed in the Board's Report:-

(a) Nature of Fraud with description;
(b) Approximate Amount involved;
(c) Parties involved, if remedial action not taken; and
(d) Remedial actions taken.

(5) The provision of this rule shall also apply, mutatis mutandis, to a Cost Auditor and a Secretarial Auditor during the performance of his duties under section 148 and section 204 respectively."

Above rules do not apply to internal audit as covered by Section 138 of Companies Act 2013.

As per Companies (Auditor's Report) Order 2015, audit reports in addition to various matter prescribed also mention whether any fraud on or by the Company has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated.

Now after understanding the law and the rules thereof let's understand the practical aspects arising out of it.

Conditions that must be fulfilled in order to send the report to Central Government:

1. There must be a fraud that has happened or happening. An event to fall under the category of fraud must fall under its definition and most important part of the same is the word intent. Unless intent is proved along with other requirements, any activity cannot fall under the category of fraud and thus report need not be submitted to Central Government. This clearly takes out cases where errors happened and intent could not be proved. For

Example, Misstatement in Financial Statement if done with the intent, could be reported if other conditions are met. However, if such misstatement is due to error then it should not be reported. A study conducted by Association of Certified Fraud Examiners show that globally less than 3% of frauds are detected by way of external audit in large organizations and only 6% in small or medium organizations. The figure is 1% in case of South Asia.

2. Fraud is suspected or there is reason to believe that it is happening or it has happened. Once the definition of fraud is fulfilled by any event and intent is proved, this condition will be met automatically.

3. Fraud is found in the course of audit. Only those cases have to be reported to the Central Government that are found during the course of audit u/s 139, 143, 148 and 204 after 1st April 2014. Thus, cases found during performance of other attest and non-attest services can be reported to Central Government if such services are done within the ambit of Companies Act 2013 by the persons covered u/s 139,143,148 and 204. Cases found through internal audit are not mandated to be reported to Central Government. Reason could be due to the fact that many organizations have their own internal audit departments.

4. Fraud should have been done or being done by the officer or employee of the Company being audited. As the condition clearly specifies, fraud done by outsiders like contractors, suppliers, customers, by way of hacking by an unknown person, etc. need not be reported to Central Government. However, cases where there is collusion between officer or employee of the Company and any outsider, such cases also need to be reported to the Central Government.

5. Fraud should have happened in the Company. Since auditor takes up the audit of a Company they need to report for what's happening in the Company and not in other Company. Here it may be noted that listed / unlisted, small / large and holding / subsidiary companies are not differentiated. Each Company is a separate legal entity and thus a separate auditor is appointed or separate audit assignment is given. Cases where a Company falls under the regulated sector and is mandated to report the frauds to the regulator like RBI, report should be sent by the Company (not by auditor unless required by law) to such regulator in their prescribed format/procedure.

6. Approximate value of fraud individually should be in excess of Rupees One Crore. Here the word individually must be adhered. It might happen that during the same audit an auditor may find more than one fraud case both falling below the threshold limit. In such cases auditor must be extra cautious to check again if such frauds are linked. For example, Cost Auditor and Secretarial Auditor may find different types of frauds within their audit scope thus such frauds may not be linked or clubbed together.

It may be noted that fraud cases found during course of audit are to be reported i.e. related to their domain area like cost audit by a cost accountant, secretarial audit by a Company Secretary and statutory audit by a chartered accountant. Out of the three professionals, the one who detects the fraud first should report it to Central Government and other should evaluate the same about the correctness and steps taken. Other professionals should evaluate only if such frauds falls under their scope of audit. If they are satisfied, then they should mention the same in their report. If they are not satisfied and after further review there is some change than what was reported earlier then such auditor should report again.

Information that needs to be submitted to Central Government in Form ADT-4 includes:

a) Address of the office or location where the suspected offence is believed to have been or is being committed,

b) Full details of the suspected offence involving fraud,

c) Particulars of the officers or employees who are suspected to be involved in the commission of the offence,

d) Basis on which fraud is suspected,

e) Period during which the suspected fraud has occurred,

f) Estimated amount involved in the suspected fraud.

This clearly means that some amount of investigation is required by the auditors before submitting the report. Auditors are not expected to take up Fraud investigation assignments by themselves, for that management may give separate assignment to a specialised agency. It may also be noted that reporting period of sixty days (forty five and fifteen days) start when all above conditions are met.

In details of action taken, management may inform the auditor that matter is under further investigation and same may be informed by auditor in its report to the Central Government. In order to show genuine intent to recover money lost due to such fraud; it is safer to file a First Information Report (FIR) with the Police. Central Government may question the non-filing of FIR. Filing of FIR means that remedies under Indian Penal Code (IPC) are sought.

Once the investigation of a fraud case is completed, the Company has to write off the defrauded amount from the books. FIR and investigation report would help the Company in claiming such amount as business expense with Income Tax Department.

It may also be noted that reporting of fraud by an auditor to any external agency in compliance with any law in force at that time does not invoke professional misconduct proceedings against the auditor. A clause to this effect may be incorporated in the engagement letter in order to avoid any confusion with the management of the Company.

All the fraud cases that are not required to be reported to Central Government under rule 13 can be classified and dealt with as follows:

Cases found during Statutory Audit that are below the threshold limit of Rupees One Crore individually.

Such cases need to be reported within 2 days to the Board or Audit Committee as the case may be (Rule 13(3)). Such cases need to be mentioned in Board's Report (Rule 13(4)) and Auditor's Report (CARO 2015).

Cases that are not detected during the course of audit u/s 139, 143, 148 and 204.

Here cases found during internal audit done during the year under Companies Act 2013 are covered. In such cases, comments of the Board or Audit Committee need to be taken. Such cases need to be mentioned in Auditor's Report.

Cases found during attestation services or during any other services (like Tax/VAT/Service Tax Audit, merger and acquisition or valuation) provided during the year but not covered under Companies Act 2013 or provided by those who are not covered u/s 139,143,148 and 204.

In such cases, comments of the Board or Audit Committee need to be taken. Such cases need to be mentioned in Auditor's Report. This is because certain services can be provided by other professionals who are not Statutory Auditors, Cost Auditor and Secretarial Auditor.

Cases involving persons other than officer or employee of the Company.

These are the cases where contactors, suppliers, customers, consultants, etc. are covered. In such cases, comments of the Board or Audit Committee need to be taken. Such cases need to be mentioned in Auditor's Report.

Cases of fraud found by Management through its internal system or though any other external system (like Forensic Audit done as a special assignment).

Auditors need to evaluate such cases independently and mention in their Audit Report. In case during evaluation there is any change like increase or decrease in amount of fraud or nature of fraud or if auditor is not satisfied with the action taken by the management, then in such cases auditor should report to the Central Government.

Cases of fraud found in Subsidiary Company and reported to Central Government.

Such cases need not be reported again to Central Government as part of audit of Holding Company. However, such cases need to be mentioned in Auditor's Report of the Holding and Subsidiary Company both.

Cases where audit happened prior to 1st April 2014 i.e. the date when Companies Act 2013 came into force but investigation concluded after 1st April 2014.

It might happen that audit of a Company was completed under Companies Act 1956 and fraud was reported accordingly but investigation of that fraud concluded after 1st April 2014. Since final impact of such fraud will be reflected in the financial statements audited after 1st April 2014, such cases will again form part of Board's and Auditor's Reports.

Auditors are advised to take up audit assignments based on auditing standards. In order to avoid being penalized as mentioned in Section 143(15), auditors must retain the audit papers like daily planning and observation papers, draft reports, management's reply to the draft report and also the data taken from software. Auditors may take an undertaking/letter from the management of the Company clearly specifying if any fraud was detected during the year and if detected, the details thereof. These documents will help auditors to put forth their case where fraud gets detected by someone else and auditors are called in to explain why they could not detect the fraud during the audit. MA

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3. *Website of Association of Certified Fraud Examiners (ACFE) - www.acfe.com*

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TQM:

'A tool of business excellence through customer delight'

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"In today's globalised world, where geographical Boundaries are slowly becoming meaningless, the question of business sustainability is to be seen in more than individual country's trade policies, or the capability of producing goods or services. Cost, which is key of success or failure for any economic activity demands focus on the product acceptability in the mind of customer. Product or services with secured, royal and satisfied customers are capable of fetching more revenues than the other ones. Thus whole system has to be aligned with the customer satisfaction which may be expressed as the gap between actual and accepted performance of product or services available to him". Before taking about modern quality management systems and philosophies, historical aspects of quality may be looked into;

After First World War, there was a need of large-scale production, which demanded the formation of association and institutions to formalized ideas. In this series, after Second World War, American Society for quality control, a body of association of quality specialists, who have been trained mostly by the war production, was formed. But, the turning point for quality thinking was emerged in one of the defeated nations. Japanese started a nationwide drive for expansion, pursuing economic rather than military goals in the leadership of W. Edward Deming. By the 1970s, the Japanese have become "Masters" at achieving quality in their manufacturing sector. But, they never stopped on this achievement and their quest for superior production by continuous improvement in knowledge, methods and techniques. The Japanese were first in shifting commercial interests from competition in productivity to competitiveness in quality. World recognized that Japanese success was not only due to national, cultural and social differences, but reflected strongly a new attitude and desire of Japanese management to ensure the consumer's promise was fulfilled . The 1980's was an era of competitive challenge with resting on the quality Management. Going forward, several international Quality Assurance Management systems (ISO 9000) acted as catalyst. 1990's and beyond, the quality management has become international management Philosophy.TQM is the one of philosophy.

As we discussed in first paragraph the customer satisfaction which may be expressed as the gap between actual and accepted performance of product or services available to him. Customer delight is something more than customer satisfaction.

How to fill or narrow this gap? How to delight customer?

Total Quality Management is a philosophy of continuously improving the quality of the products and services, meeting the customer requirements. TQM is a process rather than an activity or an act. It is a discipline rather than a department of a factory or an establishment. It demands involvement of all, rather than management or worker. It demands of implementation in all functions from general administration to research & development work.TQM recognize the need to manage sets of interacting issues viz. technical, cultural, economical, political etc.

The whole aim is to achieve delight, which is subjective and dynamic in nature and has to be carefully examined and evaluated. This paper is a sincere attempt to explain how TQM may act as a tool of business excellence.

TQM can be split in,

T-stands for total, means it has to cover every sphere of activities with active involvement of all persons at different level.

Q-stands for quality, to recognize and adhere with what customer wants/ requirements

M –stands for management –the entire process must be managed professionally.

Approaching TQM-

Extent of disintegration of whole system into subsystems and reintegration after implementing quality management technique in all subsystems will be the degree of success of TQM. But, several limiting factors come in way to limit the disintegration. Continuous improvement is pre-condition of success of TQM. PDCA cycle which is also known as deeming wheel shows the continuous movement in certain direction. In PDCA, Plan defines the process, Do execute the process and collect required information, Check analyze the information and Act obtain corrective measures. PDCA is a cyclic process.

PDCA CYCLE

Essentially, TQM comprises following stages:

Identification: Problem identification is very first step towards problem solving. In this stage, information about the prime areas, where improvement will have most impact are identified and detailing of work, which needs to be executed is analyzed from techno-financial viewpoint. It is very important to understand that every act major or minor will have a cost, so cost/benefit analysis must be carried out. Views and opinion of different stakeholder's viz. customer, suppliers, distributer, other supply chain members employees and difference or similarities among them shall further pave a way.

Management: Management must understand the objective and methodology of TQM and is ready to adopt. For many companies, TQM may call a major change in the management practice and sometime it becomes difficult to implement in short time. Appropriate management education in their understanding and approaching TQM is a matter of paramount concern. By properly understanding, principal and practice of TQM the managers rightly demonstrate their commitment in quality improvement process.

Improvement: In developing quality improvement scheme, department / division wise problems of each division, in each department are considered. A scheme of training for improvement may be framed after the analyzing following aspects of the organization. They are:

1. *Reason of establishment of the department/division*
2. *Level of attainment of customer needs*
3. *Level of customer satisfaction*
4. *Customers and suppliers relationship*
5. *Cause effect analysis*
6. *Preventive measures of recurring problems*
7. *Improving efficiency*

Before selecting point of improvement, an exhaustive analysis is required as any scheme for improvement requires substantial investment in training, management time and communication.

(A) Review and analysis: At this stage review and analysis is carried out and related information of the complete improvement process is shared with everyone indicating supplier and customer links in the quality chain. This also demands information about progress and consolidates success. For effective results, everybody in the organization must assess the TQM process. Incorporations of the perception of internal and external customers are most important. It is also important to establish some feedback system of the success on a regular basis and at the same time the individual and team contributions are given the due recognition. Setting up of new targets as required by customers at this stage will automatically upgrade the quality standard of the organization and maintain the competitive position in the market place.

Techniques for TQM: One or combination of following stated technique can be selected for improvement –

COMPONENT OF TQM

A - Customer's perception surveys: This is very first step in TQM, Surveys may be conducted through voice call, paper feedback or online.

B-Quality function deployment: A robust quality function must be developed.

C-Business Process Reengineering (BPR): BPR is a business management strategy, focusing on the analysis and design of workflows and processes within an organization.BPR aimed to help organizations fundamentally rethink how they do their work in order to dramatically improve customer service, cut operational costs, and become world-class competitors.

D-Cost of quality statement: Cost statement help to trace the cost pattern, cost statement format as prescribed by ICAI may be used for this purpose.

E-Top team workshops: By organizing top level executive workshop goal, awareness, action plan and it implementation can be explored.

F-Quality seminars: QS may be organized at various levels calling some of the industries experts / experts from universities or reputed institutions to develop conductive environment within organization.

G-Departmental analysis: Conduct detailed departmental analysis and take measures wherever required

H-Quality training: Appropriate training mythology need to be developed and implemented.

I-Quality circles: Various groups may be formed from various functions to organization of quality circles

J-Suggestion schemes: Suggestion scheme e.g. Kaizan , may be implemented.

K-Process management: A dedicated process management system is key of process improvement.

L-Just in Time Manufacturing (JIT): JIT approach used in inventory and product handling, companies can often cut costs significantly. Inventory cost contributes heavily to the company expenses, especially in manufacturing organizations.

TQM Model

Customer delight is the aim of TQM. A typical model shown in fig highlights how the implementation of TQM benefits the organization in long term and short term and in turn achieves the customer delight, a step ahead from customer satisfaction. When the customer expectations from product or service are balanced by actual product quality offered to him, the customer satisfaction is as results. But, if the actual quality standards exceeds from customer expectation, this results in customer delight. TQM aims at customers delight going one step ahead of mere satisfaction of customers. The delighted customer will become the loyal customer and have a complete trust in the offering of the company's products and services. The quality of the product results in higher reliability of which in turn helps to attain the retention of loyal customer base.

TQM MODEL

The quality of the product depends on the ability of the company of identify both stated and unstated needs, translation of these needs into design specifications, and designing and managing quality level as per design specifications and ensuring performance. This is achieved through a well placed quality system and involvement of employees at all the levels. The continuous improvement in quality is the result of empowered employees and the leader ship of the management.

Thus higher quality levels of products/ services accompanies by loyal and satisfied customer base results in enhancing competitive position of the company. The organizational benefits of implementing TQM include – reduces cost and cycle time. Job satisfaction and reduces turnover of employees, Increase in productivity and reward for all the stakeholders.

TQM Critical Success Factors

Successes of TQM depends on effective integration of the following factors-

1. Training
2. Bench marking
3. Customer satisfaction surveys
4. Recognition and rewards
6. Management commitment

Conclusion

It is well established fact that, TQM can deliver desired result to support business excellence by achieving customer delight. Viewing it in macro level, this not only serve to individual group of customer or company, but effect may be search at microeconomic level and at macroeconomic level. This ensures optimum utilization inputs i.e. natural resources, which in turn drive the economic cycle much efficiently. MA

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GOLD POLICY AND GMS : INDIAN PERSPECTIVE

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The Sumerians of Mesopotamia, one of the oldest civilizations, first used gold as sacred, ornamental, and decorative instrument in the fifth millennium B.C. The early Egyptians used gold primarily for personal adornment, rather than for monetary purposes, although the kings of the fourth to sixth dynasties (c. 2700 - 2270 B.C.) did issue some gold coins (HDFC Securities, 2015). From the Indian point of view, gold in the form of jewellery is quintessential item in most of our social customs and celebrations, festivals, marriages, anniversaries, religious rituals, etc as because it symbolizes the status and wealth. This is why, investment in physical gold keeps on growing over decades. As a commodity, demand for gold in India is interwoven with culture, tradition, the desire for beauty and the desire for financial protection thereby making its consumption and investment very different from that of other countries.

Traditionally, India has been the largest consumers of gold in the world although China occupied the number one position very recently. Still India accounts for significant proportion of world gold demand. For example, India accounted for 24.8% of total physical gold demand of the world during the quarter ended June 2015 (GFMS, Thomas Reuters, 2015). This is just one side of the coin. The other side of the coin is that Indian gold demand is heavily dependent upon imports which adversely affect the Balance of Payment (BOP) positions and more specifically, Current Account Deficit (CAD). It is because of this, Dr. A. Didar Singh, Secretary General of FICCI opined, "Gold has never been an easy product around which policy could be formulated. Policies around gold and to some extent business plans and financial innovations related to gold have all largely been based on a couple of assumptions, such as:

(a) Demand for gold in India will never wane;

(b) People in India will not part with their gold easily;

(c) Women are sentimentally attached to their jewellery and hence will not part with it;

(d) If given a choice between cash or gold, Indian people will opt for gold.

At various points of Indian history, one or all of these assumptions have been true." Given this background, the present paper primarily attempts to capture the Indian perspective with regard to the gold policy since independence with major emphasis on recently launched Gold Monetization Scheme. Apart from highlighting the investment options available w.r.t. gold, the paper captures the essential features of all three components of Gold Monetization Scheme (GSM) along with its pros and cons.

2. Investment Options in Gold

Gold has always been an integral part of the socio-economic ethos of the Indian household. India has an ambivalent relationship with gold. For consumers, gold is a prized asset, cherished as both an adornment and an investment. From Indian perspective, followings are the investment avenues relating to gold.

2.1 Jewellery

jewellery may not be considered as investment as it is generally not made from 24 carat gold; it is generally made from 22 carat or 18 carat gold since 24-carat gold is brittle and cannot be set to beautiful designs of jewellery. Investors have to pay for the making charges and wastages. When liquidated, the making charges, impurities and wastage will be cut and investors may end up getting less than what had invested. Still the Indians especially women considered jewellery as a safe form of investment. For example, according to World Gold Council (2015) demand for gold in India constitutes of jewellery (56%) followed by investment purposes (27%) and industrial use (17%).

2.2 Gold bars or coins

Government-certified gold coins or bars have purity level of close to 99.9. Banks charge extra for their coins of anywhere between 5% and 10%. Also the bank coins have lesser liquidity as they are not bought back by the banks. Bullion bars are good modes for investment but the minimum investment is much higher.

2.3 Gold certificates

It is a certificate which represents ownership of gold bullion held by a financial institution for convenient and safe storage. There is a fee for storage and insurance.

2.4 E gold

National Spot Exchange Limited (NSEL), India used to offer E-series to invest in gold. Retail investor can trade in commodities especially precious metal like gold in e-form. Like equities one can keep their gold in demat form, which not only saves on insurance cost and locker rent but also one can invest in small denominations.

2.5 Gold Exchange Traded Funds (Gold ETFs)

They are mutual fund schemes, listed on the stock exchanges and traded like shares. The pooled amount is invested in the physical gold. When redeeming the units, investor can go to the fund house or sell in the market and get them converted in to cash. Gold ETFs are proving to be an easier and safer mode to buy gold. The charges are very less and the gold can be accessed electronically.

2.6 Gold Mutual Funds:

Gold mutual funds hold portfolios of gold mining companies and are directly linked to gold prices. They are actively managed as they are handled by the fund managers. In the Union Budget 2015, the Finance Minister proposed two significant schemes pertaining to the gold - Gold Monetization Scheme (GMS) and Sovereign Gold Bond (SGB). These developments will be discussed in latter sections.

3. Review of Indian Gold Policy since Independence

3.1. Four Phase of Indian Gold Policy

Gold policy has been a challenging task for Indian policymakers since independence. As India relied upon heavily on import of gold in order to fulfill domestic demand, the policy needs to be changed and modified from time and again in view of the BOP positions, Current Account Deficit (CAD), Foreign Reserve Position, smuggling of gold, etc. To understand such volatile policy stance, a recent FICCI and World Gold Council study (2014) divide the whole period since independence into four phases. The essence of the policies and their consequences are presented in the Figure 1 below:

Figure 1: Essence and Consequences of Indian Gold Policy since Independence

Phase 1: Gold Control Policy (1947 – 1963)	Phase 2: Pre-Liberalization Policy (1963 – 1990)
Policy Prescriptions ❖ Foreign Exchange Regulation Act (FERA) in 1947 ❖ Nationalization of Kolar gold mine at Mysore in 1956 ❖ Replacement of the proportional reserve system with the minimum reserve system for currency issue in 1956 ❖ First Gold Bond Scheme introduced in 1962 **Consequences** ➢ During this phase policies are largely proved ineffective in controlling the gold market in India. ➢ Failed to wean people away from gold, to regulate supply of gold, and smuggling. ➢ But surprisingly, the policies proved to be effective in stabilizing the domestic price of gold.	**Policy Prescriptions** ❖ Gold Control Rules (1963) ❖ Gold (Control) Act (1968) ❖ Gold Bonds 1980 (March, 1965) ❖ National Defence Gold Bonds 1980 (October,1965) ❖ Voluntary Disclosure of Income and Wealth ❖ (Amendment) Ordinance (1975) ❖ Gold auctions (1978) **Consequences** ➢ Research indicates that successive attempts to curb demand for gold have proved ineffective. Restrictive import policies have had a limited effect on demand. ➢ Instead, they have led to increased smuggling. The gold smuggled into India between 1968 and 1995 varied from 10 to 217 tons per year.
Phase 3: Post-Liberalization Policy (1990 - 2007)	**Phase 1: Policy since Recession (2007 onward)**
Policy Prescriptions ❖ BOP Crisis and Gold Mortgage by India ❖ Gold Control Act, 1968 repealed in June, 1990 ❖ NRI Scheme introduced in March, 1992 ❖ Scope of Special Import License (SIL) scheme expanded to include gold in April 1994 ❖ Seven Banks authorized to import gold in August 1997 ❖ Gold Deposit Scheme (GDS) launched by State Bank of India in 1999 **Consequences:** ➢ During this phase, demand continued to rise but it was met primarily through official channels. ➢ Smuggling was curbed, the price differential between the domestic and international gold market narrowed and the government earned revenue through import tariffs and domestic taxes.	**Policy Prescriptions** ❖ Global recession of 2007 and its impact on gold demand ❖ Gold Demand' surge – Post recession ❖ Inelasticity of gold demand to its price ❖ Negative effect of gold demand on CAD ❖ Government initiatives – a negative approach to gold policy • Prominent feature of phase II • Is it counterproductive? **Consequences:** ➢ Gold demand in 2007, demand was 796.1 tones. It peaked at 1022.3 tons in 2010, reduced slightly in subsequent years and reached 975 tons in 2013. ➢ At the same time, the gold price (10 grams) almost trebled from ` 9223.7 in 2007 to ` 26440.2 in 2013. ➢ In order to control CAD and reverse the depreciation of the rupee, the government has introduced restrictions on the gold market once again.

Source: adopted & improvedfrom FICCI - World Gold Council Report - (2014)

3.2 Present Policy Stance and Implications

The present situation has not been changed. For example, India imported 661.4 tons of gold worth $ 33 billion in 2013-14 and import of gold after deduction of export of gems and jewellery constitutes nearly 25% of India's trade deficit in the same year. As a result of these, the Government of India tried to restrict the import of gold through various measures, such as increasing import duty of gold, stipulating additional conditions such as '80:20 rule'[1] for gold imports, etc. Though these preventive measures helped in bringing down our CAD to some extent, it ultimately resulted in unbridled smuggling of gold into the country through various channels. For example, the illegal import of gold seized by the Customs Authorities touched the highest point of Rs. 690 crore during 2013-14 (Saravanan, P., Srikanth, M. and Avabruth, M, 2015).

The above consequences of the different policy regimes suggest that demand for gold is not curtailed by policy intervention. It is a very important understanding that would have far reaching impact in order to decide the means and ways to capture value out of the economically and traditionally significant asset like gold. The appropriate policy should accept India's affinity with gold and put that affinity to work for the benefit of consumers, industry and for the economy. With this end in view and keeping in mind the successful gold monetization model of Turkey, the Government of India, in its maiden budget for 2015-16 announced Gold Monetization Scheme or GMS.

4. Indian Gold Monetization Scheme (GMS)

As per budget commitments, Government of India launches two major gold related investment schemes to unlock the value hidden in idle gold possessed by households and institutions5th November 2015. These are as under:

- Gold Monetization Scheme (GMS) comprising of revamped Gold Deposit Scheme (GDS), introduction of Indian Gold Coin (IGC) and Sovereign Gold Bond (SGB).
- Gold Bullion Scheme (GBS).

The GMS has three Components – Revamped Gold Deposit Scheme (GDS), Sovereign Gold Bond (SGB) and introduction of Indian Gold Coin (IGC). Under GDS, individuals, temples and other institutions can deposit their gold at specified banks and earn interest income on their idle gold holdings. The deposits of physical gold in one's Metal Account will be assessed on the basis of purity and value, following which a fixed interest rate within the range of 1%-3% is to be apportioned. The modus operandi of the GMS can be presented from two perspectives – Customer's perspective and Bank's perspective.

4.1. Modus Operandi from Customer's Point of View:

- **Purity Test Centres:**

The households/ institutions will approach the Hallmarking Centres (Purity Testing Centre for GMS) for certifying the purity of the gold, where a preliminary XRF machine-test will be conducted and the customer will be informed the approximate quantity of pure gold. If the customer agrees, he will have to fill-up a KYC form and give his consent for melting the gold. If the customer does not agree to the XRF machine test, he can take his jewellery back at this stage.

- **Consent of customer:**

If the customer agrees for melting the gold for conducting a further test of purity, the gold ornament will then be melted, in front of the customer, through a fire assay and its purity will be ascertained. The results of the fire assay are told to the customer, he has a choice of either refusing to accept, in which case he can take back the melted gold in the form of gold bars, after paying a nominal fee to that centre; or he may agree to deposit his gold (in which case the fee will be paid by the bank). If the customer agrees to deposit the gold, then he will be given a certificate by the collection centre certifying the amount and purity of the deposited gold.

- **Opening of Gold Savings Account:**

When the customer produces the certificate of gold deposited at the Purity Testing Centre, the bank will in turn open a 'Gold Savings Account' for the customer and credit the 'quantity' of gold into the customer's account. Simultaneously, the Purity Verification Centre will also inform the bank about the deposit made.

- **Interest payment:**

The bank will commit to paying an interest to the customer which will be payable after 30/60 days of opening of the Gold Savings Account. The amount of interest rate to be given is proposed to be left to the banks to decide. Both principal and interest to be paid to the depositors of gold will be 'valued' in gold.

- **Redemption:**

The customer will have the option of redemption either in cash or in gold, which will have to be exercised in the beginning itself (that is, at the time of making the deposit).

- **Tenure:**

Investors are offered following three types of deposits or tenure options:

Short term tenure: Matures between 1-3 years
Medium term tenure: Matures between 5-7 years
Long term tenure: Matures between 12-15 years

- **Tax Treatment:** GMS is made tax free in order to boost the sentiments of the investors. Therefore, investors are neither required to pay any Income Tax on interest earned in gold account nor have to pay any Capital Gain Tax on the appreciation in the value of the gold deposited. It is also Wealth Tax free

4.2Modus Operandi from Banking Point of View

◆ **Reserve Requirement:**

Banks are required to maintain CRR/SLR on their Net Demand and Time Liabilities (NDTL). CRR is to be maintained in the form of cash with the RBI where as the SLR comprises of unencumbered investments in approved securities, balance with other banks, excess CRR, Cash with the bank itself and Gold. To incentivize banks, it is proposed that they may be permitted to deposit the mobilized gold as part of their CRR/SLR requirements with RBI.

◆ **Foreign Currency:**

Banks may sell the gold to generate foreign currency. The foreign currency thus generated can then be used for onward lending to exporters / importers.

◆ **Coins:**

Bank may convert mobilized gold into coins for onward sale to their customers.

◆ **Exchanges:**

Banks to buy and sell on domestic commodity exchanges, where mobilized gold can be delivered.

◆ **Gold Loan to jewellers:**

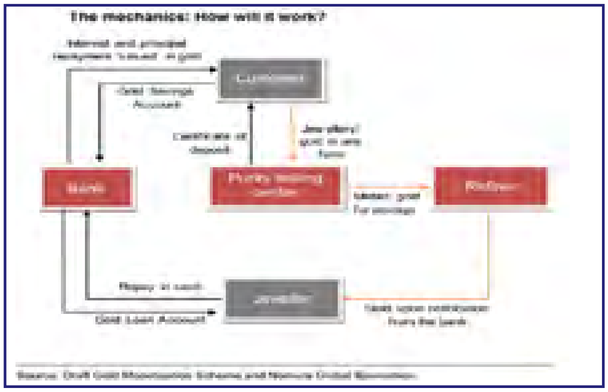
Gold may be lent to jewellers as per the terms and conditions of the banks. When a gold loan is sanctioned, the jewellers will receive physical delivery of gold from the refiners. The banks will, in turn, make the requisite entry in the jewellers' Gold Loan Account.

◆ **Interest charged by banks:**

The interest rate charged by the banks will cover the

Interest rate paid to the depositors of gold, fee paid to the refiners and Purity Verification Centres, profit margin of the banks.

The whole scheme can be schematically presented in the flowchart below:



5. Features of Sovereign Gold Bonds (SGB)

The second feature is the launch of SGB which intends to provide an alternate to purchasing physical gold. Functioning like a regular coupon bearing bond issued by the government, the investor lends money to the government and receives periodic fixed interest payments on it. The price of the bond will be based on the price of a fixed quantity of gold. On maturity or sale of the bond, the holder will receive an amount equal to the value of the underlying amount of gold as on that date. The requirement for gold imports is made redundant through this mechanism as the entire transaction takes place in cash. The Bonds will be issued in tranches. Each tranche will be kept open for a period to be notified. The issuance date will also be specified in the notification. For example, applications are invited for the first tranche from 5 – 20th November, 2015 and bonds will be issued on 26th November 2015. The essential features of the SGB are summarized in Table 1:

Table 1: Silent Features of the Sovereign Gold Bonds

Point of Feature	Particulars
Eligibility of Investor	The Bonds will be restricted for sale to resident Indian entities including individuals, HUFs, trusts, Universities, charitable institutions.
Tenure of Bond and exit option	The tenure of the Bond will be for a period of 8 years with exit option from 5th year to be exercised on the interest payment dates.
Denomination and Maximum and Minimum subscription	The bonds will be denominated in multiples of grams with the basic unit being one gram. The minimum permissible investment will be 2 units or 2 grams of gold. The maximum amount subscribed by an entity will be 500 grams of gold per fiscal. A self declaration will be obtained from the party in this regard.
Pricing Mechanism	Price of Bond will be fixed in Indian Rupees on the basis of the previous week's (Monday–Friday) simple average of closing price of gold of 999 purity published by the India Bullion and Jewellers Association Ltd. (IBJA).
Payment mode and Issuance norm	Payment for the Bonds will be through electronic funds transfer/cash payment/ cheque/ demand draft. Government of India Stock under GS Act, 2006. The investors will be issued a Stock/Holding Certificate. The Bonds are eligible for conversion into de-mat form.

Point of Feature	Particulars
Redemption Price	The redemption price will be in Indian Rupees based on previous week's (Monday-Friday) simple average of closing price of gold of 999 purity published by IBJA.
Rate of Return	The investors will be compensated at a fixed rate of 2.75 per cent per annum payable semi-annually on the initial value of investment.
Taxability	The interest on Gold Bonds shall be taxable as per the provision of Income Tax Act, 1961 (43 of 1961) and the capital gains tax shall also remain same as in the case of physical gold.
Collateral Value	Bonds can be used as collateral for loans. The loan-to-value (LTV) ratio is to be set equal to ordinary gold loan mandated by the Reserve Bank from time to time.
Tradability	Bonds will be tradable on exchanges/NDS-OM from a date to be notified by RBI.

Source: RBI Press Release (2015)

6. Features of Indian Gold Coin (IGC)

IGC is a part of Indian Gold Monetization Scheme and 'Make in India' initiative launched by the Government of India in association with BIS, MMTC and World Gold Council (WGC). The coin will be the first ever gold coin manufactured in India. Until now, Indian consumers largely rely upon foreign gold coins to address their needs, driving a significant amount of Indian currency to foreign markets. The purpose of the measure is to reduce the demand for coins minted outside India and ensure the recycle of the gold available in the country. The IGC is unique in many respects and will carry advanced anti-counterfeit features and tampered-proof packaging that would allow easy recycling. Apart from these, the IGC has the following features:

- IGC will have national emblem, Ashok Chakra, engraved in one side and the face of Mahatma Gandhi on the other side. The coins will be available in 5 and 10 gram denomination. A 20 gram bar or bullion will also be available. The price for a 5 gm coin is Rs.14,600, 10 gm is Rs 57,600 and 20 gm is Rs 28,900 excluding VAT and other taxes.
- IGC will be of 24 carat purity and 999 fineness and coin will be hallmarked as per BIS standard.
- Tampered-proof packaging along with advanced anti-counterfeit features make the IGC very safe and easily recyclable.
- The coins will be made available through the 18 designated MMTC outlets. Later all banks will market these coins

7. Problems and Prospects of Gold Monetization Scheme

The present GMS is more attractive as compared to the erstwhile GDS and investment in physical gold in terms of return perspective. The scheme offered two kinds of return – fixed interest income on the gold deposit and capital gain, if any, arising out of appreciation in gold price along with flexibility of premature redemption. Both short term and long term investors would not have to face any safety concerns because of the provision of 'Gold Reserve Fund' to address the underlying price and currency risk in the medium and long term as Government would bear the risk of appreciation in price of gold at the time of redemption of deposit. On the other hand commercial banks would provide safety on the short term deposits. Moreover, the scheme allows small amount of gold deposit (Minimum 30 grams) and flexibility of tenure along with income tax and wealth tax exemptions. On the supply side, the jewellers may get gold loan from the bank. When a gold loan is sanctioned, the jewellers will receive physical delivery of gold from the refiners. The scheme also enables the Temples / Religious Trust to earn return on the gold lying with them. If this gold comes out from the temples, it will save a major chunk of Forex.

Thus the present scheme attempted to do away with the limitations of the earlier version of GDS and as such looks promising to deliver the objectives of the scheme in long term. It is also true that GMS has worked well in Turkey where the consumption of gold driven by the same sentiments as prevalent in India. From that perspective, the scheme should have tremendous prospect in India. But there are certain obstacles that need to be understood in right perspective. These are:

7.1 Strong Emotional Attachment of Indians towards Jewellery

The major obstacle before the scheme is to tackle the emotional attachment of Indians especially the Indian women towards Jewellery. Due to such strong emotional attachment

Presently India is the largest consumers and importer of gold which have great significance for macroeconomic stability. Demand for gold in India is inelastic because of its high resale value, demonstration effect, rising affluence of middle class, Indian sentiments over the possession of gold jewellery, hedging tool against inflation and safe haven for parking black money. Given this background, the present paper primarily attempts to capture the Indian perspective with regard to the gold policy since independence with major emphasis on recently launched Gold Monetization Scheme and its components – Gold Deposit Scheme, Sovereign Gold Bonds and Indian Gold Coins. The paper also touches upon the investment options available w.r.t. gold along with problems and prospects of Gold Monetization Scheme (GSM).

and wearing requirements of jewellery on the festive seasons/ social occasions, keeping the gold in jewellery form becomes the necessity for almost in all Indian households. As gold has to be stored in standardised under the scheme, households are unlikely to participate in the scheme. According to World Gold Council (WGC) 75% of gold imports of India is consumed in the form of jewellery mainly in rural areas where people attach tremendous sentimental value to gold jewellery. So, it is difficult and loss making too (because of foregoing the making charge of jewellery while melting besides other charges) for them to take part in the scheme. Unless and until this myth of social status is broken the desired output of the GMS will be very low. This is also apparent from the fact that from 05 – 19th November 2015 only 400 gram gold have been deposited under GMS (Statesman, 2015).

7.2 Gold Loan Products are a strong deterrent

Gold jewellery has collateral value in securing finance at the time of need. There are specialized institutions (such as Muthoot Finance, Manappuram, IIFL, etc), commercial banks and even the moneylenders in unorganised sector who provide loans on the basis of mortgage of jewellery. The advantage of such loan is that the household can repay the money with interest and get back the jewellery in its usual form (which has strong emotional value). A prospective investor under the GMS would compare the loss of making charge and other conversion charge with the interest that has to be paid on gold loan obtained from these lenders. The availability of such gold loans at competitive rate of interest and the scope of retaining the jewellery in its usual form is one of the major deterrents for the success of GMS.

7.3 Cost of Conversion is a deterrent

Apart from loss of making charges which is around 16% of the gold value, gold jewellery will be tested for purity and melted after obtaining the customers' consent. The customer has to bear various costs like fixed melting charges of Rs. 500 for a lot of up to 100 grams and Rs.100 per additional lot of 100 grams, testing charges of Rs. 300, stone removal charges of Rs 100 and melting loss. This will not attract the target group both in terms of cost and the modus operadi involved.

7.4 Legal Hassles relating to Black Money invested in Gold

If somebody deposit large quantity of gold whether that would come under the purview of Income Tax or not is a big issue in India as it is widely believed that the major chunk of gold investment in India is financed through black money. Given the present government move against black money, people are apprehensive that they may be harassed by income tax authorities if they deposit large quantity of gold. So long this apprehension persist, the scheme is not likely to get the desired response. According to experts, assurance must be given that customers shall not be harassed by tax authorities on gold deposits. Certainly income tax department may come into picture in case of very large deposits. Till now tax on conversion of physical gold into gold deposit schemes is imposed at 20% with indexation. It is recommended that tax should be imposed only when gold is being sold.

7.5 Mismatch of Asset Liability Profile of banks in the long run

Although banks can deposit gold as a part of CRR/SLR requirement, they are already holding government securities in excess of what is required under SLR. Further customer has the option to redeem the deposits in cash or gold which will increase the risk mismatch of asset and liabilities for bank. If Jewellers are allowed to repay gold loan in cash and bank is supposed to pay interest in terms of gold, a problem may arise in near future to manage asset and liability profile leaving scope for significant mismatch.

7.6 Lack of Adequate and Reliable Infrastructure

Lack of infrastructure is another challenge before the success of GMS. There are very few hallmarking centres and refiners that meet standards set by banks. There are four such refineries which meet the parameters. Further there are 350 hallmarking centres but more than half do not have melting facilities. Most of the tier 2 and 3 cities lack required infrastructure. Further the integrity of the valuation process at the CPTC is very crucial.

8. Concluding Observations and Way Forward

It is true that the present GMS takes into account the limitations of the 1999 Gold Deposit Scheme and try to remove many of them, yet, the new scheme has to face several real and emotional obstacles. It is most likely that the scheme may not get the desired response neither from the households nor from the institutions because of so many imperfections presents in the infrastructure front, modus-operadi front, legal clarity front. The successful implementation of GMS in India demands the creation or presence of the following elements:

- Transparent and efficient gold valuation mechanism;
- Modern and efficient gold storage and logistic support;
- Development of environment of faith and trust in gold related transactions;
- The issue of black money and gold need to be resolved;
- Establishment of Gold Exchange and Gold Board;
- End to end customised enterprise resource planning;
- Adoption and pursuance of aggressive promotional strategy to remove the myth.

In fine, one can say that all the three components of GMS – GDA, SGB and IGC are progressive measures introduced by the Government of India in order to increase the supply of gold in the economy, curtail CAD and unlock the value hidden in gold. But the scheme faces its biggest challenge from the emotional attachment and psyche of Indian masses towards the possession of gold ornaments. The situation is further worsened in the presence of the alternatives available in the form of gold loan both from organised sector and unorganized moneylenders. Viewing from that perspective, the scheme may not attain due success at least in the short run. The long run prospect of the scheme depends on several factors as mentioned above. The most notable amongst them is to consider GMS as forward looking policy and as such devote time and resource for its promotion so as to create a culture of investment in paper gold in the minds of Indian masses. MA

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Reduction in Sugar Conversion Cost

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"Reduction in sugar conversion cost is need of time in uncertainty of situation. The paper is based on how to reduce the conversion cost in sugar to survive in odd time, the overall financial management of sugar industry and how to earn profit even after making more expenditure. This Paper is focusing on formula method of analyzing income and expenditure by making comparative study."

The cost data of a sugar factory consists of the material cost, conversion cost and the overheads. While cost control measures are being attempted to by setting standard / norms, the sugar factory very rarely employs the cost reduction methods by challenging and improving upon the standard / norm.As sugar industry is a seasonal industry, the best way of effecting cost reduction is to set the standard / norm for the season and improve the actual with the norm, analyse the variance and adopt corrective measure to get rid of negative variances. The physical parameter and the components of cost of a sugar industry and the cost control measures which will automatically reduce the cost of production of sugar as given below.

Conversion cost

a. Fuel oil and Lubricants – By following preventive maintenance consumption can be reduced.
b. Power – Power must be used whenever necessity arises. Switching off the motors, pumps when not in use.

Modernizing the boiler, co-generation of power.

c. Packaging materials - Correct use of Gunny /PP bags.

d. Repairs and maintenance – By preventive maintenance, quality spares and technical modifications.

e. Steam production – Bagasse consumption, Firewood, Steam economy, Exhaust utilization.

f. Miscellaneous – Cost reduction in purchase, cost reduction in sugar selling, Inventories.

Financial Management

In every industry there is a special importance to financial management. The industry or society is evaluated on its Profitability. While evaluating the sugar factory overall working management, we must have considered factors such as, crushing capacity, cane crushed, sugar production, and recovery obtained and sugarcane price paid. To manage all above things, special attention must be given on planning, co-ordination, motivation, and cost control. When we talk about financial management our main focus should be on cost control, cost reduction and income generation.

Essential Things In Effective Financial Management

1. Planning
   a. Short term financial planning
   b. Long term financial planning
2. Motivation and Coordination
3. Comparison and Comparative Study
   a. Cost control
   b. Cost analysis
   c. Cost comparison
      1. Comparison with last year's expenditure
      2. Inter firm comparison
      3. Comparison with budget
      4. Comparison with standard cost
4. Effective control
   a. Effective Financial Audit
   b. Effective Cost Audit
   c. Effective Management Audit
   d. Technical Efficiency Audit
   e. Fix Standards
   f. Assess Technical loss in rupee
   g. Statistical analysis
   h. Use of modern techniques like Computerization, Automation to avoid human errors, increase efficiency.
   i. By using modern technology to bring down losses to zero level.
5. Effective Recovery Cell: Create separate recovery cell.
6. Raise Funds at Low Rate/Without Interest

1. Raise Capital
   a. By Selling Additional Shares
   b. By Increasing Face Value of Share.
   c. By Making Beneficiary and Active Members.
2. Raise Deposits/Loans
   a. Deduct Pre-seasonal Expenditure Deposit
   b. Deduct Modernization and Expansion Deposit
   c. Raise H&T Loan at lower rate
   d. Raise FCNR(B) Loan from Nationalized Bank by converting existing Term Loan
   e. Find out New Sources of Low Rate Funding

7. Related with Labours & Workers
   a. Motivate Workers to increase their Efficiency & Quality of work
   b. Inter Departmental training and training from outside agency
   c. Consult experts to update advance technology
   d. Maintain strict discipline to avoid misbehavior
   e. Implement Effective Work Procedure
8. Discipline
   a. Avoid penal actions by timely paying Installments and Government dues.
   b. Update your knowledge about changes in Govt. Policies, Rules & modern techniques.
9. Effective Marketing
   Marketing department must have to work hard to get better rates for the finished product of a sugar mill and must update their knowledge of local & International market for grabbing the opportunity available in the market. They have to find out new techniques of marketing and also they have to form separate sales department in the factory. Marketing department should promote, motivate and appreciate the person who helps to increase the benefit of factory.
10. Cost Control

To control the expenditure first you have to classify the expenditure into fixed cost & variable cost.

Variable cost: The expenditure related to per ton of crushing/ per quintal of production should minimize. In short, the expenditure changes with the level of activity/production should minimize.

Fixed cost: The total cost after deducting variable cost should minimize i.e the expenditure incurred even though the production is undertaken or not.

It is not possible to accept an advice given by anyone i.e to reduce expenditure; instead we can analyze the factory expenditure. To analyze expenditure is the best technique for cost control. If we have not analyzed the expenditure then we will not able to understand whether our expenditure is increasing or decreasing. For analyzing expenditure you have to compare the current year expenditure with the last year expenditure of your own mill and also with the other sugar mills having good financial management. The specimen is given asww:

Intra Firm Comparison

Intra firm comparison means comparing the figures of income and expenditures of current year with last year figures. By this comparison we shall come to know the current year's income & expenditure is more or less and what are the exact reasons of variance. Detail analysis of Income and Expenditure pertaining to the year 2011-12 & 2012-13 of "X" Sugar Mill is given below.

Income & Expenditure (Per MT. of cane) for the year 2011-12 and 2012-13

		2012-13	2011-12		
A)	**Particulars**	**Income Rs. PMT.**		**Increase**	**Decrease**
	Cane Crushed in M.T.	***758665.540***	***832982.899***		***74317.369***
1	Production Value of sugar	3591.73	2694.75	896.98	0.00
2	Co- Product Value	207.53	380.65	0.00	173.12
3	Distillery Income	10.86	79.2	0.00	68.34
4	Co-gen Income	39.31	-33.96	73.27	0.00
5	Solar Power Income	4.10	-6.07	10.17	0.00
6	Other Income	33.11	21.78	11.33	0.00
	Total Income.	**3886.64**	**3136.35**	**991.75**	**241.46**
B)	**Variable cost Rs.PMT.**				
1	Cane Cost	2344.29	2039.42	304.87	0.00
2	H & T Expdr.	485.39	440.15	45.24	0.00
3	Machinery Repairs & Main.	62.65	68.57	0.00	5.92
4	Process Chemical Expdr.	24.22	24.22	0.00	0.00
5	Packing Expdr.	40.05	53.09	0.00	13.04
6	Electrical Expdr.	15.64	147.15	0.00	131.51
7	Production Overheads	41.02	24.91	16.11	0.00
8	Salary & Wages (20%)	17.30	15.45	1.85	0.00
9	Interest on working Capital	135.74	102.04	33.70	0.00
Total Variable Cost		**3166.31**	**2915.00**	**401.78**	**150.47**
C) Contribution Per M.T.(A-B)		**720.33**	**221.35**		
D)	**Fixed Cost Rs. In Lakh.**				
1	Administrative Cost.	1365.90	821.22	544.68	0
2	Interest on Term Loan	205.75	29.61	176.14	0
3	Salary & Wages (80%)	524.90	514.7	10.20	0
4	Depreciation	668.34	452.80	215.54	0
Total Fixed Cost		**2764.89**	**1818.33**	**946.56**	**0**
E) Total Contribution (C x Current years crushing of "X" Sugar Mill)		**5464.92**	**1843.81**		
F) Net Profit (E – D) Rs. in Lakh		**2700.02**	**25.48**		

* *Data Source: Annual report published by respective sugar mill*

Variance Analysis (Rs. In Lakh)

Sr.No	Particulars	Favourable Variances	Adverse Variances	Formula
1	Increase in sugar production value	6805.08		PMT Sugar Production value x Current year's crushing 896.98 x 758665.540
2	Decrease in Co- product Income		1313.40	Diff. in income x Current year crushing
3	Decrease in Distillery Income		518.47	Diff. in income x Current year crushing
4	Increase in Co-gen. Income	555.87		Diff. in income x Current year crushing
5	Increase in Other income	85.96		Diff. in income x Current year crushing
6	Increase in Solar income	77.16		Diff. in income x Current year crushing
7	Increase in cane cost		2312.94	Diff. in Cane Price x Current year crushing
8	Increase in H & T Expdr.		343.22	Diff. in Expdr. x Current year crushing
9	Decrease in Machinery repairs and maintenance	44.91		Diff. in Expdr. x Current year crushing
10	Decrease in Packing Expdr.	98.93		Diff. in Expdr. x Current year crushing
11	Decrease in power cost	997.72		Diff. in Expdr. x Current year crushing
12	Increase in Mfg. overheads	0.00	122.22	Diff. in Expdr. x Current year crushing
13	Increase in Salary & wages (20%)		14.04	Diff. in Expdr. x Current year crushing
14	Increase in Interest on working capital		255.67	Diff. in Expdr. x Current year crushing
15	Loss due to less crushing (Reduced crushing 74317.37 M.T)		164.52	Less crushing – 74317.37 M.T. x Last year's contribution
16	Decrease in fixed cost		946.56	Decrease in fixed cost
Total		**8665.63**	**5991.05**	
(+) Last year profit		**25.44**		
(-) Adverse variances		**5991.05**		
Current year's profit		**2700.02**		

Inter Firm Comparison

Inter firm comparison means comparing the Income & Exp. of two different factories to realize where we are actually stood as compare to other sugar mill. By this comparison we shall come to know the mills income & expenditure is more or less and what are the exact reasons of variance. Detail analysis of Income and Expenditure pertaining to the year 2012-13 of "X" Sugar Mill with reference to "Y" Sugar Mill is given below.

Comparison of PMT. Income & Expenditure Between "X" Sugar Mill & "Y" Sugar Mill for the year 2012-13

			Income (Rs. PMT.)			
A)	Particulars		"X" Sugar Mill	"Y" Sugar Mill	Increase	Decrease
	1	Cane Cost	2344.29	2703.22	358.92	0.00
	2	H & T Expdr.	485.39	567.77	82.38	0.00
	3	Machinery Repairs & Main.	62.65	55.03	0.00	7.62
	4	Process Chemical Expdr.	24.22	39.62	15.40	0.00
	5	Packing Expdr.	40.05	53.74	13.69	0.00
	6	Electrical Expdr.	15.64	0.00	0.00	15.64
	7	Production Overheads	41.02	148.76	107.73	0.00
	8	Salary & Wages (20%)	17.30	57.30	40.00	0.00
	9	Interest on working Capital	135.74	160.19	24.45	0.00
	Total Variable Cost		3166.31	3785.62	642.58	23.27
C)	Contribution Per M.T. (A-B)		720.33	715.89		
D)		Fixed Cost Rs. In Lakh.				
	1	Administrative Cost.	1365.90	541.24	0.00	824.66
	2	Interest on Term Loan	205.75	0.00	0.00	205.75
	3	Salary & Wages (80%)	524.90	1651.57	1126.66	0.00
	4	Depreciation	668.34	1339.21	670.87	0.00
	5	Share Redemption Funds	0.00	1537.03	1537.03	0.00
	Total Fixed Cost		2764.89	5069.05	3334.56	1030.41
E)	Total Contribution (C x Current years crushing of "X" Sugar Mill)		5464.92	5158.99		
F)	Net Profit (E – D) Rs. in Lakh		2700.02	89.94		

Variance Analysis (Rs. In Lakh)

Sr.No	Particulars	Favourable Variances	Adverse Variances	Formula
1	Increase in Co- product income	12.21		Diff. in Income x crushing of "X" Sugar Mill
2	Decrease in Distillery Income		1227.44	Diff. in Income x crushing of "X" Sugar Mill
3	Increase in Co-gen. Income	115.39		Diff. in Income x crushing of "X" Sugar Mill

Sr.No	Particulars	Favourable Variances	Adverse Variances	Formula
4	Decrease in other income		393.14	Diff. in Income x crushing of "X" Sugar Mill
5	Increase in Solar income	31.11		Diff. in Income x crushing of "X" Sugar Mill
6	Decrease in cane cost	2723.00		Diff. in Income x crushing of "X" Sugar Mill
7	Decrease in H & T Expdr.	624.99		Diff. in Income x crushing of "X" Sugar Mill
8	Increase in Machinery repairs and maintenance		57.81	Diff. in Income x crushing of "X" Sugar Mill
9	Decrease in process chemical	116.83		Diff. in Income x crushing of "X" Sugar Mill
10	Decrease in Packing Expdr.	103.86		Diff. in Income x crushing of "X" Sugar Mill
11	Increase in power cost		118.64	Diff. in Income x crushing of "X" Sugar Mill
12	Decrease in Mfg. over head	817.39		Diff. in Income x crushing of "X" Sugar Mill
13	Decrease in Salary & wages (20%)	303.47		Diff. in Income x crushing of "X" Sugar Mill
14	Decrease in Interest on working capital	185.49		Diff. in Income x crushing of "X" Sugar Mill
15	Profit due to Excess crushing (Increase in crushing 38025.54 M.T)	272.22		Increased crushing 38025.54 MT x contribution of **"Y" Sugar Mill**
16	Decrease in sugar production value		3203.01	Diff.in Income x Rate of **"Y" Sugar Mill**
17	Increase in fixed cost	2304.15		Increase in fixed cost
	Total	**7610.12**	**5000.04**	
	(+) Last year profit	**89.94**		
	(-) Adverse variances	**5000.04**		
	Current year's profit	**2700.02**		

Sometime we need not to see how many lakh we have spent, but what is per metric ton of expenditure is more important and in case of packing expenditure how much per bag expenditure incurred is important. If we are going to compare the financial results of two sugar mills, both the sugar mills must have follow uniform accounting systems.

The comparison of per metric ton of expenditure is related to variable expenditure and in case of fixed cost comparison must do with how much rupees spent in Lac. While comparing the expenditure with standard cost the same method to be follow. Sometimes we spent a lot, but later we come to know that there is no profit, in that case we have to think about cost benefit ratio. As we are discussing about cost control, so again I have to mention here to reduce cost, to compare the income and expenditure with last year figures, other sugar mills figures and compare with standard cost. We think that things may go as per budget prepared by us but all the time it does not happen hence our budget must be flexible.

How to Increase Profit by increasing Expenditure

Let's take an example. Here some imaginary figures of per metric ton expenditure have been taken to understand how we will gain profit by increasing expenditure.

Variable Cost		**(Rs. PMT)**
1	Cane Cost	1000.00
2	H & T Cost	160.00
3	Machinery R & M Expenses	50.00
4	Process Chemical Expenses	15.00
5	Packing Expenses	40.00
6	Factory Overheads	35.00
7	Interest on working capital	100.00
Total Variable Expenditure		**1400.00**
Fixed Cost		
1	´Salary & Wages	200.00
2	Interest on term loan	100.00
3	Administrative cost	300.00
4	Depreciation	200.00
Total Fixed Cost		**800.00**
Total PMT Expenditure Considering 4 Lakh MT Crushing		**1600.00**

Earlier we have discussed that, reduction in variable cost is in PMT & fixed cost in rupees. We shall understand that, as crushing increases, the PMT expenditure of fixed cost comes down & if crushing decreases this ratio will increase.

Now we shall have discussion on a different idea, which is how one can gain more profit by increasing expenses. Now let's have an example. We are bringing sugar cane from gate-cane for our crushing. But the situation is like this, we have to crush 4 Lakh MT of sugarcane & our production cost is Rs.1600 PMT & the production value is also Rs.1600 PMT. It means we are in the stage of no profit no loss (BEP position)

Suppose we are going to crush additional 1 Lakh MT of sugarcane from gate-cane. The average harvesting & transporting expenses for this additional 1 Lakh MT is more by Rs.100 PMT. Then what will be general assumption? Expenditure of Rs.1600 plus Rs.100 per ton additional expenditure on H&T total of expenditure is Rs.1700 PMT. It means our income is less by Rs.100 PMT. Now we calculate the income & expenditure if we crush 5 Lac MT of sugarcane instead of 4 Lakh MT.

SR NO.	**PARTICULARS**	**PMT EXPDR. x Crushing**	**Rs. Lakh**
1	Variable expenditure	1400 x 4	5600
2	Variable cost for additional 1 Lakh crushing	1500 x 1	1500
3	If we divide fixed cost by 5 then the PMT fixed cost will come down from 200 PMT to...	160 x 5	800
4	Total Expenditure	1580 x 5	7900
5	Total Income	1600 x 5	8000
6	Net Profit	20 x 5	100

It means the situation on crushing of 4 Lac MT is of no profit no loss has been changed though the PMT variable cost increased and we have earned additional income of Rs.1 Cr. How this happened? It means we have incurred expenditure on additional 1 Lac MT of sugarcane brought from gate-cane. How much increase in the harvesting & transportation cost? Let's see 4 x160=640 (+) 1x260=260 Total expenditure Rs.900 Lac / 5 Lac MT of crushing means actually how much harvesting & transport cost is increased ? It is only Rs.20 PMT. How turned into profit? The fixed cost is come down from Rs.200 PMT to Rs.160 PMT. This shows that due to additional crushing the burden of fixed cost come down. So though the variable cost increased we have earned profit.

Budegtory Control

As per the provisions of by-laws and Maharashtra state co-operative societies Act all co-operative sugar factories in Maharashtra prepares their Annual Budget and get sanctioned from AGM. Most of the times it happens that expenditures shown in budget are already incurred. As new provisions in Act it is obligatory to conduct the AGM on or before 30th September. But generally most of the annual general meetings are held by sugar factories during the month of August and September. In these meeting the mills should put forth the budget of current year and the coming year also. It is obligatory or compulsory to spend as per budget, and then automatically there will be restrictions on spending without planning and provision.

Standard Cost

Standard cost mean assumed or budgetary cost to be incurred on production or Standard cost formula fixed by Govt. or by a sugar factory on the comparative study of expenses incurred and market scenario of raw and finished goods with better financial unit. Standard Cost is related to expenditure incurred on particular account head by the sugar mills of same capacity in same geographical region. Some years back Hon. Commissioner of sugar had fixed standard cost to all the sugar factories which is given below.

1.	Power Cost	Rs. 16/- PMT
2.	Process Chemical Expdr.	Rs. 24/- PMT
3.	Repairs and Maintenance	Rs. 20/- PMT
4.	Packing Expdr.	Rs. 30/- PMT

When we think about how derive standard cost? There is no define equation or guidelines from any competent authority. Though if we want to decide standard cost on sugar mill level, we have to consider the following things. Every year Vasantdada Sugar Institute (VSI) publishes a detailed comparative data factory wise expenditure incurred on particular head. I think based on the said data we can derive our own standard cost by using following formula.

Mean - Means average of expenditure

Median – Middle of maximum and minimum

Mode- The number which appears most often in a set of numbers.

I will suggest deriving standard cost we must take the option of median from above sugar factories which is having same capacity and same geographical region.

Let's see example of standard cost based on the figures of expenditure published in VSI booklet, their capacity and age.

Year 2012-13 **(Rs.PMT)**

Sr. No.	Name of the sugar Factory	Repairs and Maintenance	Process Chemical	Packing	Factory over head	Salary & wages	Power
1	Jawahar SSK	88.86	27.78	51.30	110.08	229.26	7.89
2	Sharad SSK	105.92	23.88	38.99	131.42	300.06	0.00
3	S. M. Kagal SSK	94.39	38.43	78.28	122.22	274.03	16.22
4	Kranti SSK	73.48	43.40	46.40	95.41	171.26	12.07
5	Sonhira SSK	70.66	29.90	69.02	135.27	200.75	9.95
	Mean	**86.66**	**32.68**	**56.80**	**118.88**	**235.07**	**9.23**
	Mode*	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Median	**88.86**	**29.90**	**51.30**	**122.22**	**229.26**	**9.95**

**There is no number which appears most often in an above numbers*

*** Data source: Booklet published by VSI*

Standard For Store Consumption

While considering standard cost we must not only think about how much rupee spent but also think about how much store used for production of sugar and for repairs. How we can derive standard use of process chemical, oil grease, lime etc. to avoid unnecessary expenditure? It is good to collect data published in RT(8) C of other sugar factories of same capacity and then compare the same with use of Lime, Sulphur, Phosphoric acid, Washing soda, Caustic soda, antiscalant, flocculants, Biocides, viscosity reducer, oil and grease etc of our factory. After comparing the use of store we ourselves may set standard of store consumption.

Technical Standards

Indian sugar industry has its efficiency standards. We should have think about technical performance audit to achieve standard technical efficiency parameters. When we talk about technical parameters like Reduced Mill extraction, Reduced Boiling House Extraction, the ratio of hours lost with hours available etc. it should also correlate in terms of rupee. MA

Acknowledgement

I take opportunity to express my sincere gratitude to Hon. Shri Vaibhavkaka Nayakawadi, Chairman, Padmabhushan Krantiveer Dr. Nagnathanna Nayakawadi Hutatma Kisan Ahir S.S.K. Ltd., Nagnathanna Nagar, Walve, Tq. Walava, and Dist. Sangli for allowing me to prepare this paper on "Reduction in Sugar Conversion Cost".

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GST:

A Perceptual Study among the Tax Professionals

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Although the majority of the people in India wait eagerly for the Direct Tax reforms in each and every financial budget, it is the indirect taxes which are the major sources of finance to the Central Exchequer. On an average out of the total tax revenue (Centre Government and State Government combined) the contribution of the direct taxes to total tax revenue is approximately 26.55% and the proportion of indirect taxes to total tax is around 73.46% since 1980s[1]. Since the indirect taxation is the prime source of tax revenue it must be effectively implemented and reformed from time to time to finance the public expenditures. One such major Indirect Tax Reform would be the implementation of Goods and Services Tax (GST) in India. It is a much awaited Indirect Tax revolution to foster the economic growth in India. Perhaps it is one of the most logical and pragmatic steps that can be taken at this juncture of the economy to rationalize the indirect taxation in India (Iqbal, 2016). The need to implement the GST in India can be traced back to the recommendation of the harmonised tax regime by the Dr. Raja J Chelliah Committee in 1992. GST is an integrated and comprehensive indirect tax on the production/ delivery of goods and services and the sale and purchase of the same. Because of the existence of the fiscal federalism among the Centre and State in India complete elimination of the cascading effect of tax could never be done, say for example the Central Sales Tax is not allowed as credit from the State level Value Added Tax. As a result of that the cost of the products and services goes up fuelling the inflation and also makes our goods and service less competitive in the international market. Thus need of the hour is to have a single indirect tax system which will be applicable to goods and services. GST is the answer to this pressing question. In the GST regime a single indirect tax will prevail, which will subsume almost all the existing indirect taxes such as excise, customs, VAT, CST etc. and therefore irrespective of the manufacture, delivery, sale or purchase of goods and services GST will be charged and the input GST which has already been paid will be allowed as deduction creating an era of no cascading effect of tax. One of the most interesting feature of the GST is that it does not discriminates between goods and services unlike the present indirect tax structure where on the manufacture of goods, excise is charged while on sale and purchase VAT or CST is levied whereas the provision of service only attracts service tax (Bhowmick, 2016). In Indian context in order to maintain the very essence of the federal structure between the Centre and State the GST will be levied by both the Centre and the State which will comprise of Central GST, State GST and Integrated GST.

A number of studies have been conducted in India and abroad elaborating, conceptualizing, discussing and debating the nature of GST, its framework, applicability, methodologies, implementation issues, effect on the economy etc. Some of the notable studies on GST are conducted by Chrisholm et al. (1990), Ruggeri & Bluck (1990), Pope (2001), Valadkhani (2005), Dickson & White (2008), Vasanthagopal (2011), Garg (2014), Bhowmick (2016). In a different line, Ishak et al. (2015) studied the perception of the students towards the newly implemented GST in the context of Malaysia which revealed that majority of the students opined that the GST was implemented in their country in a wrong way. However there is a scanty of literature which has tried to enquire into the opinion of the tax professionals about the GST to be implemented in India. Since it will be implemented in India in recent time thus it is pertinent to assess the preparedness among the tax professionals about the GST, the perception of the tax professional about the impact of the GST in India and the reasons of non implementation of GST so far in India.

Objectives of the Study

The current study is undertaken with the following objectives:

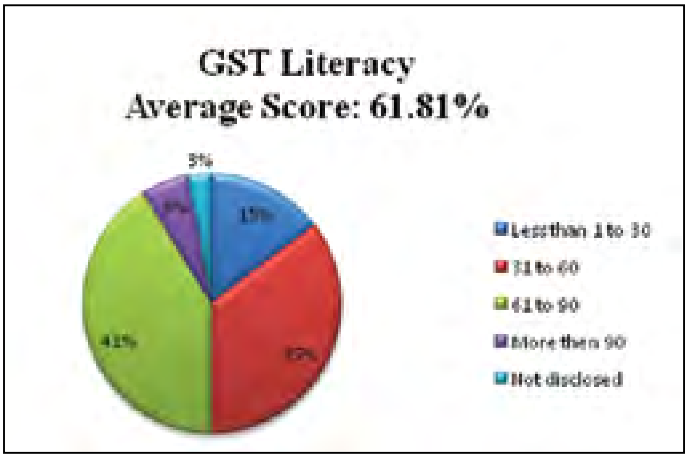
1. To explore the level of GST literacy among the tax professionals to gauge the preparedness of the tax professionals.
2. To evaluate the implications of the GST on Indian Economy.
3. To identify the reasons of non-implementation of GST in India in the opinion of the tax professionals in India

Data & Research Methodology

The present study is predominantly analytical in nature. For the purpose of the study a structured questionnaire was developed. For the purpose of this study the tax professional such as CAs, ICMAs, and Tax Lawyers Practising in Asansol, Burdwan and Bolpur City of West Bengal, India were selected for the purpose of the study. Using a snowball sampling technique a total questionnaire of 50 sets (Asansol-16 sets, Burdwan-20 sets and Bolpur-14 sets) was served. Out of those 50 sets 34 (26 Male and 8 Female) i.e. 68% responses were finally collected for proceeding to the next step of analysis. The period of survey was from 1st may to 25th may 2016. For the purpose of this study there was an attempt to determine the GST literacy among the respondents. For the purpose of this 10 general questions about the awareness of GST were included in the questionnaire which was collected from the 'Frequently Asked Questions' present on the official website of the Ministry of Finance, Government of India. Apart from this the questionnaire was designed in such a way so as to assess the perception, impact on the economy and the reasons of non-implementation the GST among the respondents, The primary data so collected has been analyzed by using simple statistical techniques such as frequency distribution, charts, measures of central tendency, measures of central dispersion to achieve the objectives of the study.

Analysis and Findings

Chart 1: GST Literacy



Source: Author's own calculation based on primary data.

From Chart 1 it can be seen that out of the total, 35% respondents scored in between 31% to 60%, 76% respondents scored in between 61% to 90% and approximately 6% had scored more than 90%. Thus it can be said that there is a sufficient degree of GST literacy among the tax professionals surveyed for the purpose of the study and they are well prepared for the introduction of the GST.

Table 1: Perception about GST

Sl. No.	Statements	Mean	SD
1	GST system is not as good as VAT/CST system.	2.7353	1.3328
2	There is no difference between VAT & GST.	1.8823	0.8795
3	The revenue share of the state Govt will reduce due to the implementation of GST.	3.0294	1.1673
4	I think business community want GST to be implemented in India as soon as possible.	4.0294	0.9688
5	It is very difficult to implement GST in India.	3.5588	0.9274
6	GST if implemented should have a uniform (single) rate of tax.	3.7352	1.0818
7	GST rate should be very low.	2.7059	0.7988

Source: Author's own calculation based on primary data.

In Table 1 an effort was made to evaluate the perception of the tax professionals studied for this purpose. The analysis of the statements clearly suggest that majority of the respondents have agreed that GST system is different and better from the existing indirect tax mechanism in operation. But they opined that there exists a lack of awareness about how the GST system will work. It is also evident from the analysis of Table 1, that the majority of the respondents believe that most of the business houses in India want GST to be implemented as soon as possible but with an apprehension that implementing GST in India would be a tedious task for the current Government because of various reasons pointed out elaborately in Table 3. Majority of the respondents also opined that GST rate should be a uniform and rational one (not very low) so that the Government has adequate funds to finance the public expenditures. However the respondents remained neutral in their opinion regarding the fact that whether the State Governments will loose the revenue due to the implementation of GST in India.

Table 2: Impact of GST

Sl. No.	Statements	Mean	SD
1	GST will increase the inflation rate.	3.2059	1.0668
2	GST will help to reduce leakage/black money problem in India.	3.0882	1.2152
3	GST will positively affect the Economic growth of India.	4.0294	0.7171
4	GST implementation will boost the share/stock market.	3.9090	0.7650
5	FII & FDI will increase if GST is implemented in India.	3.3823	0.9216

Source: Author's own calculation based on primary data.

Table 2 analyzes the opinions received from the respondents regarding the possible implications of the GST on the Indian economy. Majority of the respondents remained neutral (Mean value close to 3) on the points whether the GST will increase the inflationary situation in our country and whether the GST system is concrete enough to reduce the tax leakage and creation of black money in the economy. As far as the effect of the GST in India is concerned most of the tax professionals agreed or strongly agreed on the points that effective implementation of the GST in India will have significant positive impact on the foreign fund flow in the form of FDI and FII in India which in turn will have notable favourable implications towards the Indian stock markets. Thus on an overall basis it can be concluded that most of the respondents believed that introduction and effective implementation of GST will usher a new dawn of economic growth and development in India.

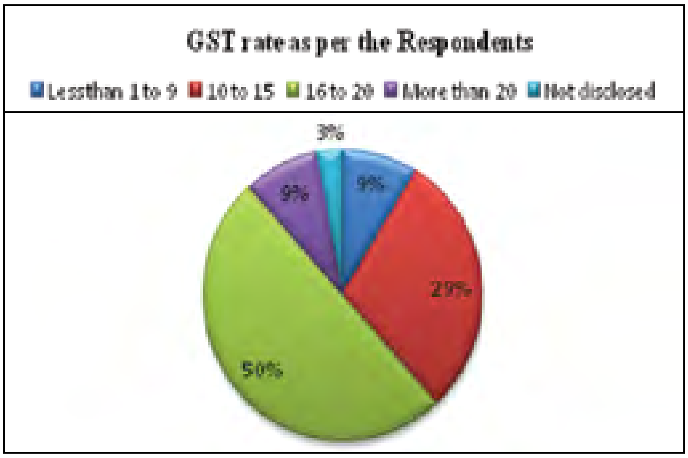
Table 3: Reasons of Non-implementation of GST in India

Sl. No.	Statements	Mean	Rank	SD
1	Big Business houses in India, do not want GST to be implemented in India.	2.4709	4	0.8252
2	Consecutive Central Governments failed to convince the opposition party and the states to pass the GST bill.	4.0882	1	0.6682
3	GST is not implemented because it is definitely a complex system.	2.8235	3	1.1927
4	Different State Govt are reluctant to implement GST in the fear of loss of share of tax revenue.	3.8823	2	0.9459

Source: Author's own calculation based on primary data.

In Table 3 a modest effort was made to assess the important reasons of the non-implementation of the GST in India so far. The respondents have agreed (as evidenced from Table 2) that implementation of GST in India is difficult although now it seems that the road block is getting cleared gradually. The respondents have agreed that GST is not all a complex system and since it is beneficial to the economy the business community want the GST to be implemented at the earliest. Majority of the respondents have agreed that the GST has not been implemented in India mainly because of the failure of the earlier and the present Government to convince the political party more specifically the political unwillingness of the parties sitting at the opposition. Another prime reason accepted by the respondents that the different State Government are not satisfied about the share of tax revenue and they believe that the fiscal federalism will be affected due to the implementation of GST in India.

Chart 2: Opinion about the GST Rate:



Source: Author's own calculation based on primary data.

The study also tried to obtain the opinion of the tax practioners regarding the rational uniform rate of GST. 50% of the respondents have proposed that the rate of GST should be within the range of 16% to 20%, 29% of the respondents argued that the rate of GST should be between 10% and 15% whereas 9% of the respondents suggested that the rate should be little higher i.e. more than 20%. Another 9% respondents wanted the GST rate to be very low at 1% to 9%.

Conclusions

The introduction of GST in the country will bring about multiple benefits to all the stakeholders. The opinion study revealed that GST is a better indirect taxation system which will in no way going to affect the revenue share of the States and most of the business houses wants GST o be implemented as soon as possible. The respondents have opined strongly that GST implementation will have multiple benefits to our economy by positively affecting the economic growth, share market. But in most of the occasions the respondents felt that implementation of GST is difficult in India due to the political unwillingness of the opposition parties and the failure of the past and present Government to take the opposition in to confidence. Citizens of the country would be getting benefit of lower end price of all goods & services and finally Indian goods & services would be most competitive in the international market which will contribute to the growth of Indian Economy. GST regime will definitely help in providing a common national market in India. GST is not a new concept in the world. In 1954 France for the very first time introduced GST in their economy and since then 160 countries of the world have GST. India (Venkat, 2016). It is a great lacuna on the part of this country that till to date we have not been able to implement GST in our country. The mechanism of GST will overcome all these problems as there will uniform structure all over India in the new tax regime which will also help India to improve its rank in the 'Ease of Doing Business' race. MA

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FOOT NOTE

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Eastern India Regional Council

The Institute of Cost Accountants of India - Ranchi Chapter

On July 1, 2016 the new session of the chapter had been started and was attended by CMA A.D. Wadhwa, past chairman, EIRC, CMA S.K. Singh, chairman of the chapter and CMA Ranjit Agarwal, secretary of the chapter. CMA A. D. Wadhwa narrated the students about the course and future of CMAs.

Northern India Regional Council

On April 23, 2016 the Region organized a seminar on Service Tax and Budget - 2016 at Gurgaon. Mr. Parveen Kumar, Partner, ASA & Associates LLP the keynote speaker shared his valuable experience and knowledge on the above theme. On April 30, 2016 the Region organized a seminar on 'Success Role Model by CMAs in MSME and NSIC' in which Mr. R. K. Sharma, GM Finance, NSIC, Mr. Yeshwant Adarkar and Mr. Ajay Mathur from SIDBI were special guest key note speakers. Mr. R.K. Sharma elaborated various schemes of NSIC which are available for the investors and how investors can take the benefits of these schemes to grow further and can actively participate in the growth of the country. Mr Yeshwant Adarkar from SIDBI informed the delegates about various project financing schemes available for small and medium entrepreneurs and the benefits of these scheme these entrepreneurs can take which are easily available and very cheap in respect to capital cost. NIRC celebrated the Annual day of the institute on May 28, 2016 where CMA P.V. Bhattad, President, CMA Manas Kr. Thakur, Vice President of the Institute, CMA I. Ashok, CMA H. Padmanabhan, CMA Niranjan Mishra, CMA Sanjay Gupta & CMA Balwinder singh, Council members, CMA Ravi K. Sahni, CMA Navneet Kumar Jain, RCMs were present on the occasion.

The inaugural meeting of North West Delhi CEP Study Circle was organized on May 29, 2016 on 'CMAs role in Current Business Environment'. Dr. Shobha V. Gupta, MCD Councilor, the chief guest along with vice president of the Institute, CMA Manas Kr. Thakur inaugurated first CEP Study Circle of Delhi. Convener, CMA Sandeep Goel and Dy Convener CMA Raminder Pal Kaur welcomed the members on this historic event. Other dignitaries present were guest of honour CMA Sanjay Gupta, council member, CMA S.K. Bhatt, chairman, NIRC, CMA Ravi K.

Sahni, vice chairman, NIRC, CMA Navneet Jain, RCM, CMA Harkesh Tara, Senior Practicing member, CMA Ashok Aggarwal, past council member, CMA N.M. Gupta, past chairman, NIRC and various other distinguished members attended the meet. Speakers on the topic CMA A.K. Gautam, DGM, Finance of Power Grid Corporation and CMA Vijender Gupta, PCMA shared their views and knowledge with other members present in the meet. The region conducted the programme at Bikaner on 'Role of CMA in Mining & Agro Industry' delivered by CMA Ravi Kr. Sahni, vice chairman, NIRC and CMA Rajender Singh Bhati, RCM, NIRC.

The Institute of Cost Accountants of India - Gorakhpur Chapter

On May 21, 2016 the chapter organized a seminar on real estate, hospitals and educational institutions. Dr Radhamohan Das Agrawal (MLA) was the chief guest on this occasion and he said that the role of cost accountants begins from agriculture to industries and other service sectors. CMA S.S. Pandey, chairman of the chapter stressed upon updating of knowledge, through continuing education and training which is possible by such seminars. CMA S.K. Bhatt, chairman, NIRC presented his views very emphatically in a lucid way on Hospital (Health services).

The Institute of Cost Accountants of India - Lucknow Chapter

On June 21, 2016 the chapter organized 'International Yoga Day'. The yoga was initiated by Patanjali Yoga Acharya, Raghunath Prajapati and R. K. Triwedi along with CMA Pawan Kumar Tiwary, chairman of the chapter, CMA Dharmendra Singh Saluja, vice chairman of the chapter, CMA Amit Yadav, secretary of the chapter. On June 26, 2016 the chapter organized a seminar on 'Role of CMA in Present Scenario and Updates on GST' at CMA Bhawan. Mr. Vijay Bhadur Yadav, Chairman of UP Cooperative Tribunal, was the chief guest of the seminar and CMA Sunil Kumar Pandey, Dy. Director of UIDAI was the guest of honour in the seminar.CMA Chandra Wadhwa, past president of the Institute, the speaker and CMA Pawan Jaiswal, special invited member on GST & DTC Matters, Govt. of India said that Goods & Service Tax will change the present scenario of CMA Professionals. After implementation of GST in Indian economy, it will decrease the value of goods. Price will be fixed on PAN India bases. On the same day the chapter conducted a Swachh Bharat Abhiyan at CMA Bhawan. CMA Pawan Kumar Tiwary, Chairman of the chapter, CMA Dharmendra Singh Saluja, Vice Chairman of the chapter, CMA Amit Yadav, Secretary of the chapter, CMA Ranjeet Singh, CMA Sahil and other members enthusiastically joined the initiative and cleaned the premises.

On June 27, 2016 the chapter organized the meeting with Honorable Cabinet Minister, Piyush Goyal, Minister of State with Independent Charge for Power, Coal, New and renewable energy in Government of India at BJP Karyalay, Hajratganj Lucknow. Management committee

of the Chapter along with CMA Sunil Singh, Secretary, NIRC, CMA Pawan Kumar Tiwary, chairman of the chapter, CMA Dharmendra Singh Saluja, vice chairman of the chapter, CMA Amit Yadav, secretary of the chapter, CMA Narandra Bhatt, CMA Ranjeet Singh, CMA Sahil , CMA Durgesh Sahu, CMA Avtar Singh, CMA Ankur Verma, CMA Shakambari Tiwari, CMA Nancy Gupta and other members joined the meeting and discussed the role of Cost Accountants in deciding the tariff of electricity and utilization of the resources so that electricity can reach each and every village.

The Institute of Cost Accountants of India - Jaipur Chapter

The chapter had been selected as skill development centre by Rajasthan Skill & Livelihoods Development Corporation (RSLDC) and on June 3, 2016, there was a MoU between RSLDC and the Institute signed by CMA Dr. I. Ashok, Council Member & Chairman (CAT) on behalf of the Institute and on behalf of RSLDC, it was signed by its Commissioner, Shri Krishna Kunal, IAS. On the basis of MoU, youth will be given training of Certificate in Accounting Technician (CAT) Course. On June 18, 2016 the chapter organized full day Seminar on 'Cost Audit Rules' and 'Cost Auditing Standards'. The first technical session was conducted by CMA Alok Kumar Gupta, secretary of the Chapter. In this session key speaker, CMA Vijender Sharma, Council Member and Chairman, Professional Development Committee explained in detail about the amendments in Cost Audit Rules 2014. In the second technical session, Key Speaker CMA Balwinder Singh, Council Member and Chairman, Cost Accounting Standards Board gave detailed presentation on 'Cost Auditing Standards' and emphasized to improve the quality of Audit. On June 21, 2016 the chapter celebrated International Day of Yoga at its premises wherein yoga exercises were performed by the members and staffs under the guidance of CMA P.R. Jat, chairman of the chapter. On June 25, 2016 as per the direction of Govt of India and subsequent communication received from the secretary of the Institute, Cleanliness Drive, Swachh Bharat Abhiyan had been organized at its premises. CMA P.R. Jat, chairman, CMA Alok Kumar Gupta, secretary, members and staff took part with great enthusiasm in the cleanliness drive.

Southern India Regional Council

The Institute of Cost Accountants of India - Hyderabad Chapter

On June 5, 2016 the chapter organized a programme on 'Environmental, Sustainable Accounting and Auditing' at CMA Bhawan. Mrs. G. Vinulata, Founder Director of KV Environ N Energy Management Consultants Pvt Ltd (KVEEC) and Amber Flux Pvt Ltd (AmberFlux) explained the UN Sustainablity Development Goals (SDG) and also initiatives taken by India. On June 7, 2016 CMA Dr. R. Chandra Sekhar, Secretary, met Sri Srinivas Reddy, Director and the principal of Pragnya Degree College, Chandanagar, Hyderabad to discuss about the CMA support centre to establish in this college and highlighted the importance of CMA course, its career growth and opportunities either in employment or practice. On June 10, 2016 the chapter held an interactive meeting with CMA R. Lakshman R Watawala, SAARC President and Past President, SAFA to discuss on the latest developments in CMA profession in SAARC Region. He also suggested having a joint programme for students at Hyderabad with these two institutions. CMA D. Surya Prakasam, Chairman, CMA Dr.PVS Jagan Mohan Rao, Council Member, CMA A R V Badrinath, CMA Dr. R. Chandra Sekhar, Secretary, CMA B.V.Ramana Murty, Past President, CMA P.Chandrasekhara Reddy, MC Member, CMA D. Munisekhar, MC member graced the occasion. On the same day the ICSI, Hyderabad Chapter and the chapter had an interactive meeting at CMA Bhavan. The meeting was conducted to discuss on proposed programmes for students and members who are of common areas of interest for both the Institutes. CMA D. Surya Prakasam, Chairman of the chapter, CMA K.V.N Lavanya, Vice Chairperson of the chapter, CMA Dr. R. Chandra Sekhar, Secretary of the chapter, CMA P. Chandrasekhara Reddy, MC Member, CMA D. Munisekhar, MC member and from the ICSI Hyderabad Chapter CS Mahadev, Chairman, CS V. Ahalada Rao, Central Council Member, CS R.Venkata Ramana, CS S. Kavitha Rani, Secretary and CS Rahul Jain, Treasurer attended the meeting.

On June 25, 2016 the chapter held a discussion session on 'GST Model Act, 2016' where CMA B. Mallikarjuna Gupta, Development Business Analyst – Principal, Infor India Pvt. Ltd. explained the key features of GST and the important aspect of input tax credit in the proposed GST Act. CMA K.K. Rao, Practicing Cost Accountant explained the role of Cost Accountants. On June 26, 2016 the chapter in association with the Corporate Laws Committee of the Institute organized a program on 'All India Internal Audit Week' from June 26, 2016

till July 2, 2016. CMA K. Narasimha Murty, Management Consultant was the guest of honour where he explained about the transformation in the audit function. He emphasized that service industries, which are more complex, need a more healthy risk management to be in place. On the same day CMA A.V.N.S. Nageswara Rao, Practicing Cost Accountant, deliberated on Internal Audit – Pharma Industry and briefly explained the definition of internal audit and addressed some of the risks faced by organizations. On June 27, 2016 CA Rakesh Santhalia, CFO, Karvy Stock Broking spoke on Internal Audit – Securities Market. On June 28, 2016 CMA Ch. Vijayananda, Head, Accounts & Finance, L&T Metro Rail Hyderabad Ltd spoke on Internal Audit – Infrastructure Industry and provided an overview of the infrastructure industry in India with respect to its size and investment. On June 29, 2016 CMA Atul Kumar Agarwal, CFO, Mediplus Health Services on Healthcare Retail mentioned that an internal auditor must have knowledge of the business operations and its key drivers, a thorough understanding about the industry and the company processes. On June 30, 2016, CMA K K Rao, practicing cost accountant narrated on Internal Audit-Construction Industry and also explained the AS-7 and AS-9 used in recognizing revenues and project cost allocation. On June 21, 2016 the chapter celebrated International Yoga Day as suggested by the Head Quarter of the Institute. The programme was conducted by ISHA Foundation for members for the benefit of health, to remove stress, to get success and to function efficiently in personal life and professional life etc and the session was handled by Ms. G. Shakuntala Jain, Trainer from Isha Foundation. On June 22, 2016 the chapter held a Commerce Interactive Meet at CMA Bhawan and Sri S.V. Satyanarayana, Head of the Commerce, Osmania University was the chief guest of the Meet. On June 30, 2016 the chapter conducted career counseling programme at Badruka Degree College, Kachiguda and CMA K.V.N. Lavanya, Vice Chairman of the chapter was the speaker of the programme. On July 1, 2016 CMA D. Zitendra Rao, practicing cost accountant briefed on Internal Audit – Power Industry in which he started explaining the typical operations of power industry, starting from generation to transmission to distribution for both conventional and non-conventional plants. On July 2, 2016 CMA N.S.V. Krishna Rao, practicing cost accountant discussed on Internal Audit-Cement Industry where he initially explained the kinds of cement and the process of manufacture of cement.

The Institute of Cost Accountants of India - Mysore Chapter

The Chapter organized a full day seminar on 'Goods & Service Tax' on July 2, 2016 inaugurated by CMA K Sanyasi Rao, chairman, SIRC and Mr Subraya M Hegde, Retd Joint Commissioner of Commercial Taxes (Legal Affairs) at commissioner's office, Bengaluru and presently working as advisor, Fiscal Policy Institute, Govt of Karnataka. Mr Subraya M Hegde, the resource person emphasized necessity for 'Goods and Service Tax' which has the potential for improving GDP. The second session had been addressed by CMA Girish K and CMA Vishwanath Bhat emphasizing the role of practitioners in helping the business for smooth implementation of GST.

The Institute of Cost Accountants of India - Trivandrum Chapter

The Chapter conducted various activities in connection with 'Swachh Bharat Pakhwada' from 16 – 30 June 2016. The main activities are mass pledge under the leadership of CMA N P Sukumaran, past president of the Institute, cleaning the bathrooms and premises of the chapter under the guidance of CMA G.S Manoharan Nair, chairman of the chapter, cleaning Vellayambalam Jawahar Lane under the leadership of CMA Joseph Louis, secretary of the chapter.

The Institute of Cost Accountants of India - Bangalore Chapter

On April 16, 2016 the chapter celebrated Founders Day of the Institute on 'CMA Profession – A Journey Unfolded' and CMA Premnath Murthy, Management Consultant and M&A Advisor and CMA Y.K. Venkatesh, ICAS, Adviser (Retd.), Ministry of Finance, Dept. of Revenue CBEC, Directorate General of Audit were the speakers of the programme. On June 11, 2016 a professional development meet was organized on 'The new Insolvency and Bankruptcy Code, 2016 – Role of NCLT and Insolvency Professionals' and CS Thirupal G, Company Secretary was the speaker. On June 18, 2016 Practitioner's Meet on 'Practical Issues in Cost Audit and Concerns of Cost Auditor' was held and CMA Zitendra Rao, Chairman, Sub-Committee for Members in Practice of SIRC of the Institute and Chairman, Sub-Committee for Inter

Institution Co-ordination of SIRC of the Institute and CMA K. Suryanarayanan, SIRC Member were the speakers of the Meet. On June 21, 2016, International Yoga Day had been celebrated by the chapter and Yogasana was conducted by CMA Pranabandhu Dwibedy, Cost Accountant and Shri Shankar & Shri Anjan, were the Karnataka Yoga Teacher, Co-ordinator – Art of Living and Ms. Pooja, was the dietician of the programme.

The Institute of Cost Accountants of India - Visakhapatnam Chapter

On June 26, 2016, the chapter observed the Swachh Bharat Pakhwada at its premises with reference to the announcement of Government of India. CMA P.V.N Madhav, chairman of the chapter, CMA M. Ramakrishna, secretary of the chapter addressed about the significance of Swachh Bharat. The Chapter organized a Professional Development Programme on 'India Prepares for GST' on July 5, 2016 at CMA Bhawan. Mr Karan Talwar explained about model GST Law which was borrowed from other countries especially European countries. He discussed Central Goods and Service Tax (CGST), State Goods and Service Tax (SGST), Integrated Goods and Service Tax (IGST), broad coverage of supply and supply without consideration, Application of GST in Securities sale, work contract on construction, supply of food & drinks (Except Alcohol) & transfer of right to use. Mr G Prahlad , the speaker said CGST cannot be adjusted with SGST as one is central and another is State.

The Institute of Cost Accountants of India - Coimbatore Chapter

The Chapter conducted a faculty meeting of the 82nd session on June 4, 2016. The focus of the meeting was on improving the results and attendance of the students. On June 21, 2016 the chapter celebrated International Yoga Day by Sri Avinashilingam & Smt Ponmani Avinashlingam, Yoga Trainers, Coimbatore. On June 23, 2016 the Chapter arranged a career counseling programme conducted by vice chairman of the chapter, CMA Subbaraman and secretary of the chapter, CMA Venkateswar. B. at Nehru College of Arts & Science, Coimbatore. As part of Swachh Bharat Pakhwada and as per the instruction of Headquarter of the Institute, pledge was taken by the chapter members and students on June 29, 2016 and cleaning of nearby school ground was done on June 30, 2016.

Western India Regional Council

The Institute of Cost Accountants of India - Surat South Gujarat Chapter

On June 5, 2016 the chapter celebrated the world environment day at chapter's campus. The chapter took an initiative to give interview in local TV Channel, 'Channel Surat' on June 3, 2016 to spread awareness about CMA course in general public. In response to the call given by Prime Minister Narendra Modi and the directive from the President of the Institute, the chapter celebrated June 21, 2016 as Yoga Day at conference hall of the chapter. CMA Manubhai K Desai, chairman of the chapter welcomed & introduced Mr. Kandarp Sharma, yoga teacher of ART OF LIVING -Surat Unit, who explained the concept of Yoga. The chapter conducted a CEP on 'Practical Aspects of Cost Audit' on June 23, 2016 at chapter's office. CMA Dr. Dhananjay V. Joshi, practicing cost accountant and past president of the Institute was invited as the faculty for the CEP. The key note speaker CMA Dr. D. V. Joshi dealt with the subject and gave a brief idea about the history and practical aspects of Cost Audit. On July 4, 2016 the chapter conducted the inauguration function of oral learning classes at its auditorium conducted by Principal, Dr. Avnindra Dixit, DRB College of Commerce, Surat. Dr Avnindra Dixit complemented the students to join this valuable professional course in the era of global industrial competition & advised the students to work hard with full concentration. CMA Manubhai K. Desai, chairman of the chapter emphasized that the chapter completed 24 years of its establishment and entered the silver jubilee year in March 2016. Dr. Dhaval Pandya, senior faculty of oral coaching classes of the chapter presented vote of thanks.

The Institute of Cost Accountants of India - Indore Dewas Chapter

On June 21, 2016 the chapter observed international Yoga day. Dr Sangram Singh, , a renowned paediatrician of Indore and faculty of 'Art of Living' taught various yogic kriyas, asanaas, pranaayam, meditation techniques and explained benefits of regular yoga to the members. Chairman of the chapter, CMA Vineet Chopra explained about significant contribution of yoga on mental peace, development and threw light on positive effects of practicing yoga on soul and mind.

The Institute of Cost Accountants of India - Pune Chapter

The Chapter on May 21, 2016 observed Anti Terrorism Day as per the guidelines of the Institute and all the members present and staff of the chapter took a pledge for assisting society from violence. On May 28, 2016 the chapter celebrated Annual Day of the Institute by arranging variety of programmes for members of the chapter and students. In the Morning , Parvati Hill Climbing competition was organized. Senior Member, CMA D.V. Joshi, Past President of the Institute, CMA D V Patwardhan, Past Chairman of the chapter and CMA P V Gokhale participated in the programme. This was followed by Cleanliness Drive (Swachh Bharat Abhiyan) arranged at chapter's premises. Managing Committee, other members & staff of the chapter participated in this drive. From June 8, 2016 till June 21, 2016 the chapter organized yoga classes and the trainer for the same was Past Chairman and Past Director of the Chapter CMA D V Patwardhan. The chapter organized a CEP programme on 'Model GST Law 2016' on June 23, 2016 at its premises. In the technical session CMA Dr. Sanjay Bhargave, the guest speaker explained in detail Draft GST law. The main emphasize was given on highlights of GST, applicability of GST based on turnover limits, similarity as well as peculiarity with central excise and service tax rules. Concepts related with GST such as SGST, CGST & IGST were also discussed.

The Institute of Cost Accountants of India - Nasik-Ojhar Chapter

The Chapter participated in career education fair conducted by 'Sakal Papers', the renowned newspaper group in Nasik from June 3 to June 5, 2016. The chapter in association with Computer Society of India, one of the premier profession Institute in India organized seminar on 'CISA – Awareness' on June 10, 2016. This seminar was conducted in collaboration with ISACA, Pune Chapter. International Systems Audit and Control Association, is an International body which conducts this examination and CISA is a renowned certification worldwide. Information about CISA Certification and opportunities in the market were discussed in the seminar. The chapter in association with Nashik Chapter of WIRC of ICSI organized a half day seminar on 'Registration of charges with ROC & Wealth creation through Capital Markets' on June 23, 2016. CA Saleem Raja, renowned chartered accountant in Nashik explained registration of charges with ROC. Mr. Jai R. Sanghavi, spoke on wealth creation through capital market by giving the various examples of current market situation. The vote of thanks was given by CMA Pradnya Chanorkar chairperson of the chapter. The seminar was attended by CMA and CS members.

The Institute of Cost Accountants of India - Pimpri Chinchwad Akurdi Chapter

The Chapter celebrated 5th anniversary and the annual day of Institute on May 28, 2016 with the presence of CMA B M Sharma, past president of the Institute. CMA Pradeep Deshpande reminisced about the initial challenges and discussed on the flourish of the chapter with the support from the WIRC, HQ, senior members, well wishers and specially Aurangabad Chapter. CMA L D Pawar, founder chairman and present RCM briefly traced the journey of the chapter from the time it germinated as an idea in 2009 to its eventual inauguration on May 25, 2011. He noted with pride that in the five years, the chapter had marked many singular achievements. CMA B M Sharma asserted that the chapter strived to ensure quality in service provided to students and members. He guided the students to rely on hard work and positive attitude to achieve success in exams.

Role of CMAs in Capacity Building for Sustainability

- ***Skill and Entrepreneurship Development for Capacity Building –***

The MOU has been signed by the Institute with National Skill Development Agency (NSDA), an autonomous body of the Ministry of Skill Development & Entrepreneurship, Government of India and Entrepreneurship Development Institute of India (EDI), Gujarat , to enable offering various collaborative activities to promote and encourage skill and entrepreneurship development in India. The Institute has already started conducting seminars and workshops jointly with various colleges and universities regarding skill and entrepreneurship development as a part of capacity building activities.

- ***Encouraging Foreign Direct Investment (FDI) –***

The youth to be provided with quality of knowledge and technical skills and encourage them for self–employment and entrepreneurship development by providing financial assistance. This would result to employment generation and development of the economy. Foreign Direct Investment in the form of foreign capital plays a significant role in Capacity Building for growth and development of a nation. FDI plays an important role of bridging the gap between the available resources and the required resources. It plays an important role in the long-term development of a country not only as a source of capital but also for enhancing competitiveness of the domestic economy through transfer of technology, intensifying infrastructure, raising productivity and generating new employment opportunities. Thus CMAs through Resource Mapping, Risk Mapping and Capital Rationing of corporate sources can improve cost competitiveness and capacity building for national sustainability.

- ***Socio-Economic Development –***

Human Resource Development is the key in the process of socio- economic development of a nation. Human capital formation is both qualitative and quantitative in the sense that it *involves attainment of the skills, education, experience and training that enables them to perform effectively. The Institute as a part of its obligation regulates the profession of Cost and Management Accountancy, enrolls students for its courses, provides coaching facilities to the students, organizes professional development programmes for the members, and undertakes research programmes in the field of Cost and Management Accountancy and as a result contributes in human capital formation through skill development and capacity building.*

- ***Women Entrepreneurship –***

Women are equally competent in today's competitive world. The attitudinal and educational development has brought about a strong and conspicuous change in them enabling them to be employed at all places where men have been. To encourage young women towards women entrepreneurship, the Government has announced various subsidies and loan assistances in India. The CMAs can keep a track on allocation and apportionment of fund allotted to the rural and urban woman entrepreneurs. With their professional expertise can facilitate women entrepreneurs to take suitable strategies for business sustainability.

- ***Innovative Education & IT Literacy –***

Improving quality of the education is utmost required for nation building throughout the country, including in the backward regions where people do not have easy access to education and also paying special attention to disadvantaged groups like the poor, females and the minorities. Encouraging international cooperation in the field of education, including working closely with the UNESCO and foreign governments as well as Universities, to enhance the educational opportunities in the country is also need of the hour. The Institute in association with various National and International organizations is trying to promote professional education across the globe.

- ***Strengthening Culture and Values in Education –***

Culture has the power to transform entire societies, fortify local communities and create a sense of identity for people of all ages. Culture plays an essential role in promoting sustainable social and economic development for future generations. Youth can act as a bridge between cultures and serve as key agents in promoting peace and intercultural understanding. The Institute has already started conducting workshops on values and ethics for strengthening core universal human values like Truth, Peace, Love, Righteous Conduct, Non-Violence and the Values enshrined in the constitution of India for Human Resource Development.

- ***Evaluation of Capacity Building through Human Resource Accounting –***

The Human Resource Accounting information has a noteworthy influence on the accounting information systems of capacity building activities to reduce cost, improve operational performance and had contributed to increase efficiency and effectiveness of accounting information systems in organizations. The use of Human resource accounting information system in various organizations contributes to the improvement of services provided to the clients. The CMAs can assess the human resource accounting information for cost control and cost competitiveness for sustainability of Accounting Information System.

Customs

Notifications:

Tariff:

✤ Seeks to further amend notification No. 27/2011-Customs, dated 01.03.2011 so as to provide exemption from export duty to Organic sugar up to 10,000 MT in a year beginning with October and ending with September subject to specified conditions. The exemption for the period ending with 30th September, 2016 shall be restricted to 2500 MT.

[Notification No. 43/2016-Cus,dt. 26-07-2016]

✤ Seeks to further amend notification No. 12/2012-Customs, dated 17.03.2012 [S. No. 284A] so as to provide that the manufacturer or merchant-exporter, referred to therein, may also be registered with the Cotton Textiles Export Promotion Council, in addition to Apparel Export Promotion Council or the Synthetic and Rayon Textile Export Promotion Council and may seek certification from any of the aforesaid bodies for the purposes of availing duty free import entitlement under the said entry.

[Notification No. 42/2016-Cus,dt. 11-07-2016]

✤ Seeks to further amend Notification No. 27/2011-Customs, dated the 1st March, 2011, so as to provide exemption from export duty to sugar exported under Advance Authorization Scheme subject to specified conditions.

[Notification No. 41/2016-Cus,dt. 06-07-2016]

✤ Seeks to further amend notification No. 53/2011-Customs dated 01st July, 2011 so as to provide deeper tariff concessions in respect of specified goods imported from Malaysia under the India-Malaysia Comprehensive Economic Cooperation Agreement (IMCECA) w.e.f. 30.06.2016.

[Notification No. 40/2016-Cus,dt. 21-06-2016]

Non-Tariff:

✤ Central government specifies following classes of goods:

- Silver bullion
- Cigarettes

[Notification No. 103/2016-Cus (NT), dt. 25-07-2016]

✤ Rate of exchange of conversion of the foreign currency with effect from 22nd July, 2016

[Notification No. 102/2016-Cus (NT), dt. 21-07-2016]

✤ Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds,Areca Nut, Gold and Sliver

[Notification No. 101/2016-Cus (NT), dt. 15-07-2016]

✤ Appointment of Common Adjudicating Authority

[Notification No. 99/2016-Cus (NT),dt. 14-07-2016]

✤ Rescinding notification No.18/2003-Customs dated 1st March 2003.

[Notification No. 98/2016-Cus (NT), dt. 08-07-2016]

✤ Honnavar Port (amending Notification No.62/1994-Customs (N.T.) dated 21.11.1994.)

[Notification No. 97/2016-Cus (NT),dt. 08-07-2016]

✤ Rate of exchange of conversion of the foreign currency with effect from 7th July, 2016

[Notification No. 96/2016-Cus (NT),dt. 06-07-2016]

✤ Tariff Notification in respect of fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Gold and Sliver

[Notification No. 95/2016-Cus (NT),dt. 05-07-2016]

✤ Appointment of Common Adjudicating Authority

[Notification No. 94/2016-Cus (NT),dt. 01-07-2016]

Appointment of Common Adjudicating Authority

[Notification No. 93/2016-Cus (NT),dt. 01-07-2016]

✤ Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Gold and Sliver

[Notification No. 92/2016-Cus (NT),dt. 30-06-2016]

✤ Exchange Rate notfn. with effect from 30th June, 2016 thereby amending Notfn. 87/2016-Cus (NT)

[Notification No. 91/2016-Cus (NT),dt. 29-06-2016]

Anti Dumping Duty:

✤ Seeks to amend notification No.67/2011-Customs dated the 26th July, 2011 so as to to extend the levy of anti-dumping duty on imports of certain Rubber Chemicals, namely PX13 and TDQ originating in, or exported from, European Union and MOR originating

in, or exported from, People's Republic of China, (imposed vide notification No. 67/2011-Customs, dated 28th July, 2011) for a period of one year i.e. upto and inclusive of the 27th July, 2017.

[Notification No. 35/2016-Cus (ADD), dt. 26-07-2016]

✤ Seeks to impose definitive anti-dumping of all imports of Plain Medium Density Fibre Board (MDF) having thickness of 6mm and above, originating in or exported from Indonesia and Vietnam.

[Notification No. 34/2016-Cus (ADD), dt. 14-07-2016]

✤ Seeks to amend No.6/2016-Customs (ADD), dated the 8th March, 2016.

[Notification No. 33/2016-Cus (ADD), dt. 14-07-2016]

✤ Seeks to amend notification No.23/2012-Customs (ADD) dated the 4th May, 2012.

[Notification No. 32/2016-Cus (ADD), dt. 14-07-2016]

✤ Seeks to amend notification No.61/2011-Customs dated 15.07.2011.

[Notification No. 31/2016-Cus (ADD), dt. 11-07-2016]

✤ Seeks to impose definitive anti-dumping duty on 1,1,1,2-Tetrafluoroethane or R-134a originating in or exported from People's Republic of China for a period of five years

[Notification No. 30/2016-Cus (ADD), dt. 11-07-2016]

✤ Seeks to amend notification No. 7/2016-Customs (ADD) dated 08.03.2016 so as to exclude Expanded Polypropylene beads and ter-polymer from the description of goods attracting anti-dumping duty.

[Notification No. 29/2016-Cus (ADD), dt. 05-07-2016]

✤ Seeks to impose definitive anti-dumping duty on "Purified Terephthalic Acid" including its variants Medium Quality Terephthalic Acid (MTA) and Qualified Terephthalic Acid (QTA), originating in or exported from China PR, Iran, Indonesia, Malaysia and Taiwan, for a period of five years from the date of imposition of provisional anti-dumping duty

[Notification No. 28/2016-Cus (ADD), dt. 05-07-2016]

Safeguards Duty:

No new Notification

CVD

No new Notification

Central Excise

Notifications:

Tariff:

✤ Seeks to amend notification No. 17/2011-Central Excise, dated the 1st March, 2011, so as to exclude handicrafts falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986), from the purview of excise duty exemption for "handicrafts".

[Notification No. 29/2016-CE, dt. 26-07-2016]

✤ Seeks to amend notification No. 8/2003-Central Excise dated 1st March, 2003, so as to increase the SSI Exemption limit and the SSI Eligibility limit for articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986).

[Notification No. 28/2016-CE, dt. 26-07-2016]

✤ Seeks to partially exempt Central Excise duty on articles of jewellery falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986) manufactured by:
(a) re-conversion of jewellery given by the retail customer, or
(b) mounting of precious stone given by the retail customer.

[Notification No. 27/2016-CE, dt. 26-07-2016]

✤ Seeks to amend notification No. 12/2012-Central Excise so as to prescribe 1% excise duty (without input and capital goods credit) on parts of articles of jewellery falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986), and to prescribe a criteria for classification of an articles of jewellery or part of articles of jewellery or both as that of a particular precious metal.

[Notification No. 26/2016-CE, dt. 26-07-2016]

Non Tariff:

✤ Seeks to amend notification No. 36/2001-Central Excise (N.T.) dated 26th June, 2001, so as to exempt a manufacturer or principal manufacturer of articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986) from taking central excise registration upto the full exemption limit.

[Notification No. 40/2016-CENT dt. 26-07-2016

✤ Seeks to amend notification No. 17/2006-Central Excise (N.T) dated the 1st August, 2006 so as to exempt a manufacturer or principal manufacturer of articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986) from filing of annual return.

[Notification No. 39/2016-CENT dt. 26-07-2016

✤ Seeks to amend notification No. 35/2001-Central Excise (N.T.) so as to:

(i) provide that a person engaged in the manufacture of articles of jewellery or parts of articles of jewellery or both, falling under chapter heading 7113 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) may get himself registered by 31st day of July, 2016;

(ii) exempt a person engaged in the manufacture of articles of jewellery or parts of articles of jewellery or both, falling under chapter heading 7113 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) from the requirement to submit plan of the factory premises under simplified registration procedure.

[Notification No. 38/2016-CENT dt. 26-07-2016]

✤ Seeks to provide a modified format for quarterly return, ER-8, for return of excisable goods cleared at the Central Excise duty rate of 1% [including articles of jewellery or parts of articles of jewellery or both, falling under heading 7113] or 2%.

[Notification No. 37/2016-CENT dt. 26-07-2016]

✤ Seeks to amend the CENVAT Credit Rules, 2004 in relation to articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986).

[Notification No. 36/2016-CENT dt. 26-07-2016]

✤ Seeks to amend the Central Excise Rules, 2002 in relation to articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986).

[Notification No. 35/2016-CENT dt. 26-07-2016]

✤ Seeks to notify the Articles of Jewellery (Collection of Duty) Rules, 2016, applicable to articles of jewellery or parts of articles of jewellery or both falling under heading 7113 of the Central Excise Tariff Act, 1985 (5 of 1986).

[Notification No. 34/2016-CENT dt. 26-07-2016]

✤ Seeks to notify the tariff values for articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986).

[Notification No. 33/2016-CENT dt. 26-07-2016]

✤ Seeks to further amend notification No. 35/2001-Central Excise (NT) dated 26.06.2001 so as to exempt mandatory physical verification of manufacturing premises in respect of manufacturers of readymade garments and made up articles of textiles.

[Notification No. 32/2016-CENT dt. 11-07-2016]

✤ Amendment of notification no. 17/2004-CE (NT) dated 04.09.2004 for supply of exempted bunker fuel to the specified Indian Ships / Vessels from the warehouse

[Notification No. 31/2016-CENT dt. 04-07-2016]

✤ Specifies that a person who is registered as a FSD shall not be required to take registration as an importer, and vice versa

[Notification No. 30/2016-CENT dt. 28-06-2016]

Service Tax

Notifications:

No new Notification

Income Tax

Notification:

✤ In exercise of the powers conferred by sub-section (1) and subsection (2) of section 199 of the Finance Act, 2016 (28 of 2016), the Central Board of Direct Taxes, makes the following rules further to amend the Income Declaration Scheme Rules, 2016 (hereinafter referred to as the principal rules) namely:-

1. (1) These rules may be called the Income Declaration Scheme, (Amendment) Rules, 2016.
   (2) These rules shall come into force from the date of their publication in the Official Gazette.
2. In the principal rules, in Form-1, for serial numbers 1 and 2 and entries relating thereto

the following serial numbers and entries shall be substituted. For details see the following link – http://www.incometaxindia.gov.in/communications/notification/ notification602016.pdf

[Notification No.60/2016, F.No.142/8/2016-TPL, New Delhi, the 20th July, 2016]

✤ In exercise of the powers conferred by section 187 of the Finance Act, 2016 (28 of 2016), the Central Government hereby amends the notification of the Ministry of Finance (Department of Revenue), notification number S.O.1830(E) dated the 19th May, 2016, published in the Gazette of India, Extraordinary, Part-II, Section- 3, Sub-section (ii) dated the 19th May, 2016.

2. In the said notification, for clause (ii), the following clause shall be substituted, namely:-

"(ii) the date on or before which the tax and surcharge is payable under section 184, and the penalty is payable under section 185 in respect of undisclosed income shall be as follows, namely:-

(a) the 30th day of November, 2016, for an amount not less than twenty-five per cent. of such tax, surcharge and penalty;

(b) the 31st day of March, 2017, for an amount not less than fifty per cent. of such tax, surcharge and penalty as reduced by the amount paid under clause (a);

(c) the 30th day of September, 2017, for the whole amount payable under section 184 and 185 as reduced by the amounts paid under clause (a) and (b);".

[Notification No.59/2016, F.No.142/8/2016-TPL, New Delhi, the 20th July, 2016]

✤ In exercise of the powers conferred by the third proviso to sub-section (2) of section 92C of the Income-tax Act,1961 (43 of 1961), read with proviso to sub-rule (7) of rule 10CA of the Income-tax Rules, 1962, the Central Government hereby notifies that where the variation between the arm's length price determined under section 92C and the price at which the international transaction or specified domestic transaction has actually been undertaken does not exceed one percent. of the latter in respect of wholesale trading and three percent.of the latter in all other cases, the price at which the international transaction or specified domestic transaction has actually been undertaken shall be deemed to be the arm's length price for Assessment Year 2016-2017.

Explanation.- For the purposes of this notification, "wholesale trading" means an international transaction or specified domestic transaction of trading in goods, which fulfils the following conditions, namely:-

purchase cost of finished goods is eighty percent. or more of the total cost pertaining to such trading activities; and

average monthly closing inventory of such goods is ten percent. or less of sales pertaining to such trading activities.

[Notification No. 57/2016/F. No. 500/1/2014-APA-II, New Delhi, the 14th July, 2016]

✤ In exercise of the powers conferred by sub-section (2) of section 138 of the Income-tax Act, 1961(43 of 1961), the Central Government having regard to all the relevant factors, hereby directs that no public servant shall produce before any person or authority any such document or record or any information or computerised data or part thereof as comes into his possession during the discharge of official duties in respect of a valid declaration made under 'the Income Declaration Scheme, 2016', contained in Chapter IX of the Finance Act, 2016 (28 of 2016).

[Notification No. 56 /2016, F.No.142/8/2016-TPL, New Delhi, the 6th July, 2016]

✤ In exercise of the powers conferred by section 9 and section 285A, read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely: - 1. (1) These rules may be called the Income-tax (19th Amendment), Rules, 2016. (2) They shall come into force on the date of their publication in the Official Gazette. 2. In the Income-tax Rules, 1962 (hereinafter referred to as the said rules), in Part II, after sub-part H, the following sub-part shall be inserted.

For details see the following link – http://www.incometaxindia.gov.in/communications/notification/ notification552016.pdf

[Notification No.55 /2016 F. No. 142/26/2015-TPL, New Delhi, the 28th June, 2016]

✤ In exercise of the powers conferred by clause(ha) of sub-section (2) of section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

1. (1) These rules may be called the Income-tax (18th Amendment) Rules, 2016.

(2) They shall come into force on the 1st day of April, 2017.

2. In the Income-tax Rules, 1962 (hereinafter referred to as the said rules), after rule 127, following rule shall be inserted,

namely:-

"128. Foreign Tax Credit.- (1) An assessee, being a resident shall be allowed a credit for the amount of any foreign tax paid by him in a country or specified territory outside India, by way of deduction or otherwise, in the year in which the income corresponding to such tax has been offered to tax or assessed to tax in India, in the manner and to the extent as specified in this rule:

Provided that in a case where income on which foreign tax has been paid or deducted, is offered to tax in more than one year, credit of foreign tax shall be allowed across those years in the same proportion in which the income is offered to tax or assessed to tax in India.

For details see the following link –http://www.incometaxindia.gov.in/communications/notification/ notification542016.pdf

[Notification No. 54/2016 F.No.142/24/2015-TPLNew Delhi, the 27th June, 2016]

✤ INCOME-TAX S.O. 2196 (E).– In exercise of the powers conferred by clause (ii) of sub-section (7) of section 206AA, read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

1. (1) These rules may be called the Income-tax (17th Amendment) Rules, 2016.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Income-tax Rules, 1962 (hereafter referred to as the said rules), after rule 37BB, the following rule shall be inserted, namely :-

"37BC. Relaxation from deduction of tax at higher rate under section 206AA.- (1) In the case of a non-resident, not being a company, or a foreign company (hereafter referred to as 'the deductee') and not having permanent account number the provisions of section 206AA shall not apply in respect of payments in the nature of interest, royalty, fees for technical services and payments on transfer of any capital asset, if the deductee furnishes the details and the documents specified in sub-rule (2) to the deductor.

[Notification No. 53 /2016, F.No.370 142/16/2016-TPL, New Delhi, the 24 th June, 2016]

Contributed by
Taxation Committee
Institute of Cost Accountants of India

Ease of doing business for EOU/EHTP/STP/BTP operations

CMA A. B. Nawal
Chairman
Taxation Committee
Institute of Cost Accountants of India

CBEC needs to be congratulated and also to be appreciated for bringing radical change in the operations of the EOU/EHTP/STP/BTP Units. Hon'ble Prime Minister of India will be very happy for such initiatives taken by CBEC appreciating the difficulties faced by EOU/EHTP/STP/BTP Units and created conducive & trust based environment which will initiate lot of FDI to support "Make in India" movement.

In the last month as a part of Ease of Doing Business action plan, Warehousing Provisions for goods were substantially simplified but still EOU/EHTP/STP/BTP Units were not being given the preferential treatment even though they bring good amount of Foreign Exchange also create employment which was explained to Chairman CBEC & Mr. Sandeep Kumar, Commissioner of Customs, CBEC and also submitted detailed alternatives for ease of doing business for EOU/EHTP/STP/BTP Units.

Within 15 days. CBEC has issued the notification no 44/2016-Cus dated 29th July 2016 and detailed circular no 35/2016-Cus dated 29th July 2016 not only dispensing **"Bonding and Manufacture in Bonded Premises requirement" but also made procedural simplifications with 100% trust and totally avoiding interface with the Excise & Custom Officials but ensuring record based strict accounting of duty free material and monitoring input & output norms**. Date of freedom is announced as 13th August 2016 i.e. 2 days ahead of independence day of India.

A. Impact of the amendments

Notification No. 52/2003-Cus dated 31.03.2003 has been amended so as to delicense the EOU/EHTP/STP/BTP units as bonded warehouse under Customs Act, 1962 with effect from 13th August, 2016.

In short, the EOU/EHTP/STP/BTP units need not to have bonded warehouse license under Section 58 and permission Section 65 of Customs Act, 1962. In effect these units need not to comply with various warehousing provisions.

The Warehoused Goods (Removal) Regulations, 2016, The Warehouse (Custody and Handling of Goods) Regulations, 2016 and Public Warehouse Licensing Regulations, 2016 will no longer be applicable.

Following warehousing provisions need not to be complied by EOU/EHTP/STP/BTP units:

1. No need for application to Principal Commissioner for private bonded warehouse under Section 58 & permission under 65 of Customs Act, 1962.
2. No need to provide various undertakings to Principal Commissioner
3. No need to appoint warehouse keeper and obtain digital signature of such person
4. No need to provide all insurance risk policy to Principal Commissioner
5. No need to obtain warehouse code from jurisdictional Customs officer
6. **Bill Entry for Home Consumption will be required at the clearance from Port of Import instead of Bill of Entry for warehousing.**
7. No re-warehousing is required to be done by these units after 13th August 2016.
8. No permission is required to be obtained for supply of goods from one unit to other.
9. No inspection of seal/goods by proper officer.
10. No need to file ex-bond bill of entry at the time of removal of goods from premises of EOU/EHTP/STP/BTP units.

B. Records to be maintained

1. Such units need to maintain records of receipt, storage, processing and removal of goods imported by such units under Notification 52/2003 Cus. as per new formats prescribed in the Circular 35/2016 Cus dated 29th July 2016.

2. The records to be maintained in digital format as per the details contained in the Form A provided in circular 35/2016 Cus dated 29th July, 2016.

3. The records of goods received on or after 13th August 2016 shall be maintained as per Form A. The information regarding the stock of goods lying with the unit need to be integrated into the digital record prescribed under this circular.

4. Further, details of goods (inputs, packing material, spares, consumables, components etc) of processing is completed or cleared from the unit need not to be incorporated in the digital records. Data relating to capital goods which are already cleared need not be updated in the digital records

5. All units are required to enter data accurately and immediately upon the goods being received in or removed from the unit. The digital records should be kept updated, accurate, complete and available at the unit at all times for verification by the proper officer, whenever required.

6. The records cannot be maintained in the excel format since it is mandate to keep the records in digital form. The software for maintenance of digital records must incorporate the feature of audit trail which means a secure, computer generated, time-stamped electronic record that allows for reconstruction of the course of events relating to the creation, modification, or deletion of an electronic record and includes actions at the record or system level, such as, attempts to access the system or delete or modify a record.

C. Procedure for Import

The Units shall continue to obtain / furnish a Procurement Certificate at the Customs Station at the time of import or pre-authenticated procurement certificates, as applicable to them;

1. Upon receipt of goods in the unit, a copy of the relevant bill of entry shall be provided to the jurisdictional office;

2. The jurisdictional office shall reconcile the imports with procurement certificates.

D. Procedure for Inter-unit transfer of Capital Goods and manufactured goods

1. Prior intimation to given to the jurisdictional Central excise officer.
2. Any procurement by one unit from another should be supported by a procurement certificate or pre-authenticated procurement certificates, as applicable;
3. The supply of the goods from one unit to another shall be based upon the usual commercial documents, such as, invoice & delivery challan;

Upon receipt of goods, copies of documents shall be provided to the jurisdictional office of the sending and receiving unit by way of intimation;

E. Monthly Return

A digital copy of Form A, containing transactions for the month, shall be provided to the proper officer, by the 10th day of subsequent month in a CD or Pen drive, as convenient to the unit. Freedom has been given to make suitable addition compilation of the related information considering the requirement of the unit.

It is expected that similar amendment in notification and procedures to be made in Notification 22/2003 CE dated 31.03.2003 for procurement of Indigenous goods or there may be a possibility to reside the said notification which would be in line with model GST Law.

While rejoicing we give below the list of work to be done immediately,

a) Completion of the Bond register and reconciliation thereof.
b) Verification of the duty free indigenous & imported capital goods as on 13th August 2016 reconciling with the Bond Register and carry forward the same for the record keeping requirement mentioned in point B above and monthly returns.
c) Reconciliation of Job Work challan & stock lying the job worker as on 13th August 2016 and carryforward the same in the for the record keeping requirement mentioned in point B above and monthly returns.
d) Verification of the stocks of duty free imported & indigenous raw material, consumable as on 13th August 2016 and carry forward the same for the record keeping requirement mentioned in point B above and monthly returns.
e) If input & output norms are not fixed or all items are not covered under prescribed SION (Standard Input & Output Norms) then suitable application for fixation / modification of SION.
f) Monitoring of actual consumption with Input & Output norms and payment of duties in case of adverse variance / excess consumption.
g) Upgradation of existing software system to comply with the above requirement especially maintaining Bill of entry wise & Item wise consumption & stock of each material.

All EOU/EHTP/STP/BTP Units needs to gear-up to really enjoy the process of liberalization and the fruits of ease of doing business. MA

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CMA 2016-17 CAREER AWARENESS PROGRAMME

CAREER AWARENESS PROGRAMMES HELD DURING JULY 2016 *

Date	HQ/Region/Chapter	Venue
1st July 2016	HQ	Authpur National Model Higher Secondary School, Authpur
4th July 2016	HQ	Techno India Model School, Salt Lake
10th July 2016	Kalyan-Ambernath	Kavita Commerce Classes, Ulhasnagar
9th July 2016	South - Orissa	Prativa Residential College at Chatrapur (Ganjam)
11th July 2016	EIRC	Collins Institute
9th July 2016	Aurangabad	Rajarshi Shahu Mahavidalya, Latur
4th July 2016	Hyderabad	Avanthi Degree College, Barkatpura, Hyderabad
5th July 2016	Hyderabad	Sri Venketeswara Degree College, Dilsuknagar, Hyderabad
5th July 2016	Hyderabad	Annie Besant Women's College, Gaddiannaram, Hyderabad
18th July 2016	EIRC	Narendranath Vidyamandir, Kashinath Dutta Road
18th July 2016	HQ	Behala High School, Behala
21st July 2016	EIRC	R B T Vidyapith, Sinthee, Kolkata
21st July 2016	Nellore	Vivekananda Degree College, Nellore
23rd July 2016	Aurangabad	Saraswati Bhuwan College of Arts & Commerce
2nd July 2016	Nasik-Ojhar	Siddhivinayak Computers, Nashik
19th July 2016	Nasik-Ojhar	Mahakavi Kalidas Kalamandir, Nasik
18th July 2016	SIRC	Sir M.Ct.M. Boys Hr.Sec.School, Purasawalkam, Chennai
14th July 2016	SIRC	Quaid - E- Millath Government College for Women, Binny Road, Chennai
26th July 2016	EIRC	Howrah Jogesh Chandra Girls College
26th July 2016	EIRC	Bantra MSPC High School, Howrah
22nd July 2016	Bhubaneswar	Xavier Schools of Management Khurda
19th July 2016	SIRC	Doveton Corrie Girls Hr.Sec.School, Vepery, Chennai
27th July 2016	EIRC	Sri Ramkrishna Sikshalaya, Howrah
16th July 2016	Durgapur	Bidhan Chandra Institution for Girls

28h July 2016	EIRC	Belur Girls High School
28h July 2016	HQ	St. Anthony's High School
28h July 2016	Nellore	Sanghamitra Junior & Degree College, A. K. Nagar, Nellore
12th July 2016	Hyderabad	CMS Junior College, SR. Nagar, Hyderabad
12th July 2016	Hyderabad	Sujatha Degree & PG. College, Chapel Road, Abids, Hyderabad
13th July 2016	Hyderabad	Pragnya Women's Degree College, Chandanagar, Hyderabad
13th July 2016	Hyderabad	Priyanka Degree College for women, Medhipatnam, Hyderabad
16th July 2016	Hyderabad	Cognizent college of Commerce, Ameerpet, Hyderabad
19th July 2016	Hyderabad	R. G. Kedia College of Commerce, Esamia Bazar, Hyderabad
20th July 2016	Hyderabad	Ideal Degree College for Women, Dilsuknagar, Hyderabad
23rd July 2016	Hyderabad	Badruka Degree College of Commerce
16th July 2016	Cochin	Our Lady of Fathima H. S. S., Kumbalangi, Ernakulam, Cochin
29th July 2016	Tiruchirapally	Jamal Mohamed College
28th July 2016	Jaipur	Chapter premises
12th July 2016	Asansol	Chapter premises
4th July 2016	Coimbatore	PSGR Krishnammal College
13th July 2016	Coimbatore	VLB Janakiammal College
14th July 2016	Coimbatore	CMS College of Science & Commerce
18th July 2016	Coimbatore	GRD College
19th July 2016	Coimbatore	SNR Sons College of Arts & Science
26th July 2016	Coimbatore	PSG College of Arts & Science
11th July 2016	Trivandrum	Swathi Thirunal College, Neyyattinkara Trivandrum district
31st July 2016	Trivandrum	Finwise Institute of Manangement Adoor, Pathanamthitta District
2nd July 2016	Udaipur	Vidhya Niketan Sr. Sec. School, Udaipur
6th July 2016	Udaipur	The Study Sr. Sec. School, Udaipur
9th July 2016	Udaipur	The Schollars Arena Girls College, Udaipur
16th July 2016	Udaipur	Srajan Acedaemy Udaipur, Udaipur
21st July 2016	Udaipur	Meera Govt Girls College, Udaipur
23rd July 2016	Udaipur	Sant Anthony Public School
25th July 2016	Udaipur	Indo American Public School, Udaipur
29th July 2016	Udaipur	B. N. Girls College, Udaipur
15th July 2016	Vishakhapatnam	Dr Lankapalli Bullayya College

PROGRAMMES HELD IN JUNE 2016 BUT REPORTED IN JULY 2016 *

4th June 2016	Cochin	Chapter premises
22nd June 2016	Cochin	St. Francis HSS, Aluva
27th June 2016	Madurai	Nadar Saraswathi College of Arts & Science, Theni
25th and 26th June 2016 (Two full day)	Indore - Dewas	SBI Education Fair, Hotel Mangal City Indore
18th June 2016	Trivandrum	Govt. College, Attingal, Trivandrum
30th June 2016	Trivandrum	Govt. Women's College, Trivandrum
28th June 2016	Coimbatore	Nehru College of Arts & Science
25th June 2016	Udaipur	MLV Shramjeevi College of JRN University
27th June 2016	Udaipur	Shree Ji Public School, Nathdwara
30th June 2016	Udaypur	CCMS of MLS University Udaipur
25th June 2016	Vishakhapatnam	Dr V. S. Krishna Degree College

* *As reported till 01-08-2016*

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