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AGRICULTURAL INNOVATION & SUSTAINABILITY

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)
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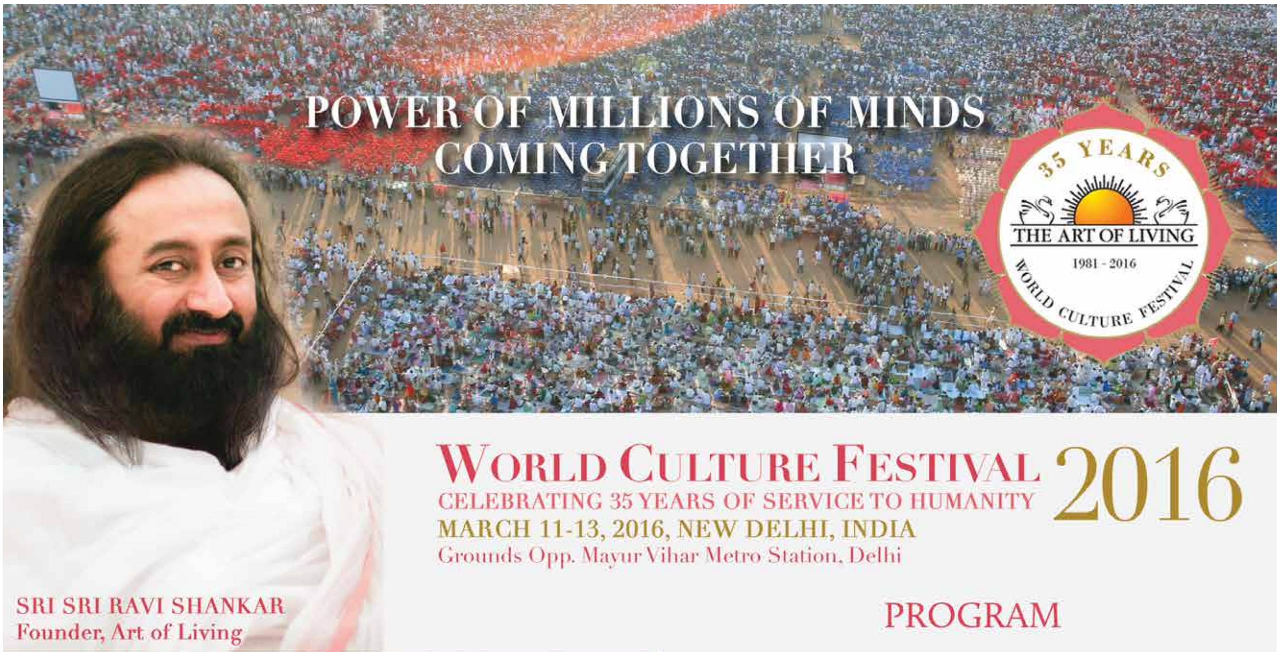

WORLD CULTURE FESTIVAL 2016

CELEBRATING 35 YEARS OF SERVICE TO HUMANITY
MARCH 11-13, 2016, NEW DELHI, INDIA
Grounds Opp. Mayur Vihar Metro Station, Delhi

SRI SRI RAVI SHANKAR
Founder, Art of Living

The Art Of Living Guinness Records(Partial)

The World Culture Festival, (WCF) Berlin

PROGRAM

FRIDAY, 11TH MARCH 2016
5.00 pm Onwards
Opening Ceremony
Cultural Showcase
Keynote Addresses
Meditation

SATURDAY, 12TH MARCH 2016
10.00 am Onwards
Global Leadership Forum
5.00 pm Onwards
Inter-Faith Meeting
Cultural Showcase
Keynote Addresses
Meditation

SUNDAY, 13TH MARCH 2016
10.00 am Onwards
Global Leadership Forum
5.00 pm Onwards
Cultural Showcase
Keynote Addresses
Meditation
Closing Ceremony

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Ministry of Culture Incredible India Art Culture & Languages Sangeet Natak Akademi National School of Drama

WE WELCOME YOU TO BE A PART OF THIS MAGNANIMOUS EVENT

FOR MORE DETAILS ABOUT THE WORLD CULTURE FESTIVAL CONTACT:

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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.

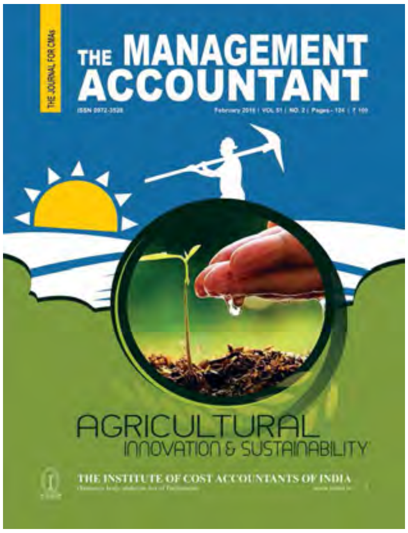
VISION STATEMENT

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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INSIDE COVER STORY

International Corner

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IFRS

Companies Act

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HR

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EDITORIAL

Greetings!!!

Today, agricultural systems worldwide are challenged by climate change and other threats, such as increased energy costs. Sustainable agricultural practices help farmers to acclimatize changes and to reduce greenhouse gas emissions. Sustainable agriculture also means opening the door to innovation that can help making farming cleaner, less exposed to volatility in the prices of inputs and more resistant to disasters.

Sustainable agriculture aims to:

- Produce safe and healthy food
- Conserve natural resources
- Ensure economic viability
- Deliver services for the ecosystem
- Improve quality of life in farming areas
- Ensure animal welfare

The country recorded impressive achievements in agriculture during three decades since the inception of green revolution in late sixties. This enabled the country to overcome widespread hunger and starvation; attain self-sufficiency in food; reduce poverty and bring economic transformation in millions of rural families. The situation, however, started turning adverse for the sector around mid-nineties, with decelerate in growth rate of output, which then resulted in stagnation or even decline in farmer's income leading to agrarian distress, which is spreading and turning more and more serious. Natural resource base of agriculture for sustainable production is shrinking and degrading, and is adversely affecting production capacity of the ecosystem. However, demand for agriculture is rising rapidly with increase in population and per capita income and growing demand from industry sector. There is, thus, an urgent need to identify severity of problem confronting agriculture sector to restore its vitality and put it back on higher growth trajectory. To triumph over the problems, innovation and intensification of sustainability, factors in agriculture is the need of this hour.

The Indian Agriculture Industry is at the verge of a revolution that will restructure the entire food chain as the total food production in India is likely to double in the next ten years. Today there are outstanding business prospects, competitive pricing of agricultural product standards that are compared internationally and has created multiple trade opportunities in the agro industry. While production is growing up and also exports are growing, there is also growing distrust among the farmers. The rise in production has benefitted the consumers but not the marginal farmers.

Farmer-entrepreneurs operate in a complex and dynamic environment. They are part of a larger collection of people including other farmers, suppliers, traders, transporters and processors, each of whom has a role to play in the value chain. Considering the growing unemployment in rural areas and slow growth of the agricultural sector, it is necessary to tap the opportunities for promoting entrepreneurship in agriculture, which in turn can address the present problems related to agricultural production and profitability. A farmer with an entrepreneurial spirit energetically, enthusiastically and carefully makes many different decisions about his farm in the context of the value chain that influences the profits of the farm business.

Agricultural Tourism or Agro-Tourism is the Holidays concept of Visiting a working farm or any agricultural, horticultural, or agribusiness operations for the purpose of enjoyment, education, or active involvement in the activities of the farm or operation. In general Agro-Tourism is the practice of attracting travelers or visitors to an area or areas used primarily for agricultural purposes. Agro-tourism is the form of tourism which capitalizes on rural culture as a tourist attraction. It has gained a new dimension as potential income and job generating activity.

This issue also presents a good number of articles on the cover story theme 'Agricultural Innovation and Sustainability' by distinguished experts and authors. 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.

PRESIDENT'S COMMUNIQUE

CMA P.V. Bhattad
President
The Institute of Cost Accountants of India

Desire is the key to motivation, but it is determination and commitment to an unrelenting pursuit of your goal - a commitment to excellence - that will enable you to attain the success you seek.

- Mario Andretti

My Dear Professional Colleagues,

Namaskar.

I congratulate CMA Fraternity for stupendous success of the NCC 2016 on Building Cost Competitiveness – Mission "Make-in-India" during- 30th and 31st January 2016 at VigyanBhawan, New Delhi. The event inaugurated by Hon'ble Shri ArunJaitley Ji, was one of the most successful and well organized events of the Institute.

I am overwhelmed by the spectacular success of the NCC 2016 and pleased to inform that around 1200 delegates participated in the event to make it a grand success. I am thankful to the dignitaries, guests and speakers, my council colleagues, members of regional councils and chapters, past presidents, sponsors, members, students, press & media, foreign delegates, Institute's staff and each one of you for this historic success. I am sure the event has been able to showcase the strength of the CMA profession to all the stakeholders and our members are motivated to perform their duties with a renewed vigor. I take this opportunity to reiterate that Institute and its members are ready to wholeheartedly support the Government in its National Building Plan "Make In India". The CMA fraternity has taken oath to give its humble support to the Government in its endeavor of optimising costs, improving efficiency and ushering an era of accountability.

The NCC 2016 started with a spiritual session which was addressed by Shri Deep Trivedi, renowned spiritual speaker.

Friends, the highlight of the Inaugural session was the gracious presence of Hon'ble Shri Arun Jaitley ji, Union Minister of Finance, Corporate Affairs and I&B. In his address, he congratulated the CMA fraternity for its untiring efforts for the cause of profession, nation and society. He said that cost competitiveness is the key for any economic activity. India has become a service hub due to the low cost of its services. CMAs have a significant role in cutting costs of various components of pricing. If 'Make In India' has to succeed, CMAs have to take lead. CMAs' professional training and experience they inculcate is of immense advantage in determining the roadmap of the cost effectiveness.

Guest of Honor, Hon'ble Shri Tapan Ray, Secretary to the Government, Ministry of Corporate Affairs also highlighted the role of CMAs in nation building and urged CMAs to come forward and take lead inculcating the sense of cost competitiveness and cost efficiency in the corporate world through its members. He urged the members to think beyond filing the cost audit report as scope of cost audit goes further. To take the matter forward, we have taken the initiative and very soon, we shall come out with relevant material on the matter.

ICON of the Profession, Shri DK Sarraf, Chairman, ONGC Ltd, Guest of Honor of the inauguration session also highlighted the significant role played by the CMAs in the growth of economy. He humbly mentioned that he could reach at this position because of the CMA degree. I hope this will inspire many of the members to reach the newer heights in their career.

The Institute honors the excellent achievements of its members by awarding the ICON of the year award during the NCC. This year the recipients of this award were CMA Manoj Mishra, CMD of National Fertilizers Limited and CMA Ratan Lal Nolkha, Chairman of Nitin Spinners Limited.

Session wise role of CMAs

The Plenary Session on the main theme Building Cost Competitiveness Mission: 'Make in India' was immensely important as the speakers deliberated on the ways of building cost competitiveness and cost effectiveness. It was highlighted that continuous reengineering of the working methods, products and activities to simultaneously create value at competitive prices for the consumers is the key to achieve the cost competitiveness. It is important to develop products suitable to a segment of customers as the customer satisfaction is of paramount importance. CMAs as to ensure the complete understanding of how customer "value" is created and full information on costs is available to the decision-maker.

Technical Session 1 on Cost Competitiveness through Cost Audit highlighted the role of Authentic Cost Data Base to ensure free trade and absence of unfair practices for the industries to improve their performance to face competitive environment. It is useful to various stakeholders for meeting their respective objectives. Authenticated cost data also acts as a shield for the dumping charges levelled against the industries. It was also underlined that financial reporting in isolation has the problem of Focus on compliance while cost audit report reflects effective utilization of resources like material and labor and also allocates various expenses to different products, which results in working out product wise cost and profitability instead of overall profitability as being reported in the financial reports. Hence Cost Audit has a perfect synergy with Enterprise Governance framework.

Technical Session II on Nation Needs - Goods and Service Tax (GST) deliberated upon the role of CMAs in the most awaited tax legislation of the country. It was informed that the CMAs have a very important role to play in Strategic Consultancy, Functional Support, IT & ERP Systems, Audit, Assurances & Legal Compliances, Accounting & Taxation and Partnering in Transition while implementing and seamless rolling out of GST.

Speakers on Technical Session III on Reach the Unreach discussed and highlighted that CMAs have a major role in ensuring that the intended benefits of the social schemes launched by the Government are actually percolating down to the grassroots level. For this, CMAs may engage in project monitoring, project evaluation and performance and project appraisal activities including social audit of these projects. CMAs also play significant role in prevention of misappropriation of funds and perpetuation of frauds.

The most high profile technical session IV on Develop Yourself-Develop III-Tierconsisted of top civil servants of the country, deliberated upon the role of CMAs in helping out PRIs to move away from "compliance orientation" to "strategic local thrust" and become catalysts of inclusive & sustainable development of rural India to lay down control systems keeping pace with increasing & diversified resources and also in management of Fund and asset. It was also described that this area has most of the opportunities for CMA professionals.

Role of CMAs in healthcare services was highlighted in the Technical Session V on Your Health-Economic Health. Speakers mentioned that the biggest challenge for healthcare providers was to balance the costs while providing high-quality care and universal access. CMAs can play a very important role by assisting healthcare specialists in controlling costs, improving quality, and enhancing safety by way of adopting process improvement, waste reduction and defects prevention. During the session Hon'ble Shri Shyam Ji Jaju, Vice-President, BJP graced the stage and also addressed the participants. He urged the CMA professionals to contribute wholeheartedly to the cause of the nation and the society.

The Technical session V on You & Your MSME was the last session but it had very inspiring discussion on the role of CMAs in helping and strengthening the MSMEs in the Country. There are major challenges facing MSMEs and as a result they get their pricing and product mix decisions wrong. There comes the role of CMAs who are equipped to fill this vital need through a unique blend of core competencies in accounting, management and strategy. During the Session the National President, All India MSME Association Management presented its honorary membership to the Institute, which was accepted by me.

Chief Guest of the valedictory session was Mr. Mongy Aly Badar, Hon'ble Minister Plenipotentiary (Commercial), Embassy of Egypt, who hailed the 'Make In India' mission and offered to set up CMA Institute in Egypt to highlight the importance of Cost and Management Accounting. The session concluded with the vote of thanks by the Convener of the NCC-2016. It was also announced that WIRC of ICAI will hold the next NCC (58th NCC) in its region. The dates and venue shall be announced later.

Publications released (NCC 2016)

I wish to inform you that the following publications of the Institute got released during the NCC 2016.

- NCC 2016 Souvenir (released by Hon'ble Shri ArunJaitley Ji)
- Guidance Note on Companies (Cost Records and Audit) Rules, 2014 (released by Hon'ble Shri Tapan Ray Ji)
- Guidance Note on Reporting on Fraud under Section 143 (12) of Companies Act, 2013 (released by Hon'ble Shri Tapan Ray Ji)
- Research Bulletin - Vol. 41, No. IV (released by Sri Girish Murmu, IAS, Additional Secretary, Plan Finance-I, Ministry of Finance)
- Research monograph on the topic "An Insight into Corporate Social Responsibility" (released by Hon'ble Shri Shyam Ji Jaju).

Speakers speak:

Some of the prominent speakers who presented their views on the role of Cost and Management Accounting in Make In India mission are placed below:

- Shri Sushil Behl

There is today a greater need to retrospect and take action to nurture an enabling framework so that all effort be it policy, regulation, taxation or infrastructure is aligned to a National Mission for Responsible Competitiveness.

- CMA Dr. SK Gupta

CMAs can make MSMEs roar as MSME stands for My Strength My Efficiency. CMAs arise and awake. Mission -Make in India is a professional responsibility. Support SMEs to Create and Deliver value.

- CMA Kunal Banerjee

The compliance framework of the Cost Audit mechanism aligns Business Governance with the Performance Framework for the Board.

- CMA Sanjay Jaju

You may be disappointed if you fail, but you are doomed if you don't try'. Time to put our acts together.....

- Dr Ashutosh Raravikar

Financial inclusion can be achieved with active and collaborative involvement and support of policy-makers, regulators, governments, it solution providers and public at large.

- CMA S Subhashini

Rural population in India is around 67.63% and investing in this segment of population is the best way to leverage nation's competitive advantage – its demographic dividend.

- Dr. Paritosh Basu

There are seven seas of dramatic improvements in systems and procedures; Quality, Cost, Volume, Relation, Speed, Flexibility and Sustainability

National CMA Practitioners' Convention at Kolkata 21st February 2016

After the super success of NCC 2016, I am inviting the members of the Institute to the National CMA Practitioners' Convention at Kolkata on 21stFebruary 2016. There will be widespread deliberations during the conclave in three technical sessions; Scope of Practicing CMAs under various statutes; Session on clarifications by the team from Cost

Audit Branch of Ministry of Corporate Affairs on difficulties faced by members in implementation of Cost Rules 2014 and suggestions for further improvement within the legal framework and a session on Cost Accounting Standards & Cost Auditing and Assurance Standards issued by the Institute. I urge you to attend the event and get benefitted by deliberations on important professional matters.

Other Initiatives by the departments of the Institute

CAASB Initiatives

I am happy to inform members that Cost Auditing and Assurance Standards Board (CAASB) has taken the task of developing 15 more Standards on Cost Auditing (SCAs) vigorously so that these may be sent to the Central Government by 31stMarch 2016 for its approval. The Institute has already sent the following SCAs for approval of Central Government in view of mandate under section 148(3) of the Companies Act 2013:

1. SCA-105 Standard on Cost Auditing, "Agreeing the Terms of Cost Audit Engagements";
2. SCA-106 Standard on Cost Auditing, "Audit Sampling";
3. SCA-107 Standard on Cost Auditing, "Audit Evidence"
4. SCA-108 Standard on Cost Auditing, "Materiality in Planning and Performing Cost Audit"
5. SCA-109 Standard on Cost Auditing, "Cost Auditor's Responsibility Relating to Fraud in an Audit of Cost Statements"

Once the above Standards are approved by the Central Government, the compliance of them shall be mandatory for the cost auditors auditing the cost records under section 148(2) of the Companies Act 2013. Cost Auditing and Assurance Board (CAASB) in its meeting held on 18thJanuary 2016 approved (i) SCA on Cost Auditing on Written Representation and (ii) SCA on Cost Auditing on Evaluation of Misstatements identified during the Audit. These Standards are being sent to Central Government for its final approval after approval of the Council. CAASB in the above meeting also approved Exposure Draft of SCA on The Cost Auditor's Responses to Assessed Risks for public comments/ suggestion. This Standard is hosted on the Institute website and I request all stakeholders to send the comments/ suggestions to CAASB by 27thFebruary 2016 so that it may be improved upon before the same is sent to Central Government for its approval. I urge all Chairmen of Regional Councils/ Chapters to hold seminars/ workshop and Study Circle meets for advocacy of Standards on Cost Auditing (SCAs) so that proper and necessary awareness on SCAs are created among the members of the Institute and Industry.

CPD Initiatives

As recommended by the Continuing Professional Development and Cost Management Accounting Committee and approved by the Council at its 296thMeeting, the Institute has amended two guidelines in the interest of the profession and members of the Institute w.e.f. 1st January 2016, Guidelines for Mandatory Training for all Members of the Institute under Continuing Education Programme and Guidelines for CEP Study Circles for the Members of the Institute. The amended guidelines are available on the website of the Institute. I request members to kindly go through the same.

Examination Department

The Examination Directorate successfully conducted Intermediate and Final Examination for December 2015 term. The said Examination for rain effected Tamil Nadu and Puducherry was conducted from 3rdJanuary to 10thJanuary 2016.However the results would be released as per schedule. I wish success to all examinees.

Professional Development initiatives:

The Professional Development Committee organized a programme titled "Financial Sustainability- the CMA Edge" on 8thJanuary 2016 at Kolkata. I attended the event along with other council members. There were discussions on cyber frauds and precautions to be followed by ordinary citizens. The session was attended by Finance Officers of various colleges of Bhutan and was very well appreciated.

Placement Initiatives

I wish to inform that M/s Genpact has agreed to conduct continuous campus placement for Final and Intermediate qualified students. As per this understanding, the Company will be visiting our Hyderabad Chapter on the first Saturday of every month and the all interested final and intermediate qualified students from any parts of the country can walk in for interview with the Company. This is for the first time that such a placement initiative has been taken for providing continuous placement for our students. In the month of January 2016, Wipro took 3 and Intercontinental Group 14 passed out students. I am further happy to inform that the Placement Directorate has vigorously started its campaign for placement of December 2015 final qualified students and I am confident that they will be able to continue the success story of earlier placement initiatives.

Tax Research Department initiatives

Taxation Committee continues to serve greater need of the CMA profession through their value addition activities, workshops and seminars. A special session on GST during the NCC 2016 was greatly appreciated. Forthcoming workshop on Indirect Taxation and gearing for GST is rescheduled for Chennai during 5th-7thFebruary 2016. Members are invited to participate and make it a grand success

Friends, by the grace of God and with your support we will continue taking initiatives for the development and growth of Profession and Institute. I would like to inform you that in the coming months we have planned following initiatives and events apart from National CMA Practitioners' Convention. I urge all of you to come forward and be a part of the success stories of the Institute:

- International Conference on 10th& 11th March 2016 at New Delhi
- Chapters and Region meet on 26th& 27th March 2016 at Kerala
- National Students' Convention at Nagpur in April 2016
- Seminar for Members in Industry in June 2016 in Kerala

I wish prosperity and happiness to members, students and their families on the occasion ofBasantPanchmi and Guru Ravidas Jayanti.

With warm regards,

(**CMA P.V. Bhattad**)
2nd February 2016

GLIMPSES OF 57TH NATIONAL COST CONVENTION 2016


The Institute of Cost Accountants of India
(Statutory body under an Act of Parliament)
National Cost
Convention
2016


The Institute of Cost Accountants of India
57th National Cost
Convention
2016


Building Cost Competitiveness
Mission "Make In India"
Venue : Vigyan Bhawan, New Delhi
We Manage Resources for Sustainable Growth
Chief Guest
Shri Arun Jaitley
Hon'ble Union Minister of Finance, Corporate Affairs & Information and Broadcasting
Guests of Honour
Shri Tapan Ray, IAS
Shri Dinesh K Sarraf
SANJAY GUPTA
K BISWAL
B B GOYAL


Guests of Honour
Shri Tapan Ray, IAS


Shri Dinesh K Sarraf
RATAN LAL NOLKHA
R ASOKAN


ASHOK B NAWAL
UPENDER GUPTA, IRS


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The Institute of Cost Accountants of India
Cultural Programme


The Institute of Cost Accountants of India
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57th National Cost Convention 2016
Chief Guest
Shri Arun Jaitley
Gold Sponsors
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Sponsors
R P KHANDELWAL
SHYAM JI JAJU
SANJAY GUPTA


Chief Guest
Shri Arun Jaitley
Hon'ble Union Minister of Finance, Corporate Affairs & Information and Broadcasting
Guests of Honour
Shri Tapan Ray, IAS
Shri Dinesh K Sarraf
Sponsors
S.K. BARUA


The Institute of Cost Accountants of India
(Statutory body under an Act of Parliament)
57th National Cost Convention 2016
Chief Guest
Shri Arun Jaitley
Gold Sponsors
Silver Sponsors
Sponsors
P RAJU IYER
MILIND DATE
SANJAY JAJU, IAS
Dr. RAVI KANT
SUNIL SINGH


The Institute of Cost Accountants of India
(Statutory body under an Act of Parliament)
57th National Cost Convention 2016
R P KHANDELWAL
Dr. MRADUL KAUSHIK


The Institute of Cost Accountants of India
57th National Cost Convention 2016


The Institute of Cost Accountants of India
(Statutory body under an Act of Parliament)
57th National Cost Convention 2016
Chief Guest
Shri Arun Jaitley
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AJIT SHAH
PARITOSH BASU
DR. S. K. GUPTA
ASHOK B NAWAL
VIJENDER SHARMA
K SANYASI RAO

CHAIRMAN'S COMMUNIQUE

CMA Dr. I Ashok
Chairman
Committee for Accounting Technicians

Dear Professional Member,

"Reached the unreached – a commitment through the CAT Course of your Institute"

Skilling India has become the very important objective of this great country and I am happy to present before you about the initiative of your Institute in the form of Certificate in Accounting Technicians (CAT) course to hasten this very objective.

As you are the Institute has taken a firm and innovative step in developing skills among the youth in the important area of Accounting by taking the CAT Course to the unreached areas of the country. When the Government of India desired to take the benefits of the Institute's reach to a wider sections of the society, the Institute formulated short term skill development program called CAT and over a period of time, we could deliver the course in different parts of this country. In fact, the Governments of Kerala and Rajasthan have already roped in the Institute to offer its Certificate in Accounting Technicians Course to enhance the employability skills of their youth. The features of the initiatives of the Institute in the these States are as follows:

KERALA

Government of Kerala has introduced, Additional Skill Acquisition Programme (ASAP) for its School (+2) and college students who are undergoing BA/BSC/B Com etc., We have joined hands with Government of Kerala as a knowledge partner to provide Accounting skills through the CAT Course, to the students of Kerala. The CAT course has been introduced in cluster centres across the State of Kerala. Under this model, Government of Kerala has borne the fees of all the students admitted to the students. At present more than 5500 students are enrolled in this course in the State of Kerala.

RAJASTHAN

Government of Rajasthan, as per the understanding with the Institute, has made all 40 Government Colleges and 29 Private Colleges as Recognised Oral Coaching Centres of the Institute for admitting their students to the CAT Course of the Institute At present more than 1700 students are enrolled in this course in the State of Rajasthan. These students when they graduate, will have an additional Skill, enabling them to get better employment opportunities.

We have taken several initiatives on continuous basis to enhance the quality of CAT students and some of them are:

- Developed Quality Framework for scheduling the classes
- Developed Online Monitoring System
- Developed Online Self Study & Assessment Module for the students
- Continuous Conduct of Training of Trainers (TOTs)

Internship/ Placement :-

CAT is not also far behind in terms of campus placement. We are committed to the quality delivery of CAT Course and organise internship /placement for the CAT students. We have successfully conducted placement of CAT students in the State of Kerala and Rajasthan.

We are happy to inform that these initiatives have taken the Institute to the remotest parts of the country as part of our "**Professional Social Responsibility**" and we are committed to develop employable skills for the youth of the country in the area of Accounting.

We are committed to take the following Agenda:

- Expanding CAT Course in other States
- Continuous monitoring and improving the contents of CAT Course
- Industry Linkage
- Improving the Placement opportunities for CAT Students
- Reaching the unreached

We are discussing with various State Governments for the introduction of CAT Course as part of their Skill Development Programme and we are expecting to expand the concept of CAT in 3 more States in the near future.

I shall be able to carry out the plans and tasks initiated by my predecessors and devise strategies and action plans for providing new dimensions to the CAT Course with your active guidance and support.

CMA Dr. I Ashok

Financial Sustainability- The CMA Edge

The Professional Development Committee of the Institute organized a programme titled **"Financial Sustainability- The CMA Edge"** on January 8, 2016 at headquarters of the Institute, Kolkata. Dr. Sudhir Misra, IPS ADG SCRB, West Bengal Police deliberated a session and discussed various case studies of cyber frauds. He too narrated the precautions to be followed by ordinary citizens. CMA Jitendra Panda, MD & CEO of Peerless Securities explained the fine print of Financial Sustainability. The programme was also attended by CMA Biswarup Basu, CMA A.B. Nawal, CMA Dr. I. Ashok, CMA Vijender Sharma and CMA S. Papa Rao, Council Members, CMA B B Goyal, Advisor, ICWAI-MARF, and CMA Kaushik Banerjee, Secretary ICAI. The session was also attended by finance officers of various colleges of Bhutan. CMA P.V.Bhattad, President of the Institute deliberated the opening speech and CMA H. Padmanabhan, Council Member gave the vote of thanks.

Corporate Laws Week : 18-24 January 2016

The inaugural programme of Corporate Laws Week had been held at New Delhi and initiated by CMA Manas Kumar Thakur, Vice President of the Institute. CMA Dr. P.V.S. Jagan Mohan Rao, Council Member and Chairman of Corporate Laws, Governance and Corporate Sustainability Committee addressed on this occasion with reference to the Companies Act, 2013. The knowledge pack titled 'Contemporary issues in Companies Act, 2013' which would be used for various seminars and workshops organized by the Institute during the Corporate Laws Week, January 18 till January 24, 2016 was released by Shri K.V.R. Murty, Joint Secretary, Ministry of Corporate Affairs (MCA) and he appreciated the efforts undertaken by the Institute. He stated that there is an urgent need of awareness for not only the members of the Institute but also the various stakeholders related to the Companies Act, 2013. The copies of this publication have also been placed before Shri Tapan Ray, IAS, Secretary, MCA and Shri Amardeep Singh Bhatia, IAS, Joint Secretary, MCA. CMA Manas Kumar Thakur, Vice President of the Institute, CMA Dr. I. Ashok, Council Member and CMA S. C. Gupta, Director, Administration-Delhi Office of the Institute were also present during the book release of the programme.

Corporate Laws Week across the Nation

Regions

EIRC

- Critical Sections of Companies Act, 2013, Speaker: CMA Sumit Binani

SIRC

- KMP & Pre Certification forms in Companies Act, Speaker: Shri R Balasubramanian, Practicing Company Secretary, Chennai
- IFRS, Speaker: CMA S A Murali Prasad, Director, SAM Consultancy Services, Chennai, Audit Committee, Board & General Meeting under Companies Act 2013, Speaker: CMA N Palaniappan, Company Secretary & Sr Manager Finance, Blue Dart Aviation Limited, Chennai
- The Role of Independent Directors, Speaker: CMA S.A. Murali Prasad, Director, SAM Consultancy Services, Chennai.
- Internal Audit, Speaker: CMA R. Seshadri, Shriram Distributions Pvt. Ltd., Chennai
- The Role of CMAs in Health Care Industry, Speakers: CMA S. Bhargava, DGM – Costing, Apollo Hospitals Enterprises Ltd., Chennai
- FEMA & Companies Act, Speakers: Shri P N Raghunath, Vice Principal, Reserve Bank Staff College, Chennai deliberated on the topic of FEMA. CMA Dr. P.V.S. Jagan Mohan Rao, Council Member & Chairman, Corporate Laws, Governance & Corporate Sustainability of the Institute provided a presentation on the role of Cost Accountants in Companies Act, 2013.

Chapters

Cuttack Jagatsinghpur and Kendrapara

- CFO & KMP at Chapter office for the students of the chapter had been organized. CMA Mihir Kumar Mohapatra, Chairman of the Chapter elaborated various issues relating to the topic to the students of the chapter. CMA Chandrajit Parida, Director, Coaching spoke about the scope of Cost Accountants as per the Companies Act, 2013.
- Career Counselling Programme was conducted by the chapter at the Revenshaw University, Cuttack . CMA Shiba Prasad Padhy, Chairman, EIRC was the Chief Guest and he deliberated the students. Later Q & A session in the nature of Quizes was organized among the students.

Nellore

- Office staffs visited V R College, Nellore and explained about the program to the HOD, staff and students.
- CMA-CFO-KMP presented by Shri CH Sravan Kumar and attended by Nellore Chapter Chairperson, CMA C V Naga Lakshmi, Secretary, CMA Y Srinivasa Rao and CA N Prasanna Kumar Reddy and some members and students attended the program.
- Pre certification of forms, Speaker: Faculty, CMA Sneha Madhuri and attended by Nellore Chapter Chairperson, CMA C V Naga Lakshmi, Secretary, CMA Y Srinivasa Rao and CA N Prasanna Kumar Reddy and some members and students.
- Press Meet regarding NCC & Corporate Laws Week with Nellore Chapter Secretary, CMA Y Srinivasa Rao.
- IFRS presented by CMA Arjun Singh, Nellore Chapter Chairperson, CMA C V Naga Lakshmi, Secretary, CMA Y Srinivasa Rao and some members and students attended the program.
- NCLT, Speaker: Shri N V S Koteswara Rao and he explained about NCLT and also attended by CMA C V Naga Lakshmi, Chairperson of Nellore Chapter, CMA Y Srinivasa Rao, Secretary and by some members and students

The chapter officials visited Zenex Degree College, Nellore and explained about Corporate Laws Week programme.

Programme on Latest Amendments In Companies Act, 2013 deliberated by CA N Prasanna Kumar Reddy, attended by Nellore Chapter Chairperson, CMA C V Naga Lakshmi, Secretary, CMA Y Srinivasa Rao and some members and students attended the program.

Coimbatore

- Career Counselling programme at VLB Janakiammal College of Arts & Science, Coimbatore, Speaker: CMA Meena Ramji Chairperson of the Chapter gave a talk on Corporate Laws to the students.

- "Companies Act, 2013 - highlights", Speaker: CMA R. Maheswaran, Vice President - Finance & Infrastructure, KGISL Technologies & Infrastructures Pvt. Ltd., Coimbatore.

- Debate for the oral students on the topic "Which is important for a Corporate - Production? Finance?? Costing???" organized by the chapter, CMA Vidhya Shankar. K, Dy.General Manager & Company Secretary, Bimetal Bearings Limited, Coimbatore was the moderator.

Hyderabad

- Jahnavi Women's Degree & PG College, Narayanguda, Hyderabad, Speakers: CMA D. Zitendra Rao, Member, SIRC & CMA Dr R. Chandra Sekhar, Managing Committee Member, ICAI - Hyderabad Chapter.

- Bharat Degree College for Women, Bharkatpura, Hyderabad – Speakers: CMA K.P.C. Rao, Practising Company Secretary, CMA D. Surypa Prakasam, Vice Chairman, ICAI-Hyderabad Chapter & CMA Dr R. Chandra Sekhar, Managing Committee Member, ICAI - Hyderabad Chapter.

- Conducting Elocution competition to the students of current batch, Judge: CMA B. Satyalatha, Managing Committee Member, ICAI - Hyderabad Chapter.

- Internal Control on Financial Reporting Management Evaluation Process, Speaker: CA T. Vijay, Practising Chartered Accountant

Bangalore

Celebrated the Corporate Laws Week inaugurated by Shri R. Asokan, Advisor (Cost), Ministry of Corporate Affairs. Shri Raju P. Iyer, Council Member and Chairman, Cost Auditing Standards Board of the Institute also addressed the members followed by a lecture on 'Recent Trends In Company Law' by Shri Madhu N Rao, Advocate.

Visakhapatnam

- Professional Development Program had been organized to celebrate Corporate Laws Week based on 'The Role of Independent Directors' on January 23, 2016 at chapter's premises. CA DH. N.K. Venkata Rao was the speaker and explained on the subject in details. CMA T. Harinarayana proposed vote of thanks. CMA C.S. Sundara Murthy, CMA V.J. Gupta and other members participated in the program.

Madurai

- Professional Development Programme titled 'Corporate Disclosure' presided over by Dr.V.Chinniah, HOD of School of Management Studies, Madurai Kamaraj University, Madurai and explained the significance of the Corporate Disclosure in light of the provisions of the Companies Act, 2013.

Navi Mumbai

- Career counseling in CKT College at Panvel and at Ramsheth Thakur College at Kharghar attended by CMA B.N. Sapkal, Chairman of the Chapter, CMA Jethani , Former Chairman and CMA Asit Kumar Ganguly, Vice-Chairman.

- Gujarat GST Programme hosted at K.B.Patil College, Vashi. Speakers: CMA Amit Sarkar, Director, Indirect Taxes, Deloitte Haskins & Sells and Shri Mahesh Joshi, Ex-Additional Secretary, Taxation, Govt. of Gujarat.

Nagpur

- An elocution programme for students on Corporate Laws was conducted by Shri Shantanu Jog, CS, faculty of NCCA.

- A programme on IFRS. Speaker: CMA Renu Kulkarni.

- Programme on NCLT. Speaker: CMA N P Vishwanathan.

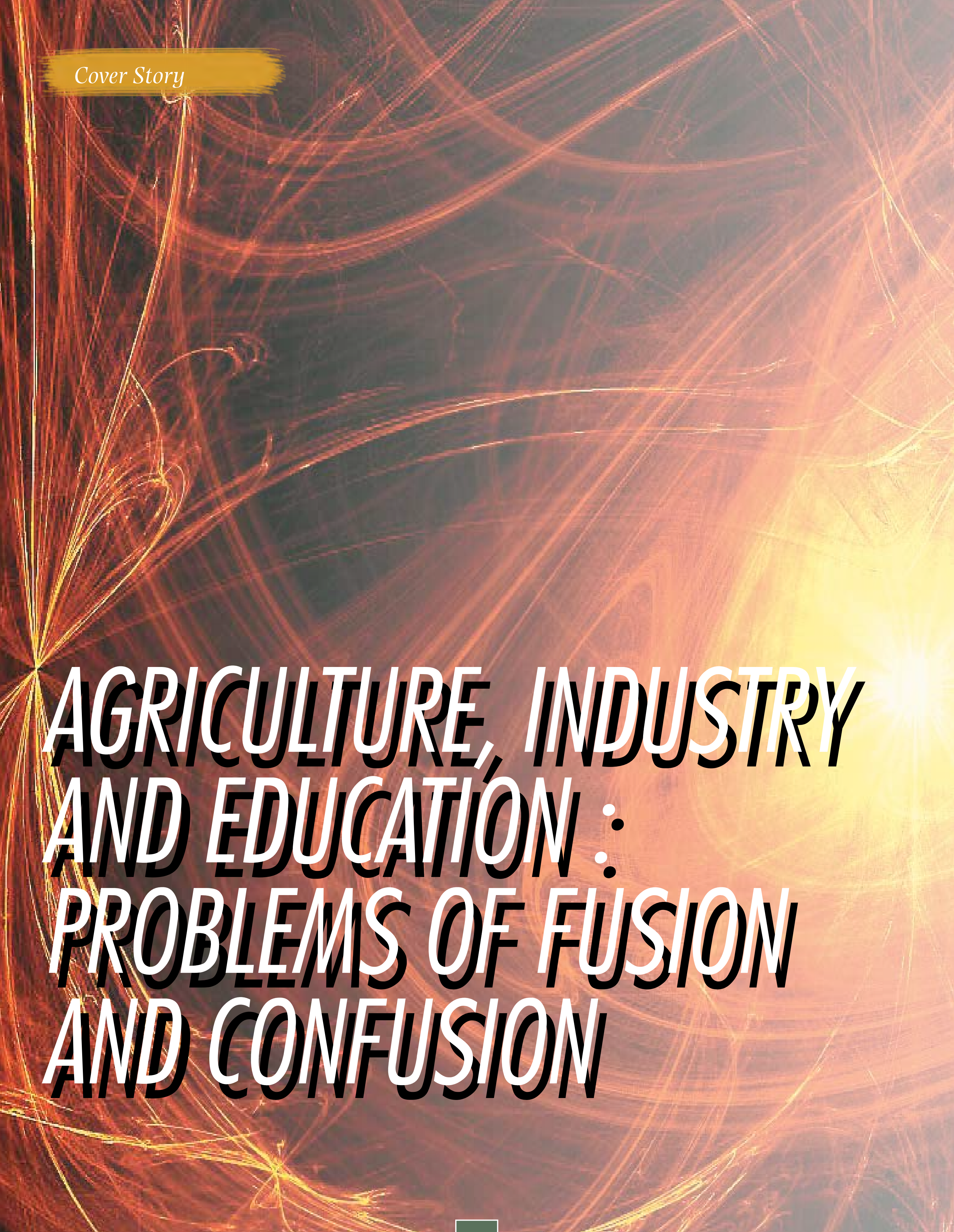
- A workshop on the topic "FEMA" (Foreign Exchange Management Act). Speaker: CMA Ms. Sonal Bakshi.

Surat South Gujarat

- A Quiz Competition on "Make in India": were arranged at Chapter's office on the subject of "Make in India". CMA Ravi I. Patel , a lecturer of SPB English Medium Commerce College and faculty of the Chapter, coordinated the whole Quiz Competition programme.

- Career Counseling programmes in 1) H. P. Desai Commerce College – Amroli 2) Jivan Jyot Trust Amroli - Management and Commerce College 3) I.N.Tekrawala High School 4) C. J. Patel Commerce College, Variav, Surat 5) Sheth Shri P. H. Bachkaniwala School. CMA Manubhai K. Desai, Chairman of the Chapter co-ordinated the drive along with CMA Kenish Mehta & CMA Nanty Shah, CMA Amish Parmar sub-committee members of the Chapter, CMA Jaimin Sheth, student member of the Managing Committee, and Mrs. Mita Desai, staff of the chapter.

Cover Story



AGRICULTURE, INDUSTRY AND EDUCATION : PROBLEMS OF FUSION AND CONFUSION

Unwanted Compartmentalization

For a long time since the days of yore, agriculture, industry and education have had to fend for themselves severally, in almost water-tight compartments, rather than as feeding each other with more or less the same or similar objectives to fulfill. The fundamental relationship and complementary nature of their contribution to socioeconomic growth were not given the recognition they deserved inasmuch as holes in each affected adversely the full ramification of the other. Curiously, tilling the land was virtually relegated to the position of an outcast and upper society looked down upon agriculture as a baser occupation, unsophisticated and unsung! Supply of agricultural produce used to be taken for granted while the farmers languished on the verge of mere subsistence, even though they provided the lifeline for the upper sections of society – those who depended on agriculture for livelihood without even recognizing it or attending to its typical requirements. Exploitation of land has been rampant and fertility of soil sliding down in a process of constant degradation and diminution through misuse, wrong cropping and many other factors like excessive use of even irrigation water destroying the riverine system and allowing the water containing capacity of rivers to diminish because of heavy silting and almost unknown dredging operations. Even the canals fed by the rivers have not performed their tasks in regard to canal irrigation in different parts of India, while drying up the rivers due to diversion of water. Gross overuse arising from rampant subdivision and fragmentation of land ownership leading to over-intensive cultivation and affected fertility in the long run - rational land use was not given its due share of attention compulsions coming from the dire necessity of eking out a living from whatever the small strips of land could afford. In fact, delving the soil was assumed to be rather ungentlemanly – shall we say subaltern –reminding one of the adage *a la* Martin Luther, 'When Adam delved and Eve span, who was then the Gentleman?' As an occupation, agriculture and farming in a larger sense, were deemed as ungentlemanly, the ruling mantra being *'living from hand to mouth'*.

Changed Scenario

The position has no doubt changed materially since the plan era but the content and character of the change have yet left a lot to be desired both structurally and functionally. A large, and growing, number of landless labourers, absence of permanent or regular employment opportunities and unpractised engagement in the farm-related activities, with an assurance of year-round engangement, have over time caused huge migration of labourers to the cities for better living conditions for regular and continued employment throughout the year. This issue engaged the attention of the ILO, Geneva in the early 1960s in their research survey entitled *'Why Labour Leaves the Land'* highlighting different factors behind large scale of agricultural labourers migrating to the cities risking different uncertainties coming in the way. Though many a time this kind of large scale migration was seasonal in character, quite a large percentage of such migrant labourers stayed on in cities in the hope of better fate. Government, during the plan era, attempted to reverse the trend through different means, notably through various schemes like the MNREGA, a permanent solution to the problem yet remained a far cry. Regarding over-use of both water and fertilizers, it required a Professor Colin Clarke to underline that in many parts of the country, the official over-anxiety and over-enthusiasm to raise production, farmers not only selected rather wrong varieties of food grains and other crops, but also created dangerous problems of excessive salination of soil arising from excessive use of water and alkalization due to over-use of fertilizers, while rendering the concerned farm land sterile. High use of pesticides, on the other hand, negated the large use of leaves of jute and other plants - products that commanded high price in the market as vegetables, as also for their medicinal properties – items which could provide price advantage to farmers. But recounting all this has become meaningless under the new dispensation, brushing aside important issues as increasing production has engaged the major part of official attention. The centre of focus being increasing production, all other peripheral items seemingly lost their relevance. Chemical fertilizers became the order of the day; in conjunction with pesticides, these were enough to initiate a phenomenon appropriately called ecocide. The varieties of paddy and wheat being thirstier, water had to be found at any cost, even when open sources were not considered adequate, recourse was taken to exploit on a large scale the underground sources, many of which dried up over time, while others

CMA Dr. P Chattopadhyay
Former Director, Research
ICAI-CMA, Kolkata

became depositories of poisons like arsenic.

Highly Prized Varieties of Paddy

Typicality and specialization in regard to different varieties of wheat and paddy - notably the fragrant varieties of paddy with high food-value - came to be almost forgotten, undermined and virtually sidelined. Many of such prized varieties were considered to be specializations of different districts in almost all the states of India. All this not only grossly under-estimated the standpoints of profitability, but also verily undermined the connected farm-based activities that could provide them with year-round, highly profitable and long-sustaining occupations. On the contrary, the farmers have been induced to produce high-yielding varieties which have been rather thirstier and more demanding of water, all this at the cost of taste and food value. What more, several of these varieties have had uses bringing forth high added value in terms of a good number of food-related products in high demand. Common consumption, however, relates to coarser varieties but here again there are varieties that not only command high food value but also have other auxiliary uses such as puffed or pressed rice or powdered rice that have multiple uses in the household. In addition, there are parboiled rice varieties for common consumption in the households. It is, however, the fragrant varieties that not only command higher price in the market but also have high food value. In this context, mention may be made of the Basmati and Govinda Bhog varieties (there are several grades of quality within each having different price tags) of paddy commanding high prices for their fragrance and presentability. That the dominance of these varieties has not been entirely due to their innate and exclusive qualities, may be underlined in the context of several other varieties with properties not only similar, but also better in terms of their taste, smell, food value and appearance, as also productivity, perhaps enough to challenge the dominance of Basmati both in the Indian and the foreign markets, usable on a wide scale for different purposes while retaining their innate qualities. Relatively less known and commonly unavailable in markets are several other fragrant rice varieties subscribing to our contention. Several of these varieties call for more extensive cultivation for the huge intrinsic values they command, coupled with a highly responsive, growing market worldwide.

New Rather Under-estimated Varieties

One of them is called *kalo nunia* grown in Cooch Bihar district and its adjacent areas covering both the border areas of West Bengal and Bangladesh, which has the distinction of totally black outer appearance,with the colour of the grains fully white as usual, and is cultivated with full religious rites and devoted care and supervision. The quantity produced is not very high and is not marketed on a wide scale. The other varieties of high-fragrance paddy *are Badshah Bhog, Tulshi Bhog and Radhuni Pagal, while Kanakchud, Seeta Bhog, Gopal Bhog, Tulai Panji, Dadshal, Danaguri* varieties are of medium fragrance. A detailed account of the methods of cultivation of all these varieties has been public in *Ajkal,* Kolkata (23.6.2015). It is a pity that many of these highly prized varieties are not widely known and marketed. Recently the Chief Minister of West Bengal attempted to popularize the *Tulai Panji,* a native of West Dinajpur, variety of rice in Delhi. This variety has mild fragrance with about ten quintals per acre productivity. The overtly better varieties are yet crying for official recognition, leave aside sponsorship. There are some varieties stated above which are more pest-resistant than others, while the productivity range is about similar. It is relevant to point out that several of these prized varieties call for state attention and sponsorship. Even where pesticides application is considered essential, large application of *margosa* (Neem) may be much better than chemical pesticides.

The so-called organic farming has not yet caught public fancy on a large scale though gradually this process is stepping towards larger application. On top of all these considerations, is the issue of preservation of the food grains produced at the field level. Once this is assured, greater attention could be given to prevention of damage, storage losses and destruction by an almost free play of rodents, transport and exposure, both affecting fragrance and food value adversely.

Popularization of these varieties would call for several relevant steps, most important of them being making them increasingly available at an affordable price. 'What the market can bear' as an idea, and as a practical approach, suffers from three major deficiencies, namely, one, in the rural markets, in the rural markets the prices offered may be considered too high by possible buyers, while from the sellers' points of view the price offered may be the minimum; two, intervention by the middlemen may in effect spoil the broth at the start itself, from the point of view of the producers, while they aim at making hey at the producers' cost; and three, the transport and storage costs may add to the prices at which they themselves bought such rice from the producers. Greater quality and cost consciousness have had the ability of turning the corner, but have remained largely unattended. Cognizably, this has been an age-old hitch literally eating into the vitals of the rural economy at large. This malaise is curable with a little more care and attention, though so far ignored .

Tracking Down Possible Alternatives

One major problem in this regard is the fact that the cultivators themselves do not know the actual cost of production of these varieties, may be produced as a single crop or as one in a multiple cropping system, or even as one under a simultaneous cropping pattern. It can be easily visualized that the cost of production would be verily different under these conditions offering chances of selecting the appropriate alternatives. Perhaps under state sponsorship, cultivators may arrange for direct supplies to hotels and restaurants to help the producers from the middlemen, or better still, state government can establish agricultural estates in different areas for preparing food packages for distribution among industry and college canteens, railways, airlines and others at stamped prices. The estates would in such cases provide the industry components. The agricultural estates could be manned by hotel management experts, ladies from nearby households and others. Rampant waste of food grains, vegetables and fruits can be effectively stalled through the agricultural estates. *Panchyats* and/or Blocks may take upon themselves such responsibilities. Now that the *Village Panchayats* are in position, one would logically expect them to take stock of all the resources at their command, the ways to nurture them to their full potential and to examine the ways in which all the potential resources could be transformed into their full flourish, not only creating ways for their better utilization but also fuller employment prospects all the year round. The three-tier Panchayati Raj institutions can help garnering the local resources, enlist them according to their demand both in the villages and in the cities, make the demand-oriented resources more acceptable by adding value both by way of processing them and even in their natural state for augmenting full-time employment prospects, aiming at enhancing value-addition in different ways and, above all, contributing to better living standards. This is possible if the larger, more comprehensive scheme of farming rather than merely tilling the soil is adopted even by marginal land owners. Such comprehensive schemes farming have the potential of increasing income several fold, in effect taking away the shin from urbanism, by way of improving the living conditions embracing health, transport and educational opportunities. On a very small scale, experimentation in this regard is indeed attempted by the more enlightened farmers, as occasionally reported in the newspapers – examples worthy of emulation on a larger scale. The craze for higher production during the plan era made light of the high quality strains, widely known at the district levels throughout the country, though not found quite worthy of even sincere trial at the national level.

Industry as a Complement

Even at the grass root level, industry has had a significant role to play but during the plan era, intimacy between agriculture and industry did not have any chance in light of the points made earlier. Panchayat controlled rice mills could better arrange direct demand-supply relationship than the prevailing arrangements, for it has been found that the storage systems at the level of the villages are far better that stacking the paddy or rice bags in FCI-controlled godowns. Supplies from the village-level stores could be better and more responsive for distribution in outlying areas. The village level rice mills could not only reduce storage losses or decomposition, or even contamination in the improvised village level stores, reducing in the process the huge transport costs, losses in transit and decomposition in terms of taste and food value, apart from losses in transit and distribution. Village level rice mills could ensure retention of quail y and reduction of losses in transit. Rice mills ar therefore the first transit point after the crops have been harvested,. Secondly, manufacture of different products like rice bran oil, powdered rice or wheat used for various items of packaged food, etc., may be made practical with necessary expert directinn. Thirdly, under the Panchyats fruits grown in villages like mangoes, litchies and pineapples could be appropriately preserved, processed and packaged without any hazardous chemicals now widely used though such preservatives that are used at present are injurious to health. Packaging itself could be a flourishing industry, effectively ruling out any recourse to patently harmful preservatives or coloration. Along with normal agricultural operations, these side issues demand recognition,

Management of Resources at the Ground Level

Panchayats can effectively organize cultivation of fruits and vegetables, can augment the processing operations at the village level itself. Horticulture and arboriculture can effectively and profitably contribute to the normal agricultural operations. One may recount the definitional issues related to agriculture and horticulture, as also arboriculture, inasmuch as crops standing on the farm land for more than six months are horticultural, rather than agricultural, to go by the definitions underlined by the FAO. The context of mushrooms as a culture, and as a process of production, commands a degree of sophistication that is rather typical, but a highly rewarding productive effort embracing the different consumable varieties that grow both in the wild and even on house tops, that can be tinned in a dry state, packaged in a natural state or preserved in liquids. The role of industry thus suggests itself in totally changing the outlook and fortunes of the residents in villages, more so the farmers, in terms of both occupation and income. That can reduce seasonal migration to cities, while the ways of living at the village level itself can be upgraded, with income rising several fold. The Panchayats are in a position to initiate such changes in a rather short span of time. All this requires an acknowledgement of the potential awaiting transformation into reality. Bottled, tinned, packaged or even loose and dried items could be considered for both transport to various distant or nearby markets, or even for local consumption may in fact imply three aspects namely, readying for transport to different markets in cities, exports to foreign markets and local consumption. Cooperatives at the ground levels along with Panchayats and Block Offices and together coordinate all these activities with duties and authorities admeasured appropriately for attaining the defined objectives of village uplift. Permeation of powers and responsibilities and necessary coordination with the induction of necessary expertise and training can transform the apparently difficult, supposedly impossible tasks into reality. Rural engineering in its comprehensive sense and management may in fact ramify as specialism, being the hallmark of practice for the coming days.

Technical Education in the Rural Sector

One can visualize that with the advent of the computer and the internet, it would be within the reach of the farmers to take advantage of the latest developments in the art and science as also technology to bring agriculture and farm-related activities within bounds of respectability in terms of both applicational tools and their uses. The new approaches to better conservation of the resources and preservation of the produce would help substantially the export efforts of the country at large, augment export earnings and enhance competitiveness in foreign markets. Education would equip farmers with the latest methods and approaches to satisfying internal and external demands, reducing the prevailing wastes and contributing to better standards of living even in the remote villages. Patents and trademarks would receive necessary patronage from the Panchayats to elevate farming to a higher level of occupation and to ensure employment all the year round. Establishment of better connectivity and scientific as also sensitive pricing would take care of the levels of living of the farmers. Technical education would equip farmers with tools and techniques of making the best use of available resources in terms of proper crop selection, balanced inputs and output-mixes taking care of soil chemistry, selective organic and inorganic fertilizers as also selective crops maximizing output and reducing costs. Better preservation techniques could help levelling up of the losses and gains of successive years. Knowledge in soil chemistry, soil conservation and saving and augmenting water resources for purposes of pisciculture and irrigation would help in maintaining balance between the riverine system and canals while retaining balance of nature. Planning the rural environment, plantation of different fruit trees and those with artistic veneers for industrial

> When results of efforts are visible and also rewarding, generation of greater interest in learning is automatic. Long-time neglect of these issues and undermining the rural operations as unsophisticated, have got to be substituted by a totally reoriented outlook towards education in general and rural education in particular.

uses as also soil binding qualities would naturally figure in the educational curriculum in addition to those stated earlier. Rural and human geography along with ichthyology, orography and climatology, would call for particular attention so that the typicality of a region is taken into careful consideration in the planning process, crop selection and proper responsiveness in the concerned environment, in all its ramifications.

Reoriented Rural Educational Programmes

India does have the necessary expertise to impart knowledge in these areas of specialization but the organization of the relevant educational and training programmes would require not only in proliferation of theoretical education and training and but also in demonstrational exercises resulting in composite approaches so that each of the experimental fields demonstrates the binding qualities through application of various means like planting trees, supplementary crops depositing natural, organic fertilizers for both the concurrent crops and the complementary crops. Scientific crop selection and the appropriate process of nurturing them in our view can not only retain the fertility of the soil stretch but also augment it, not necessarily flushing the top soil through either irrigation water or rain water. Complete education in this respect through both theory and practice has the capacity of preventing waste of top soil of land and retain – possibly even enhance – productive capacity of land. Selection of the crops for production jointly and severally would play a significant role in this regard. To start with, it may be found worthwhile to start agricultural colleges under the direct local supervision of Panchayats, under affiliation to and overall control of the agricultural universities which are already in operation in different areas. It is thus pertinent to underscore that the education system in the rural areas must put greater stress on learning and exploiting local resources along with usual, formal education. It is not that all this would figure as an imposition on the young minds but that the new scheme should be made attractive enough to make school drop-outs or others from the farmer families interested in not only reading from books but also from what goes on in the rural sector as a daily chore. Infusion of knowledge and expertise would create more interest in the daily operations in the fields, both as a process of learning and as a ground level experiment. When results of efforts are visible and also rewarding, generation of greater interest in learning is automatic. Long-time neglect of these issues and undermining the rural operations as unsophisticated, have got to be substituted by a totally reoriented outlook towards education in general and rural education in particular. Panchayats have drawn these dreamy issues nearer reality.

In Sum

In all, the unavailing unison of agriculture, industry and education has presented a forceful pull restricting the overall progress of the country, which does have unlimited potential for progress in different directions, attacking in a wholesome way the abject poverty from which the country has suffered for long. The aforementioned details in effect offer a challenge to the existing state and suggests ways of lifting the villages from the mire in which they have found themselves. The discussion on the issues raised has been based on the immense possibilities that the three-tier Panchati Raj Institutions have opened up. It is propagated on a large scale that India lives in her villages but it is hardly underlined that the villages in the country have huge unexplored potential yet untapped. That the Panchayats have made real the erstwhile day dreaming and that there are yet umpteen ways to bring back the lost glory of the rural sector have remained largely unsung. Large scale migration of workers from rural India to the cities in search of jobs would not have any real logical footing if there were concerted efforts for raising the living levels of the rural folks. For this purpose the paper underlines that there is urgent need for enlisting various resources in the villages lying idle, almost unknown except in patches. Once such resources are made known and methods of their economic exploitation put into effect, the prevalent living standards can be uplifted enough to not only come in the way of large scale migration to cities – seasonal or otherwise – but also initiate a reverse trend. Agriculture, industry and education together make it possible to better utilize the huge presently untapped resources for not only meeting the local requirements but also generate surplus for supply to cities. Power supply, education responsive to requirements typical to rural sector and modern methods of preservation of food grains, vegetables and fruits without recourse to chemicals for use as preservatives and coloration, may be made a reality, resulting in prevention of waste and decomposition or even attack of pests and rodents. A three-tier rural education system centred on agriculture and farming can act as an antidote to the huge loss from which the country suffers now. Processing of farm products at the rural level itself can save both cost and quality as also freshness. MA

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PAPERS INVITED

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

March 2016

Theme

Cost Management in Pharmaceutical Industry

Subtopics

- *Sustainable Cost Management in Pharmaceutical Industry*
- *Cost Management tool box for Competitive Advantage*
- *Product Life Cycle Management*
- *Risk Management in Pharmaceutical Industry*
- *Pharmaceutical Pricing Strategies*
- *Multidimensional role of CMAs in the Pharma Sector*
- *Case Study*

April 2016

Theme

GST in India

Subtopics

- *Impact of GST in Indian economy and its various sectors*
- *GST and Indirect Tax Reforms in India*
- *GST Model for India*
- *GST and the MAKE-IN-INDIA Mission*
- *Tax Mechanism - Levy and Chargeability*
- *Case study on mode of operation of GST in India*
- *Role of CMAs in GST*

May 2016

Theme

Strategic Cost Management in Telecom sector

Subtopics

- *Tariff and subsidy mechanism*
- *Sustainability through cost effectiveness*
- *PPP model*
- *Infrastructure issues*
- *FDI in telecom sector*
- *Govt. policies and initiatives*
- *Role of CMAs*

June 2016

Theme

Startups for Sustainable Growth

Subtopics

- *Impact of Startups in Indian Economy*
- *Eco-system for nurturing Innovation and Startups*
- *'Make in India' through Startups*
- *Patents & IPRs*
- *Government initiatives*
- *Role of CMAs*
- *Case Study*

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.

Directorate of Research & Journal

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CHANGING DYNAMICS IN INDIA'S AGRICULTURAL POLICY

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The history of civilization and agriculture are intertwined, with the Indus-valley inhabitants as one of the pioneers of rice cultivation. This is a technology of taming and harnessing nature,and contributed in a large way in the elimination of hunting-gathering as a means of subsistence. Agriculture has been carried out over the millennia for subsistence, for barter and subsequently, for commercial purposes. The centres of production and consumption grew and continue to grow, giving agriculture a global dimension, and with it, the birth of national and international agricultural commodity markets. Agriculture and its mismanagement became central to public discourse with the Bengal Famine of 1934, wherein significant portions of India's produce of rice was diverted to the British Army. Newly independent India was dependent on wheat imports from USA, until the green revolution made India agriculturally self-sufficient after the 1970s. Large quantities of food-grain are procured from farmers at support prices and many times inefficiently, resulting in storage losses. At various points, agriculture is subsidized by the central government, in the form of subsidies for seeds, fertilizers, agricultural credit, and also support prices.

Today, India is an exporter of rice, albeit an importer of edible oil and pulses. Along the way, India has adapted technology in the form of Mexican strains of wheat, and its agricultural research institutions have developed certain indigenous strains of rice, among other technological innovations.

Six decades of policy need to be reviewed, in order to assess and suggest policies based on merits under the current situation. There could be recent developments and innovations to be considered as possible solutions suitable to the current problems. There is also a need to look at agriculture holistically and not from the narrow view-point of individual stake-holders. Reactive policy-making under pressure from interest groups could lead to sub-optimal policies and actions. Several aspects of agricultural policy have remained static over six decades, as subsidies become fiscally untenable and objectionable from a global trade perspective. On the other hand, sophisticated instruments such as futures and options on agricultural products are being considered, as also aligning Indian agriculture with global realities and markets. As part of the middle ground, there is a felt need for a structural strengthening of the Indian agricultural sector, consolidating on the past gains and upgrading policy to meet with the emerging developments and realities.

Some Stylized Facts of Indian Agriculture

Geographically, Northern India has a network of snow-fed rivers and is also largely irrigated, whereas southern (peninsular) India is dependent on rains and rain-fed rivers. Peninsular India is a frequently beset by droughts, inducing farmers to commit suicide, especially in Marathwada (Maharashtra), North Karnataka, Telengana and Rayalseema (Andhra Pradesh), and, to a lesser extent, in Uttar Pradesh and Bihar. Crop failures due to drought and crop losses due to unseasonal rain are reasons put forward by farmers for the inability to repay crop loans, driving them to suicide. Markets are also fragmented, since food-grain from one state currently cannot be sold in another state. Additionally, there are the Agricultural Market Produce Committees (APMCs) which further restrict markets.

Occupationally, around 60% of the population is engaged in agriculture, but the contribution of agriculture to the GDP is only around 15%. By contrast, 1% of USA is engaged in agriculture, but the output is sufficient to feed the entire populace of USA, and also create exportable surpluses.

Managerially, the inputs available to the manufacturing and services sectors have not yet fully percolated to the agricultural sector. Farmers are left to deal with middlemen and government officials on their own. Of late, the advent of the mobile cellular telephony and internet platforms have resulted in better information in terms of market prices and production-related information.

Politically, agriculture is a state subject, i.e. the state governments are primarily responsible for legislating agriculture and the implementation of various programmes. There is, however, a Union Ministry for Agriculture and Farmers' Welfare that makes budgetary allocations and allocating central funds to the states. Agriculture is a politically emotive subject, since farmers constitute a large percentage of the voting population and also have a large political voice. Besides subsidies, agriculture is free of income tax and wealth tax. Crop losses due to drought and flood are also put forward as reasons for farm loan waivers, particularly in the light of suicides by farmers. There are three levels of government: central, state and village (gram-panchayat).

Semantically, the term '**farmer**' means various occupations, including agriculture, horticulture, floriculture, cattle-rearing and poultry. Agriculture involves the tending of land to grow crops. Farmers include land-owning farmers (who rent out their land for cultivation), land-owners-cum-cultivators, share-croppers and landless farmers who work purely as farm labourers. As a consequence, rich farm owners could possibly benefit from subsidies under the garb of poor farmers. Some of the richer farmers double up as money-lenders and middlemen for crop buyers.

Agriculture, in this paper, includes the cultivation of cereals, pulses, oilseeds, horticulture- including fruits, vegetables, tubers such as onions and potatoes, mushrooms, on land as well in greenhouses. Activities such as poultry, dairy farming, inland fishery etc., are excluded from the purview of this paper.

Agronomically, land holdings by inheritances have become fragmented as ownership passes from generation to generation, reducing economies of scale, such as decreasing viability of mechanization of smaller fields. Rising input costs in terms of seeds, fertilizers and farm labour and reducing prices in light of the dominance by middlemen squeeze profits, unless supported by higher prices under government procurement programmes. The gains from fertilizer subsidies are also creamed away by some companies and middlemen. Other sub-optimal practices include inadequate irrigation, diversion of urea from agriculture, excessive use of fertilizers, inadequate knowledge of advancements and innovations in agriculture, inappropriate choice of crops etc.

Since agriculture is a politically sensitive topic in India, there are interest groups that demand various actions from policy-makers, some of which are listed below.

Policy Actions Demand by Farmers and Politicians, and their Possible Implications

Actions	Implication
Waiver of loans in light of crop losses and suicides by farmers	Misallocation of credit without ascertainment of exact cause of suicide
Continuance of subsidies for seeds, fertilizers, loans at subsidized interest rates	Misdirection of subsidies, wrong choice of crops
Continuance of minimum support prices by the government	Inflationary tendencies from higher support prices, and higher storage costs in respect of higher inventories, and storage losses

Motivation and Objectives of this Study

The **motivation** for this study arises due to several reasons. Firstly, six decades of policy action need to be reviewed, in order to assess and suggest policies based on merits under the current situation. Secondly, there could be ecological, technological, economic developments, as well as innovations to be considered as possible solutions suitable to the current problems. Thirdly, there is a need to look at agriculture holistically and not from the narrow view-point of individual stake-holders. Fourthly, reactive policy-making under pressure from interest groups could lead to sub-optimal policies and actions.

On the one hand, several aspects of agricul tural policy have remained static over several decades, as subsidies become fiscally untenable and objectionable from a global trade perspective; on the other hand, sophisticated instruments such as futures and options on agricultural products are being considered, and aligning Indian agriculture with global realities and markets. As part of the middle ground, there is a felt need for a structural strengthening of the Indian agricultural sector, consolidating on the past gains and upgrading policy to meet with the emerging developments and realities.

The **objectives** of this study are two-fold:

- To identify and analyze a wide range of aspects impacting the Indian agricultural sector, in the light of the events that have taken place in the two-year period from July 2013 to September 2015
- To provide policy-makers with an updated and holistic framework, with a view to structurally strengthen the Indian agricultural sector, incorporating the events and developments over the recent two years

Organization of Contents

In order to achieve the stated objectives, the rest of the paper is organized as under:

i. Recent Articles by Academicians on Indian Agriculture
ii. Research Questions
iii. Data
iv. Methodology
v. Analysis and Findings
vi. Summary and Conclusions

The paper ends with a listing of References cited in (I) above.

I. Recent Articles by Academicians on Indian Agriculture

During the period from July 2013 to October 2015, a total of 29 articles by Indian academicians highlighted various issues pertaining to Indian agriculture. Broadly, five themes emerge:

Fertilizers: Srinath (2013) and Mehta (2013) wrote on the potash cartels in Russia and Canada that raised the input costs for fertilizers in India. Himanshu (2015) pointed out the drastic flaws in India's fertilizer policies. Haque&Hashmi (2015) cite the possible reasons for organic farming not taking off completely in India.

Policy Reform: Gulati (2014 a) spoke of the need for irrigation and redirecting of subsidies. Gulati (2015 b)

This study aims at identifying and analyzing a wide range of aspects impacting the Indian agricultural sector, in the light of the events that have taken place in the two-year period from July 2013 to September 2015, to provide policy-makers with an analytical framework. From recent developments, there appears to be a reversal from the "dole and debt-waiver approach" placing Indian agriculture on a stronger footing for the future.

appreciates thepositive role played by the Indian farmer and justifies assistance for them, while commenting upon defunct policies that inhibit reform. Sambrani (2015) also stressed on sweeping reformsin Indian agriculture. Along these lines, Balakrishnan (2015) calls for reforms for producing more food-grain in India.

Innovation: Gulati (2015 a) credits the boldness of the Indian farmer for the risk in adopting new technologies. Zeigler (2015) stressed upon the role of scientific research and innovation, particularly the success of new rice varieties.Rajaraman (2015) recommended the adoption of Systemic Rice Intensification (SRI) techniques in order to save water used in paddy cultivation.Whereas Gulati (2014 b) steered a discussion towards horticulture, Alagh (2015) brought a focus on pulses that India imports in large quantity. Nair (2015) highlighted the dangers of genetically modified 'golden rice'.

Water Dependence and Distress: Gokarn (2015) analyzed the rain dependence of Indian agriculture, and Swain &Lahn point out to the depleted river-water resources.Singh & Dadhich (2015) and Argade&Haque highlight the problem of crop losses. The role of crop insurance and the use of technology in estimating losses are the focus of their work. Ravi (2015) studied suicides, including suicides by farmers. Gulati (2015 c) highlighted the reasons for stress in Maharashtra, viz. improper water pricing and choices of water-intensive crops.

Market Linkages: Papers by Dey(2015a and 2015 c) focused on partnerships across the supply chain and linkages between producers and consumers. Haque&Shailendra (2015) propose a price stabilization fund for horticulture products.Yadav, Shailendra&Haque (2015) wrote on the linkages between market intelligence and a price stabilization fund. Whereas Dey (2015 b) analyzed the distress of potato farmers, Singh, Pal & Shah (2015) analyzed fluctuating prices in the onion markets in India. Sukhpal Singh (2015) analyzed the workings of the APMC markets in India and Shailendra& Yadav stress the need to include small farmers in market linkages. Joshi and Negi observed the mechanics of onion pricing.

II. Research Questions

The research questions addressed in this paper are:

What are the key observations and recommendations made by various academicians for Indian agriculture, during the period 2013-2015?

What have been the key developments impacting Indian agriculture, during the period 2013-2015?

III. Data

This study covers the period July 2013 to September 2015, a period of 27 months. Whereas September 2013 marked the end of a normal monsoon, September 2014 and September 2015 were monsoon-deficient, with shortages of 12% and 14% respectively. With over 60% of India's workforce engaged in agriculture, such deficiency brought rural distress to the fore, calling for a more holistic agricultural reform in India. Year 2014 also marked a change of government, and with it, an intent to relook the extant policies, in terms of diagnosis as well as policy action.During this significant period in Indian agriculture, 400 news events were reported, indicating the intensity of reportage, public discourse and opinion. This provides a rich context for analysis, if the data are given a structure.

IV. Methodology

The methodology involves the parsing of large amounts of text and digitizing them (0,1) to measure developments on various themes. *[For example, a news item pertaining to a Contract Farming of fruits arrangement would me recorded with a digit 1 against Horticulture as well as Markets]*

The data have been classified into 9 themes, as tabulated below. Each of the 400 news event could have an impact on one of more of the identified themes. In this manner, a total of 686 impact points were recorded.

Classification	No of observations	% to Total	Ranking
Cereals/ Sugar-Cane/ Cotton	99	14.43	3
Pulses	31	4.52	9
Oilseeds	41	5.98	8
Horticulture	69	10.06	6
Fertilizers	44	6.41	7
Innovation	83	12.10	4
Irrigation	102	14.87	2
Suicide/Distress	146	21.28	1
Markets	71	10.35	5
Total	**686**	**100.00**	

Notably, the notion that cereals such as rice and wheat would have the most a dominating role in the discussions have been belied by the statistics cited above. Furthermore, the rising cost of fertilizers and their adverse impact on Indian agriculture was a dominating feature of the discussion until the beginning of this study period, until there was a dramatic fall in their input prices in the international markets. Towards the end of this study, the dominating theme has been the deficient monsoons two years in a row, and the particularly vulnerable areas in India, viz. Marathwada and Telangana, which constitute the high-suicide prone areas in India. The least-recurring item of discussion, viz. Pulses, also found 31 mentions in the data collected for the period.

It is clarified that the frequency of the mention of the above aspects in the public discourse and opinion does not necessarily reflect the precise order of their relative importance. It merely reflects the shape and structure of the inputs available for policy action. For instance, Horticulture and Pulses are ranked 6 and 9 respectively, but found specific mention in the speech of Reserve Bank of India Governor on September 29, 2015, for their role in food inflation.

The analysis of the 9 themes is carried out in the next section in the order of the Rankings cited in the table above. The objective of this analysis is to provide value-added policy insights and better management of the agricultural sector and commodity markets in India.

Finally, in Part VI of this paper, a table is generated with two columns:

- Column I depicts 18 observations made by academicians referred to in Part I of this paper
- Column II depicts the corresponding findings based on the observations across 9 themes, against each of these 18 observations

Such a mapping helps in broadly evaluating the progress made towards an updated framework to deal with the future challenges in Indian agriculture.

The process of parsing and digitizing has been done to facilitate measurement, so as to arrive at the conclusions in an unbiased manner. This methodology is replicable to generate consistent results.

V. Analysis and Findings

Suicides and Distress: Until the month of September in calendar year 2015, Maharashtra witnessed a total of over 3,000 suicidal deaths of farmers. Of these, 1,010 were from the Vidarbha region and 695 from the Marathwada region, representing the highest farm-related suicide concentration in the country.

This analysis of this theme is based on 146 observed data points. Drought, distress and suicide became prominent from September 2014, with the late and weak monsoon of 2014, followed by unseasonal rains in April 2015 with the attendant crop damages. This was exacerbated by the promise of a good monsoon in June 2015, but the seeds withered away due to poor rainfall in July and August 2015. Some late rain spells in September 2015 were not good enough to revive the 2015 crop, resulting in the worst monsoon productivity in 6 years.

Thus, years 2014 and 2015 represented two back-to-back drought years with rain deficits of 12% and 14% respectively. This is statistically rare, and has happened only 3 times in 143 years. The probability of a single-year drought has been estimated at 17%, and hence, insurers may be able to design a suitable and affordable insurance cover product. It is noted that the penetration of crop insurance in India is only 23%. Rain-dependence in some places and untimely rain at other places are the main causes of losses. Crop insurance is the missing link in the rural financial inclusion, together with access to banking and credit facilities.It is not feasible to waive off loans (at the cost of depositors) or provide compensation from government coffers (at the cost of taxpayers) substituting the role of insurance. Assessment of insurance claim losses has become a simpler affair with the help of satellite-based imaging technology.

In many cases, suicides have been associated with cotton crop failures, (and soya bean and pulses in some cases) exacerbated by rain-dependence. Suicides have also been associated with farmers having holdings of 3 acres and less. Lack of alternative income and job opportunities and indebtedness in the light of crop failures are contributing factors to suicides. Year 2015 also saw a glut in cotton supply, as India overtook China as the world's top producer of cotton, leading to depressed prices. In the case of the potato crop in West Bengal, high seed costs and low prices offered by middlemen led to distress among potato farmers.

Farms in North India are well irrigated through snow-fed rivers. Farmers in peninsular India depend totally on rain. This makes farmers in Marathwada (Maharashtra) and Telangana particularly vulnerable and suicide-prone. Vidarbha (Maharashtra), another drought-prone area, has fortuitously received a normal monsoon in 2015. A study by CRISIL identified Bihar, Karnataka, Maharashtra and Uttar Pradesh as vulnerable states vis-à-vis the risk of poor monsoons.

A politically powerful interest group in Marathwada and elsewhere in Maharashtra, particularly the sugar lobby, controlled irrigation projects, water-bottling plants, breweries, distilleries, sugarcane cultivation, sugar-mills and cooperative banks, cornered resources, including water over an entire decade. With this group voted out of power, misallocation of resources have now come to light. A de-emphasis on these water-guzzling activities will help in reducing water-stress and its consequences and reduce farmer distress in this water-scarce region in the future.

Small and marginal farmers and landless farm labourers need to generate income, which could come from rural infrastructure development projects.

Researcher Ravi(2015) had cautioned against sensational and insensitive media coverage of suicides, as they could have a contagious effect on rural minds. Likewise, monetary compensation without other risk-mitigation or long-term support systems could wrongly incentivize suicidal behavior. A study by the National Crime Record Bureau (NCRB) attributes less than 5% of suicides in India to financial indebtedness. The government of Maharashtra has commissioned a health-service NGO, ASHA, to provide mental counselling in drought-prone areas such as Marathwada, a timely step.The government has also established a climate study centre at Aurangabad in Marathwada. Of late, increasing social sector activity in drought prone regions by companies is being witnessed.

Irrigation: A total of 102 observations were recorded under the theme of Irrigation. Punjab and Haryana, the grain bowls of India are well irrigated, as are several parts of North India, due to snow-fed rivers. From the preceding section, it was observed that the most water stressed regions are in Marathwada, Telangana, Karnataka, Uttar Pradesh and Bihar. Other states in Western, Central and Eastern India are also under-irrigated.

The "big damapproach", increasingly faceslocal opposition, based on long-term ecological considerations, besides displacement of arable land and project affected people. In recent times, there has been a preference for small check dams, revival of river beds, lake beds, water bodies and farm ponds in an effort to improve the depleted ground water levels and harvest rains. One huge beneficial outcome of the drought of 2015 is the Jalyukt Shivar Abhiyan, a campaign encouraged by the state government of Maharashtra. Under this initiative, a partnership between the locals and the government resulted in the creation as well as revival of several small water bodies to harvest and store rain water. Locals have participated even financially, contributing more than Rs.60,000 million. Such type of work in the Vidarbha region in earlier year has now proved to be beneficial, as it received normal rainfall during calendar year 2015, and with the potential for the harvesting and storage of rain water, a bountiful harvest of cotton, oranges and other crops followed. Maharashtra has been inspired by the water conservation model of the state of Rajasthan.

Maharashtra serves as a classic example of having one of the largest irrigation dams in the country, yet is one of the most water-stressed regions, demonstrating many such projects have either not seen the light of day due to corruption, or that their benefits have not reached the common people. Only 15% of farm land in Maharashtra is irrigated, as compared to Punjab, which has 85% irrigation coverage. From April 2015 onwards, irrigation is in the news in Maharashtra for the wrong reasons, viz. large-scale corruption in irrigation projects and diversion of financial and water resources to the sugar-lobby over the past 10 years. With this realization, there is likely to be far less water stress from the near future, since the cultivation and crushing of water-guzzling sugarcane will be toned down, making water available for other crops. Sugarcane, paddy and soya bean consume more water than other crops that are more suited for the Maharashtra ecosystem.

Dam water in Maharashtra is used mainly by thermal power-generating plants such as Tata Power and NTPC. After generation of power, it has come to light that such upstream water resources have been allowed to flow into the sea, whereas the same could have been released downstream to serve the parched fields of Maharashtra, Telangana and Andhra Pradesh. Since this has come to light, the government of Maharashtra and the power companies have taken note of this suggestion. NTPC has also considered the use of recycled water for power generation as an alternative.

Experts now opine that there is a need to push irrigation, not dams. The success of ASEAN countries in achieving high agricultural productivity has revolved on the reach of irrigation facilities to smaller farms. The government of India is also in the process of incentivizing irrigation through the merger of several irrigation schemes, with a focus on the precise use of water, combined with awise choice of crops and fertilizers.

At the national level, an ambitious plan for linking of various rivers is under way. Linkage of two rivers that have been taken up for implementation are the Godavari-Krishna in Andhra Pradesh (initiated at Polavaram)and the Ken-Betwa in Madhya Pradesh and Uttar Pradesh (the project has received environmental clearance from the forest department). At a later date, several more linkages are likely to be established, at the intra-state and inter-state levels.

Cereals, Sugarcane and Cotton: There are 99 observations under this theme. Cereals (wheat and rice), sugarcane and cotton are covered under this theme. Since India's independence, emphasis has been on food security through ample buffer stocks, there is multi-pronged government support in terms of input subsidies on seeds, fertilizers, electricity and bank credit, as well as price support of the output. In general, wheat is the main staple food in northern, central and western India, whereas rice is the main staple food in southern and eastern India. This results in a diversified food pattern. The two principal agricultural cycles are the *kharif* crop (sown during the monsoon) and the *rabi* crop (sown during the winter).Exports are of secondary importance in the extant policy framework. India also meets with stiff objections from other exporters in the global arena, on account of the subsidy regime in India.

Wheat: is produced mainly from Punjab, the grain bowl of India, and, of late, from Madhya Pradesh. Farmers from Punjab have become prosperous over the decades on account of good irrigation and support prices offered by the government. Today, India has adequate buffer stocks in wheat.

Rice: The irrigated fields of Punjab and Haryana also produce the *basmati* variety of rice which has a high export value. In the *non-basmati* variety, India competes with Thailand and Vietnam in the global markets. The export destinations are the Gulf countries in the Middle-East, and recently, Iran, for *basmati*, in competition against Pakistan. In the *non-basmati* category, the export destination is Africa, particularly Nigeria. In recent times, the alarming depletion of ground water levels in India has led experts to believe that the cultivation of water-intensive rice comes at an ecological price, hence not worth the effort. Some of the resources engaged in cultivation of water-intensive rice could be diverted to other aspects of agriculture. From an innovation perspective, the cultivation of rice paddy can take place through the Systemic Rice Intensification (SRI) technique advocated by Rajaraman and others.

Sugarcane: As is the case with rice, sugarcane is a water guzzler, and most unsuited for Maharashtra. For political reasons, sugarcane, a cash crop, was grown in Maharashtra by the diversion of water resources through a powerful interest group. The same group also owned sugar mills and other downstream industries. Time has shown that such pursuits are not sustainable over the long term. Sugarcane is best left to be grown in other states, and Maharashtra will be better served if agricultural resources are conserved for other crops as the soil and water conditions may permit.

Cotton: A cash crop, has the allure of attracting many farmers to cultivating it. In contrast to attractive prices, there are risks pertaining to pests, unseasonal rains, production gluts and the viability of growing on smaller land holdings. As per a Brookings study, almost 60% of farmer suicides are associated with the cultivation of cotton. Years 2014 and 2015 were global glut years, depressing cotton fiber prices.Of late, there has been a shift among farmers from cotton to oilseeds and pulses.

Experts also add that, over time, agricultural policy in India has been too cereal centric (i.e. an over-emphasis on wheat and rice). This needs to be moderated, in order to focus on oilseeds and pulses, as more than 25% of India's domestic requirements are imported. Shortages of oilseeds, pulses and horticultural products (fruits and vegetables) also cause spikes in inflation, a factor to which the government as well as the central banking authority of India are highly sensitive. Based on the appropriateness of local water and soil requirements, the growth of maize, and *jowar* (millet) also need to be encouraged.

Innovation

Surprisingly, there are 83 observations under this theme.

The main message of this section is that innovation need not always be of a 'big bang' nature. The sources of innovation could also be varied, ranging from institutions to practitioners. Innovation connotes a shifting of the discourse in Indian agriculture away from the dole and debt-waiver based dialogue to development of solutions.

Soil Health Card: One of the most far-reaching innovations has been initiated by the central government, in the form of a free soil health testing facility. This shall be a once-in-three-years exercise. For the first time, fundamental questions will be asked pertaining to the suitability of the soil for various crops and the types of nutrients required to nurture it. Indiscriminate use of chemical fertilizers over the past several decades has resulted in a damage of the soil across several locations in India. This is sought to be rectified now.

Rice-related Innovations: From the institutional side, the Indian Agricultural Research Institute (IARI) has come up with a new, hardy and aromatic basmati variety of rice called the Pusa-1059. It consumes less water and can be grown in a shorter time. Pusa-1059 has enabled Indian basmati exporters capture international export markets rapidly and in a price-competitive manner. The International Rice Research Institute has also propagated Systemic Rice Intensification (SRI), a cultivation technique that necessitates lesser land, water and results in higher productivity. Indian scientists have also developed indigenous rice chips. New strains of rice have also been developed, enabling rice to be cultivated in acceptable levels of saline water. This could be a boon in coastal areas. In Thailand and Indonesia, there is a practice of breeding fish in the flooded paddy fields, so that fish excreta serves as manure, while fish eat pests away, providing organic protection. The fish and rice both constitute saleable produce for the farmer. In some farms in the ASEAN region, duck cages are placed above fish ponds: duck excreta serves as fish feed, while ducks keep flying pests at bay. In another innovative technique, the Dutch have pioneered the art of generating electricity from water-soaked paddy fields.

Process Innovations: The Dutch have also pioneered the use of Light Emitting Diodes (LED) bulbs of various colours, to enhance the yields of fruits and vegetables. Israel has pioneered precision-irrigation in Fruit and Vegetable (F&V) cultivation, some of which is being tried out in Maharashtra. Israeli technology is also being explored in Rajasthan to grow edible oil. The use of organic bio-fertilizers (cow/buffalo excreta and other bio-mass) is growing. Farmers in Gujarat are forming cooperatives for installing solar panels to power their irrigation pump-sets and sell excess power to the electric grid when not needed, earning them extra income on a monthly basis. In Himachal Pradesh, farmers are investing in plastic Poly-houses to grow mushrooms, vegetables, fruits and flowers, away from the vagaries of nature, such as hail, snow and unseasonal rain. In Indonesia, owls and plastic sheets are regularly sold to farmers to combat pests and unseasonal rain, respectively. Poly-houses also explore the potential of using vertical space, unlike traditional agricultural practices where horizontal expansion on land is the only option.

As regards water, there is an innovation of Brazilian origin, wherein large metal hoardings are installed on open ground, with pipes bordering the lower frame. Condensed water-vapourfrom the surface of the metal hoarding are collected as water, and flow through the pipes into buckets and drums, through the night.

Agricultural Start-ups: It is heartening to note that the demographic dividend is being exploited for agriculture. Youngsters with a background in engineering and management are using a problem-solving approach to engage in agricultural entrepreneurship. Farmers who have neither the financial resources nor knowhow, can access this talent pool for a fee or a commission. Agricultural startups provide a whole range of services: venture capital and working capital, hiring of equipment, supply of seeds, product-mix, knowhow on innovative techniques, best practices, weather forecast services, organic cultivation, food processing and value addition, packaging, branding, procurement, storage, supply chain and logistics, knowledge of markets and marketing, internet marketing and exports. This range of activities brings in dimensions that were hitherto unknown to the Indian farmer, particularly the small farmer.

Markets

Markets in India are highly fragmented, owing to the archaic set of laws that govern agriculture in India (such as the Forward Markets Regulation Act = FCRA, the Agricultural Produce Marketing Committees Act = APMC Act etc.). This archaic set of laws are likely to be dismantled over time. The presence of these laws made Indian agriculture became overly dependent on government subsidies and government procurement mechanisms. As an undesirable consequence, gaps and information asymmetries in the markets were exploited by middlemen and moneylenders who constitute a powerful interest group.

There are 71 observations under this theme.

International Level: India has made its presence felt in the rice market. India also has a major presence in the export of mangos. On occasions, India also has surpluses to export wheat. However, increasingly, owing to the Indian regime of input subsidies and government procurement of output, there is the growing threat of disputes from other exporting countries. Besides, India's own self-imposed restrictions on the export of rice-bran oil, groundnut oil and other agricultural commodities prevents Indian farmers and exporters from gaining from remunerative export prices. In a way, this is like a hidden tax on Indian agriculture, where the cost of the missed opportunity could exceed the subsidy benefits. Some Indian economists feel that this regime of subsidies and export restrictions has stunted Indian agriculture and constrained its efforts to capture global markets.

National Level: there are the sophisticated commodity markets. Hitherto regulated by the Forward Markets Commission (FMC), this regulator has been merged into the Securities and Exchange Board of India (SEBI) with effect from September 2015. In addition to futures contracts, it is hoped that more sophisticated hedging tools such as options and index-based products, will be available for price discovery, hedging and risk mitigation mechanisms for a wide range of agricultural commodities. It is also hoped that wide participation from banks, insurance companies, food processors, agricultural cooperatives and others will lead to information dissemination, better price discovery and lesser asymmetry between the financial markets, commodity futures markets and the spot markets. The major recognized commodity exchanges are the National Commodity Derivative Exchange (NCDEX), the Multi Commodity Exchange (MCX). Other important players in the trading infrastructure are the National Bulk Handling Corporation (NBHC) and the Warehouse Development and regulatory Authority (WDRA). SEBI will find it challenging to exercise vigilance in order to monitor price manipulation between the futures markets and the spot markets. By way of information dissemination, the Food Corporation of India (FCI) has also committed to reveal the inventory levels of food-grains at various locations at regular intervals, as per the Minister for Consumer Affairs, Government of India.

State Level: As per the Constitution of India, agriculture is a state subject. Archaic laws also ban the inter-state trade of agriculture produce, a restriction that has stunted the growth of a national market. States have stablished spot markets and market yards (known as a *mandi*), totaling to 584*mandis* across India. The rest of the markets are private, and largely dominated by middlemen and moneylenders. There is a wide-spread feeling among farmers that the APMC markets are oligopolistic in nature, controlled by a few dominating buying entities, and not fair and remunerative to the farmer. Opinions about APMCs are mixed. Some call for the total abolishing of APMCs, while others voice the need for APMCs since they serve the small farmer with some connectivity to a market. Each state has a different set of operating rules, making it a very heterogeneous market across the country. The government of Karnataka has taken an initiative to convert the markets within the state to an electronic information platform, called an e-market or an e-*mandi* and has linked it with the NCDEX.

Private-Private Initiatives: Other attempts at organized "Farm-to-Fork" marketing are initiatives inter se between private parties. These include Contract Farming, Small Farmers' Agricultural Cooperatives (SFACs) and Farmer-Producer Organizations (FPOs).

Under Contract Farming, many farmers have taken up cocoa farming in partnership with chocolate manufacturing companies, benefitting from inputs, knowhow and a guaranteed buy-back arrangement. It may serve as additional remuneration from crop diversification. SFACs may make use of an umbrella brand to sell fruits or vegetables, in order to attract a wider net of customers capture larger markets over a wider geography. FPOs may operate under a common internet portal for e-commerce, with a payment gateway. The sum total of these organized efforts by farmers is to leave as little as possible to the vagaries of the market forces.

Horticulture

There are 69 observations under this theme.

Inflation, particularly food inflation is a matter of concern for policy-makers. The Reserve Bank of India (RBI) Governor had remarked, during one of the monetary policy press briefings, that inflation has been under control for most of calendar year 2015, barring certain vegetables and pulses, whose prices tend to spike up due to supply chain concerns. Notably, cereals such as rice and wheat, of which the central government possesses ample buffer stocks, are not subjected to price manipulation. There is no government Minimum Support Price (MSP) and buffer stock mechanism in the case of vegetables and pulses, hence such items are subject to price manipulation.

Horticulture comprises Fruits and Vegetables (F&V). In this section, onions and potatoes are also considered for discussion. A wide variety of F&V are cultivated in India, and their markets are as wide as supply chain constraints would permit them to be transported. Indian mangoes reach global markets. The central government's initiative on food parks will establish greater linkages between food processing companies and F&V growers, besides the value addition and employment generation that will be fostered. Many of the initiatives in Contract Farming, SFACs and FPOs pertain to F&V.

Onions and potatoes have been targeted by middlemen for price manipulation. Hoarders induce panic by creating artificial shortages and exploit gullible consumers. Despite being the world's second-largest producer of onions, India is sometimes an importer. 4 million tons of onion are wasted each year due to poor storage and transport. Potatoes are a classic example of bad data, inefficient storage and poor market linkages- farmers never benefit from high prices, but suffer with low prices in years of glut, despite higher input prices. Other products like tomatoes and vegetables are targeted serially by price manipulators in a similar manner. Such manipulation is rampant citing both crop failure due to poor rains, as well as crop losses due to flooding. Even delayed arrivals of produce into the markets cause price inflation. Considering such malpractices, the central government proposes a Price Stabilization Fund (PSF), in addition to physical verification of stocks on complaints of malpractices.

Policy-makers are aware of the direct link between abundant supply and low prices of F&V. In order to enhance productivity, a reference was made earlier on Israeli technology for micro irrigation. The use of Poly-houses for protection against unseasonal rain and pests is particularly useful in the case of F&V cultivation. The Dutch innovation of coloured LED lighting to enhance F&V yields is also noteworthy.

To address the twin concerns of low price (of the producer) and high cost (of the retail consumer), farmers are now using the internet to market directly to consumers. SFACs are also coming together under an umbrella brand such as Masakkal and TANHODA in south India, effectively bypassing the middleman, with pooled resources for supply chain management.

In addition, there are new, financially resourceful "agripreneurs", being agricultural start-ups, who turn to agriculture as a hobby, and consolidate existing land as well as add fallow land to F&V cultivation. In the long run, these initiatives will add to the supply of F&V. Due to such efforts, grapes, wine, exotic fruits and vegetables and organically farmed products have been introduced to the domestic and export markets.

Fertilizers

There are only 44 observations under this theme.Most interestingly, Fertilizers represent one of the most important aspects in the Indian agricultural discourse up to 2013. Its importance has decreased dramatically over the past two years on account of three reasons:

A fall in international crude oil prices, from above US $ 100 to levels below US $ 50: The shale revolution in USA, the global industrial slowdown, the Chinese slowdown and fresh supplies from Iran are causal factors. Thus, the key input to fertilizer costs has come down, including phosphatic, nitrogenous and urea based fertilizers.

The breakdown in the global potash cartel, dominated by Russian, Belarus and Canadian companies has caused a collapse in potash prices.

In India, an awareness campaign initiated by the central government, called the Soil Health Card scheme, provides farmers with knowledge against the indiscriminate use of fertilizers. Neem-coating of urea has been made compulsory to prevent diversion of urea away from agricultural to industrial uses, black-marketing and artificial shortages of urea. A Nutrient Based Subsidy (NBS) regime could also give way to the phase-out of the fertilizer subsidy regime, due to rapidly falling global input prices. The resurgent interest in organic fertilizers and bio-fertilizers is on the rise, even in the face of the counter-campaign by the lobby of large companies that produce chemical fertilizers.

The diminishing importance of fertilizers in the Indian discourse in agriculture is contrasted by the increasing importance of Oilseeds and Pulses that are covered as the last two themes that follow, in this paper.

Oilseeds

There are 41 observations under this theme.

India is the world's largest importer of edible oils. In fact, high imports have come under the lens of the government of India and the Prime Minister's office. The most frequently imported oils are palm oil from Indonesia and Malaysia and canola from Canada. Since imports have to be paid for in hard currency, such imports become more expensive when the Indian Rupee weakens against the US Dollar. Sometimes, this has the effect of slowing down imports, indicating price elasticity. This provides room for domestic edible oil producers to raise their prices.

Generally, Indian edible oil producers prefer to source oilseeds from domestic markets. Input prices are low when the rainfall is adequate and crop output is high, and vice versa. In 2014 and 2015, poor monsoons have necessitated high imports of edible oil. In the past, some edible oil producers have expressed an interest in exporting rice bran oil and groundnut oil when international prices were conducive, but were restrained from exporting, by the government of India, fearing supply shortages in India. Farmers have expectations of Minimum Support Prices (MSP) and input subsidies from the government, as incentives for oilseed cultivation. Excessive imports of edible oil are also a drain on India's foreign exchange resources.

India also resorts to levying custom duties on imported edible oil to discourage imports. This works to the benefit of domestic producers. Considering the attractive prices of edible oils, some farmers have resorted to cultivation of oilseeds and pulses, replacing cotton. In south India, palm oil cultivation has been taken up in Kerala (partly replacing rubber and areca-nut) and Karnataka (2,000 hectares). Since palm is a hardy crop and consumes relatively less water, its cultivation has been encouraged by the government of India. Rajasthan has taken up an experiment of cultivation of olives, with the help of Israeli technology.

The presence of castor futures trading on the NCDEX has made some savvy farmers take cues on cultivation of castor, using the price signals. The introduction of more commodity futures could provide more signals to the agricultural sector.

Pulses

There are 31 observations under this theme.

Pulses are a source of vital protein for a vast majority of the Indian population. The RBI had also expressed concern, on occasions, that high pulse prices cause inflation, due to supply constraints.

Pulses are cultivated mainly in the rain-dependent states of Madhya Pradesh, Maharashtra, Telangana, Andhra Pradesh and Karnataka. Unfortunately, these are the very states affected by drought conditions during 2015. India produced around 1.7 million tons of pulses during 2015, as against a demand of 2.1 million tons, the balance being met through imports. The major exporting countries are Myanmar, Australia and Canada.

As the failure of the Indian monsoon became imminent in August 2015, hoarders and price manipulators began taking advantage of shortages. Prices of pulses began to spiral upwards, even as imports were resorted to. Some state governments initiated raids and imposed inventory-level restrictions on importers and traders, particularly as the festival season was on, during October-November 2015. Import consignments got stuck on the high seas, until inventory-level restrictions were relaxed for direct importers.

As a result of the prevailing high prices of pulses in India, the acreage under cultivation increased for pulses, partly replacing cottonand rice, particularly in Gujarat. This is a good example of crop diversification guided by market forces. This could pave the way for partnerships between farmers and processors, creating a value chain.

There is a now view that the government now needs to incentivize cultivation of pulses, a form of a PPP, by bringing them under the Minimum Support Price (MSP) scheme and also maintain buffer stocks of pulses, to curb inflation. Excessive imports of pulses are also a drain on India's foreign currency resources.

Chana is a commodity whose futures are traded on the NCDEX. It is hoped that other commodities futures too, will be traded on the exchanges, to provide price signals and aid price discovery, which will also guide the allocation of agricultural resources.

VI. Summary and Conclusions

On the basis of the recent articles by academicians on agriculture in India, and in the light of the specific developments in the agricultural sector in India between the 2013 and 2015 monsoons, the following table emerges:

Recommendation	Developments between 2013 and 2015
A. **Fertilizers**	
1 Potash cartels	Have collapsed on their own
2 Dismantling subsidy regime	Global crude prices falling. Neem-coated urea in supply
3 Organic Fertilizers	Growing awareness being created
B. **Policy Reform**	
4 Reform policy holistically	Soil Health Card to e-markets: wide range of reforms
5 Grow More Food-grain	Focus on less water-intensive crops. Pulses and Oilseeds.

Recommendation	Developments between 2013 and 2015
C. **Innovation**	
6 Support risk-taking by farmer	More knowledge dissemination
7 New rice varieties	IARI 1059, Saline water rice
8 Save water in paddy cultivation	SRI awareness rising
9 Focus on pulses	Through market forces, as seen in Gujarat
D. **Water Dependence and Distress**	
10 Rain dependence to be reduced	Focus on irrigation, water harvesting, check dams
11 Depleted river water resources	Water body rejuvenation, river-linking
12 Crop Insurance	Growing awareness, raising financial inclusion
13 Suicides by farmers	Crop insurance, financial inclusion, counseling
14 Improper water pricing and crop choices	Water management, de-focus sugarcane and paddy
E. **Market Linkages**	
15 Partnerships Across Supply Chain	Farmer-Producer Organizations (FPOs)
16 Price Stabilization: Onions, Potatoes	Price Stabilization Fund (PSF) being considered by govt.
17 Small Farmers	Small Farmers' Agricultural Cooperatives (SFACs)
18 Role of APMC	*Mandis* to e-markets, spot-futures linkages, regulation

To summarize and conclude

A. The international potash cartel has collapsed on its own, whereas the drastically falling internationally crude oil prices have reduced the severity of the fertilizer subsidy burden, making its phase-out more feasible and politically palatable. The neem-coating of urea will prevent its misallocation. Awareness of organic fertilizers is rising, but the complete phase-out of chemical fertilizers seems impractical in the short to medium term.

B. The Soil Health Card scheme is revolutionary and will result in a more merit-based usage of fertilizers, as well as choice of crop in accordance with local water availability. Discouraging the excessive cultivation of sugarcane and paddy in water-scarce areas are steps in the right direction.

C. More information is now being disseminated to the farmer, as compared to the past, from choice of crops up to e-markets. As regards, rice, the saline-water variety may not find a market in the immediate future. It is necessary to make paddy cultivation more water-efficient, as resources need to be directed towards cultivation of pulses and oilseeds, two items that consume India's foreign exchange resources.

D. Irrigation, not dams, is now the focus of watershed management. It is reemphasized that water-efficient crops need to be given priority for cultivation. Crop insurance is an integral part of financial inclusion, in order to address distress and suicides in the agricultural sector.

E. Market linkages have become the focus of the government, and a Price Stabilization Fund for Onions, Potatoes and Fruits & Vegetables is under consideration.

To conclude, there have been some favourable developments on the international front, in the form of the collapse of the potash cartel and a fall in international crude oil prices, which partly address the fertilizer subsidy problem. There have also been unfavourable developments in the form of two back-to-back droughts in calendar years 2014 and 2015. Despite this huge challenge, policy-makers have, in a span of 16 months, demonstrated a long-term vision and emphasized on (a) Soil Health Card and knowledge-dissemination initiatives, for better resource allocation (b) comprehensive watershed management (c) crop insurance and (d) e-markets to align agriculture towards markets. This marks a reversal from the"dole and debt-waiver approach"and places the Indian agricultural sector on a stronger footing for the future. It will be pertinent and interesting to carry out an updated evaluation of the extant policies after the 2016 monsoons, i.e. September 2016. Some of the aspects highlighted could also be taken up for econometric analysis, with appropriate data sets. MA

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AGRO TOURISM IN

Agriculture is the backbone of majority of the developing countries and India is no more exception of it. In fact, India witnessed massive expansion and development in agriculture sector during post-Independence period. Some policy measures especially the initiatives taken during 1960s, the 'Green Revolution' that led a rapid forward strides in agriculture sector in our country. It is now the principal source of livelihood for nearly 54.60 percent (Census 2011) of the population of India. Agriculture now provides the bulk of wage goods required by the non-agriculture sectors and majority of the raw materials for various industries of our country. As a concomitant of growth, however, the share of agriculture and allied sectors in gross domestic product (GDP) declined to 15.20 percent during Eleventh Plan (2007-12); and further to 13.90 percent in 2013-14 (provisional estimate).[1]

India has now 184 million hectors of arable land produces annually 260 million tons of food grains (third largest); 150 million tons fruits and vegetables (second largest) and 90 million tons of milk (the highest) in the world. Although India is one of the top countries in the agricultural production, the current level of farm mechanism which varies across the states., averages around 20 percent against more than 90 percent of the developed countries. This signifies that there has been scope to improve the productivity of the agriculture sector by intensifying modern technologies along with other factor of productions more effectively and efficiently.

Introduction

Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the other

West Bengal

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service sectors in India. Tourism in India is the potential game changer. It is a sun rise industry, an employment generator, a significant source of earning foreign exchange for our country. It is an important economic activity that helps local and host communities to earn livelihood. India has tourism products which is unparallel in its beauty/attraction. The uniqueness, rich culture and history have been aggressively pursuing the promotion of tourism both internationally as well as in the domestic market. India's demographic dividend of a younger population compared to developed countries is leading to greater expenditure on leisure services. Tourism and hospitality sector's contribution to capital investment is projected to rise at 6.5 percent annually during 2013-23 which is much higher than the global average of 5 percent.[2]

Under this backdrop, the present study focuses on the following objectives:

i. To understand the nature and importance of tourism and its contribution to socio-economic and regional development.

ii. To understand its present status in India in general, and West Bengal in particular in brief,

iii. To make a SWOT analysis of Agro tourism in West Bengal so that its prospect of development could be identified with various problems associated with it.

Genesis of Agro –Tourism

Mother Nature is an open-door school without having any brick walls. Today urban children's world has become limited in the closed door school, classes, chocolates, soft drinks, spicy fast food, computer and internet, face books, twitter and so on. They have very little scope to see the Mother Nature directly; only to see her on television screen or the like. Agro tourism is a leisure activity in the rural landscape that helps a person to understand and appreciate the land and the people who live on it. It is a novel concept of earning additional revenue by developing farms in to vacation venture with hospitality facilities. [3]It is a form of tourism that capitalizes on rural culture as a tourist attraction. It is similar to ecotourism except that its primary appeal is not the natural landscape, but a culture landscape. If the attraction on offer to tourists contributes to improving the income of the regional population, agro tourism can promote regional development. It also helps to conserve diversity, the natural population itself must have recognized agro-biodiversity as valuable and worthy of protection.

There are a range of other forms of rural tourism which are not necessary a part of agro tourism in the strict sense; that is ethno tourism, project tourism, health tourism, historical tourism, cultural tourism or adventure tourism. The term agro tourism is also synonymous with agri tourism.More precisely it can be defined as "any activity carried out on a form or ranch that allows members of general public, for recreational, entertainment or educational purposes, to view or enjoy rural activities, including farming, wineries, ranching, historical, cultural, harvest-your-own activities or natural activities and attractions."[4]

Perspective of Agro Tourism

Agro tourism is often defined as part of ecotourism for both are related and subject to natural attractions. Both are described as forms with rapid development of tourism. These forms are more marked in developed countries conducting as models of potential development of natural resources and economic support of local society. In before attractions of agro tourism were considered natural sights and plantations but now the concept has been changed that involves bringing together the tourism sector and agricultural sector as a model of regional development. Moreover, rural tourism today is the trend of Europe. The growth of rural tourism is three times higher than the growth recorded in tourism in general.

World Tourism Organization (WTO) estimates an increase of 6 percent per annum in case of rural tourism against the growth of 2 percent in tourism as a whole. Experts opine[5] that the market today has increased tourist interest in activities related to nature and culture. In many countries agro tourism grows quickly when tourists see to gain experience in activities which vary from everyday life and places they have visited before.

Agro Tourism: Tourism towards Sustainability

The urban people have roots in village. They are curious to learn about sources of food, plants, and animals, raw materials like wood, handicrafts, languages, culture, tradition, dress and rural lifestyle. Agro tourism which revolves around farmers, villages and agriculture has the capacity to satisfy the curiosity of this segment of population. The ultimate objective of promoting agro tourism is to increase farmers' income and quality of life of rural society as a whole. It is argued that agro tourism educates people and society about agriculture and thereby contributes to the local economy. It reduces the level of urbanization as people work and earns more from agro tourism activities. It promotes local products and create added value through direct marketing and stimulates economic activities in order to increase benefits in societies where the agro tourism is developed. In fact, promotion and development of agro tourism will provide various opportunities that lead towards sustainable development of destinations as follows: [6]

i. Conservation of plant biodiversity,
ii. Conservation of forest areas,
iii. Bringing economic diversity or reducing the economic disparity,
iv. Relationship building among rural people,
v. Reduces gender biasness,
vi. Upliftment of traditional business,
vii. Improving socio-economic status of the farmers,
viii. Generation of additional income/revenue,
ix. Promotion of regional development,
x. Increase environmental awareness,
xi. Provide visitors with personal experience about nature and culture.

Components/Products of Agro Tourism

Agro tourism is more than just a tourist product as it includes many services that constitute the product.Agro tourism tourists generally travel with family and originate mostly from urban areas. They try to understand the activities of village economy and culture and enjoy the rural environments which are attractions of agro-tourism.

Places of agricultural importance like highest crop yielding farm, highest animal yielding produces, fishing activities, plantation, floriculture and similar other rural activities that lured the tourists. As a result of agro tourism atmosphere in the villages, there is a scope to develop agro shopping, biodiversity park, various models of watershed management, models of soil-water conservation, rain-water harvesting,
nursery management, small poultry unit, pisy-culture, sericulture, piggery, goaterry, bullock cart riding, camel riding, boating, herbal park. It also supports to conserve our local custom and culture like folklore, *kirtan*[7], *palagan*[8], *jatra*,[9] local cuisines and handicrafts. Under this backdrop, we may infer that followings are the components/product-range that constitutes the attractions of agro tourism.

A): Agricultural Educational Programme

i. How to grow cereals, corns, vegetables, flowers and fruits etc,
ii. Cultivation of fish and fishing,
iii. Animal rearing, milking of cow, sheep, goats etc and preparation of cheese, curd, butter etc there from.

B): Special Attraction

i. Bird watching, ii) Picking fruits and vegetables,
iii. Identification and familiarization of some common trees specially among the students,
iv. Demonstration of clay works,
v. Extraction of datejuce and preparation of molasses(Gur) there from,
vi. Preparation of pickles, bari, jam etc.,
vii. Exhibition of local art and culture(kirtan, palagan etc.)
viii. Arrangement of feasts,
ix. Day trips to local areas,
x. Visit to local temple, market etc

C): Other Potential Events

i. Rural games(Kabadi, Kho Khoetc),
ii. Bicycle rides,
iii. Bullock cart ride,
iv) Organization of rural festivals (Gram Puja) etc

Agro Tourism in India

The promotion and development of Agro Tourism in India started a nominal beginning in 2002-03 by way of promotion of Rural Tourism. The ultimate aims and objectives of Rural Tourism were to showcasing art, culture and heritage available in the rural landscape. The project attempted at generating revenue for the rural communities through tourists' visit, thereby reducing exodus from rural to urban areas. In the initial years, emphasis was given to develop physical infrastructural activities and from 2004-05 onwards capacity building exercises were undertaken with some definite plans and programmes. The major challenges for giving adequate thrust to rural tourism are:

i. need to preserve the environment and natural resources;
ii. need for training and education of the local people;
iii. proper understanding for both tourists and the host communities; and
iv. need to generate democratic movement which helps people at all levels to participate in tourism development activities.

Since inception of the scheme, rural tourism projects at 186 villages in 29 states/union territories have been sanctioned by the Ministry of Tourism; 56 of these sites are located in North-Eastern regions. During 11th Five Year Plan (2007-12) a total amount of Rs 55.40 crore was sanctioned. [10]During 12th Five Year Plan (2012-17) the scheme of rural tourism has been replaced with the scheme of rural tourism cluster. The modified scheme aims at developing a cluster of villages as a tourism product.

Present Status in India

Agro tourism is considered the fastest growing sector in the tourism industry. Keeping in view its ever-growing role in attracting urban tourists, Ministry of Tourism Government of India in collaboration with various state governments has started initiative to promote and develop village/agro tourism in our country. It has been successfully implemented in the states like Maharashtra, Kerala, Jharkhand, Gujarat, Himachal Pradesh and others. It has the capacity to create a win- win situation for both the farmers by generating additional source of income.

In Maharashtra, rural areas have formed an organization named Maharashtra State Agri and Rural Tourism (MART). There are about 150 agri-tourism centres in the state now working having any financial assistance of the government scheme. [11] In Kerala, concept of tourist village has been implemented replacing rural tourism. Under the project, an entire village has been cleaned, repaired, restored provided with traditional pathways, street lantern, landscaping etc to offer an idyllic setting. A model village committee involving local elected representatives, opinion leaders from the local population, officials from various departments etc have formed to oversee the projects. [12] In Himachal Pradesh the state government is motivating the rural people to create required facilities.

Brief Demographic Overview of West Bengal

West Bengal is situated on the Eastern part of India stretching from the Himalayas in the North to Bay of Bengal in the South. The State has a total area of 88,752 square kms. The Northern part of the State has a hilly region. The narrow Terai region separates this region from the plains, which in turn transitions into the Gangetic delta towards the South. The Rarh region intervenes between the Ganges delta in the East and Western plateau and high lands. The small coastal region is on the extreme South, while the Sundarbans mangrove forests from geographical area at the Ganges delta. It is the 4th largest State in terms of population having a total population of 9.33 crores and population density of 1029/km ^{2}. The State is 13th in terms of area and some key demographic indicators are given in Table 1.

Table 1: Some Key Demographic Indicators in West Bengal

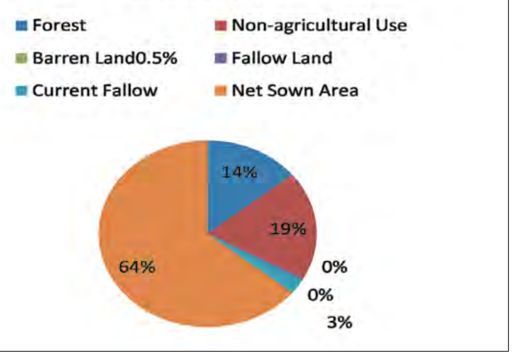
S/N	Indicators	Unit	West Bengal	India
1	Geographical area	Lakh Sq.Km	0.88	32.87
2	Population	Crore	9.33	121.02
3	Density of Population	Population/Sq. Km	1029	382
4	Urban to Total Population	Percentage	31.89	31.16
5	Sex Ratio	Females/1000 Males	947	940
6	Literacy Rate	Percentage	77.08	74.04

Compiled from Census Data, 2011

Position of Agriculture in West Bengal

West Bengal has highly favourable physical environment for the development of agriculture. Labour intensive agricultural practice is a major feature of the economic utilization of manpower. The State ranks first in terms of production of paddy and vegetables; second in potato; seventh in production of fruits and eighth in flower production.[13] The State is the second largest user of land for agriculturepurpose; just after Punjab. The economy of the State even after 67 years of attaining Independence is dependent on agriculture.Only 0.5 % of the available lands are barren in the State. Fig 1 shows the pattern of land use in different activities in West Bengal.

Fig 1: Pie Chart Showing Pattern of Land Use In West Bengal



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One of the modern forms of tourism-offers an alternative to improve quality of life of rural society; generate revenues especially to the framers and village people; contributes to the process preservation of biodiversity, culture and regional development; gender biasness reduced ;already developed in the Western countries; India has immense potential to promote and develop; West Bengal is lagging behind some other States namely, Maharashtra, Himachal Pradesh,, Kerala and others; SWOT analysis demonstrates scope and potential to flourish Agro Tourism in West Bengal-Government support and entrepreneurial activities need to be concentrated.

Prospect of Agro Tourism in West Bengal

West Bengal is marked for its varied tourism properties/ products. It is the only State in India where mountain like the Himalaya, Sea-the Bay of Bengal and the vast greenery of Gangetic delta co-exist. The State has something for everyone to visit namely, mountains, sea, of lush tea garden, calmness of dark green forests,rivers, beaches, variety of flora and fauna, treasures and heritage, rare

mangrove and the mighty Royal Bengal Tigre and of course it's real beauty spread over every villages with local art, culture and others. During the planned era lots of product innovation has been taken place like Beach Tourism, River Tourism, Plantation Tourism, Ecotourism, Health Tourism, and Rural Tourism in the State, and Village Tourism would be considered the latest one which would add feather to the crown of tourism resources in the State. In fact, the villages in the State have some uniqueness that could be presented to the urban travellers if developed in a planned manner with imagination and vision. Under this backdrop we may undertake a SWOT analysis with the object to understand the prospects and problems associated with promoting village tourism in the State of West Bengal.

Strength

i. A striking development of rural economy especially in the infrastructural sector namely air-rail-road connectivity, power supply, modern transports like bus, car and even battery-driven e-rickshaw (Toto), trekkers etc. have connected wellthevillages with the towns and others.

ii. As a result of development of village-based rural economy modern consumer goods like refrigerator, washing machine, AC machine,, TV, geezer, kitchen utensils and other common consumer goods are easily available in the rural area with technicians in case of break down repair giving a boost to promote village tourism for the urban guests,

iii. Most of the villages are now connected with internet

facilities, core banking infrastructure and urban tourists do not face any problem while making contact with theirkiths and kin while staying in the villages.

vi. The safety and security arrangements of the village areas are very good and the availability of medical assistance or similar services are also within the reach of most of the villagers,

v. There is no dearth of investment required to promote tourism/farm house in the villages as it does not require foreign investment.

Weakness

i. One of the biggest challenges in promoting village tourism in West Bengal is the low land holding. The relevant data shows that percentage of land holding above 10 hectors is only 0.18 percent. Percentage of landholding between 4-10 hectors is only 0.82 percent and only 23 percent of the land holdings have land area between 1-4 hectors.[14] This explains that scope of developing big agro-tourism units in the State is very low. Probably due to this reason Kerala is going to promote Village Tourism instead of Agro-Tourism.

ii. Lack of experience/awarenessamong the entrepreneurs.

iii. Lack of publicity.

iv. No provision of training to the interested entrepreneurs either by the Government or by any non-government agency.

v. No legislation is there to promote or monitor the agro-tourism unit.

Opportunities

1. Scope of marketing local attractions like flora and fauna, agricultural activities like plantation of vegetables, seeds, etc; animal rearing activities, collection of milk or milking process, fish and fishing activities, collection of various fruits like dates, mangoes, guava etc in the farm house.

2. Presentation of local artisan works like, clay modeling, mat weaving, wooden works, other cottage and small scale industrial works.

3. Presentation of *Jatras, Palagan, Kabigan, Kirtan, Panchali-path* that would at the same time, contribute a lot in preserving local art and culture.

4. Marketing of local cuisine starting from collection of vegetables, fish, meat and other and their method of cooking.

5. As a part of local sight-seeing village temples, mosques, old heritage buildings, rivers, and streams would be the attractions to the tourists.

6. There is a scope to employ semi-skilled, unskilled, young and old, male or female in different tourism activities in the tourism unit.

7. Being a new business, there is a little or no competition.

Threats

1. Climatic conditions especially during summer and rainy season.

2. Chances of spreading evil effect of tourism in the village area that would create another problem in the society.

3. Being a new business the tusk of establishing agro tourism is a challenging job to the entrepreneurs.

Conclusion

Agro Tourism in India is at infant stage. It is the concept which has been successfully promoted in developed countries especially in Europe and USA. India has immense scope to flourish this business and the State of West Bengal has every possibility to become an agro-tourism hub in the country if promoted and developed in a planned manner. As there has been a growing complexity in earning bread and better especially those living in the rural areas; the prospect of agro tourism throws a light of hope to them in future. MA

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Organic farming in the Sikkim Himalayas

Farming since the dawn of civilization has been dependent on nature. Agricultural practices were based on a symbiotic relation between nature and man. Therefore, it may be concluded that organic farming practices were known to the early men. Organic farming is a kind of production system that is dependent on animal manures, organic wastes, crop rotations, legumes and biological pest control.[1] It avoids the use of synthetic fertilizers to increase the productivity of the crop.

Increasing health awareness among consumers globally has resulted in the shift towards organic farming all across the globe. Reliance on chemical components to increase crop yield, a negative fallout of the industrial revolution, has resulted in serious side effects among consumers of different food products. This has encouraged a shift towards the organic mode of production among the cultivators. In India, before the green revolution, farmers were basically dependent on natural products for agriculture. However, increased use of fertilizers and chemical components, as practiced during the green revolution, created serious side effects in the society resulting in farmers preference for organic farming.

Organic farming in Sikkim

The concept of organic farming is not new to the tiny Himalayan state of Sikkim as its farmers have been practicing this traditional form of farming since the dawn of civilization.[2] The state of Sikkim, nested in the Himalayas, is known for its pristine natural beauty and vast reservoir of flora and fauna. The fragile eco – system of the state makes its land un – suitable for chemical inputs for farming. Therefore, the farmers of the state practice eco – friendly agricultural practices which are not dependent on chemical fertilizers or synthetic components, are less dependent on irrigated water. Organic farming has various benefits for the society in the state. By practicing organic farming through biological resources, the farmers can substantially reduce their cost of doing farming thus making it a profitable venture. The society also benefits from organic farming as the consumers can enjoy food products which are good for their health, there is no adverse side effects on the nature as organic farming is non polluting.

Through dependence on biological and natural ingredients, the productivity of the soil is also enhanced. The total area under certified organic cultivation of the state was 1726.34 hectares and the total organic production was 5174.44 tonnes. [3]

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Area, Production and Productivity of Field Crop in Sikkim during 2013 – 2014

Crop	Area in 000' Hectares	Production in 000' Tonnes	Yield (Kg / Hectare)
CEREALS			
Rice	11.92	21.34	1790.27
Wheat	0.52	0.55	1057.69
Maize	39.97	67.95	1700.03
Millet	2.98	2.96	993.29
Barley	0.59	0.59	1000.00
Buckwheat	3.56	3.38	949.44
Total Cereals	59.54	96.77	1625.29
PULSES			
Urd	3.27	2.91	890.00
Other Pulses	3.10	2.92	941.94
Total Pulses	6.37	5.83	915.22
Total Foodgrain	65.91	102.6	1556.67
OIL SEEDS			
Rape and Mustard	4.38	3.50	799.09
Soyabean	3.86	3.61	935.23
Total Oilseed	8.24	7.11	862.86

Source : Document of Sikkim Organic Mission : Perspective Five Year Plan 2013 – 2018

State support and initiatives

The year 2003 was an important milestone in the history of the Himalayan state of Sikkim. The Chief Minister of the state, Shri Pawan Kumar Chamling officially announced the adoption of Organic Farming and to convert the entire state into organic. An ambitious target was set forth to convert the entire state into organic by 2015. To execute the programmes of Organic Farming, the Sikkim Organic Mission was launched on 15th August, 2010.[4] The important objectives of the Sikkim Organic Mission are as follows [5]-

a. To establish policy regarding organic farming in Sikkim.

b. To prepare and execute a well defined road map for implementing the programmes of Organic Farming.

c. To find avenues for developing and exploring markets for organic products.

d. To facilitate profitable and sustainable development of Organic Farming in the state.

Under the leadership of the Sikkim State Organic Board, more than 8000 hectare land was covered under organic certification in the state till 2009. Moreover, the state has banned the sale of chemical fertilizers and pesticides and the farmers are being provided with bio – fertilizers and certified manufactured organic manure as a substitute for chemical fertilizers.

The Government of Sikkim has adopted multi level policies to ensure that Organic Farming is comprehensively practiced in the state and its benefits reaches to all sections of the society. The salient features of the Organic Farming Policy are[6] –

- ICS Development through service providers.
- Execute Certification through APEDA accredited Certification Agencies.
- Provide encouragement for adopting Organic Farming.
- Generate awareness and training programmes.
- Establish strong linkage with markets
- Branding for state Organic Products.

The state government has adopted the following policies in the matter of certification, which is a very important aspect in organic farming[7]-

- Only credible and experienced service providers to be engaged.
- Help from local Self Help Groups (SHGs) and experienced NGOs would also be taken.
- The complete steps of ICS development and certification as per the guidelines of NPOP to be followed.
- APEDA accredited certification agencies with proper credentials to be engaged.

Moreover, appropriate marketing initiatives have been taken by the state government to ensure that the organic products are made available to the consumers. The Sikkim government has established "SIKKIM ORGANIC ", an organic retail outlet in Greater Kailash, Delhi. SIMFED, which is an important service provider of the state government is engaged in selling organic vegetables through an organic retail outlet in the state capital. Moreover, farmers Self Help Groups (SHGs) has been given space for selling their organic products in Gangtok, the state capital.

Benefits to farmers and society

One of the significant beneficiaries of organic farming are the farmers. Agriculture is extremely challenging in Sikkim as the small plots of land available for farming have to compete with other kinds of activities like animal grazing, eco tourism, rural tourism, etc. Moreover, the vagaries of nature makes availability of perennial supply of rain water extremely un certain and sometimes there is not enough water for irrigation. Taking into consideration the above circumstances, farmers practicing organic farming have become economically independent and empowered. Moreover, organic farming has helped farmers to diversify their livelihood, enjoy better standard of living and has created strong community bonds[8].

It is certainly not a matter of exaggeration that other members of the Sikkimese society besides farmers have benefitted from organic farming. The consumers are being provided with healthy organic products which will enable them to enjoy good health. Due to the non polluting nature of organic farming, the environment does not have to bear the ill effects of pollution. Therefore, organic farming, which is a tool of green environmental policy of the government of Sikkim has resulted in a vibrant and healthy Sikkim.

Challenges

Undeniably, organic farming has captured the imaginations of all sections of the Sikkimese society. However, it has been noticed that some significant challenges are posing threat to the long term sustainability of the concept.

Previously, the farmers would use chemical pesticides to protect their crops from pests. After the ban on chemical pesticides, the farmers are facing difficulties to protect their crops from pest attacks as no alternatives to pest control has been found. Due to pest attack, the Sikkim Mandarin Oranges have been badly affected resulting in heavy losses to the farmers. Moreover, there is lack of proper marketing facilities to transport the organic products to different parts of the state and beyond. There is also lack of proper marketing channels, the existing cold storage facilities are in adequate and also there is dearth of proper infrastructure facilities[9]. Due to in adequate cold storage facilities, the organic products from the state have to be moved out without the benefits of storage resulting in the damage of perishable products.

There is lack of awareness about Sikkimese Organic

Increasing health awareness among consumers globally has resulted in the shift towards organic farming all across the globe. Reliance on chemical components to increase crop yield, a negative fallout of the industrial revolution, has resulted in serious side effects among consumers of different food products. This has encouraged a shift towards the organic mode of production among the cultivators. In India, before the green revolution, farmers were basically dependent on natural products for agriculture.

Products in the local market. Consumers are not adequately knowledgeable about the organic products and they fail to distinguish between the organic products and the conventional non organic products. Therefore, this lack of consumer awareness has created a problem for the organic products as consumers are not able to identify them. Even though the state government has taken adequate measures to sell the organic vegetables through organic retail outlets and farmers Self Help Groups (SHGs), lack of consumer awareness is definitely proving to be detrimental in the mass popularity of organic products.

Due to problems in marketing, there is no existing market for Sikkimese organic products – locally or regionally. The Sikkimese oranges are sold in outside markets as Darjeeling oranges. Lack of research support on organic farming system and organic certification are some other challenges confronting organic farming in the state.

Prospects and Conclusion

Organic Farming as a concept has tremendous potential in Sikkim. However, the state has a long road to travel before it can fully optimize the benefits from organic farming. There are many areas connected with organic farming that requires attention but the state government primarily should focus on two areas – building proper infrastructure and provision of better marketing facilities.

The condition of infrastructure such as good roads, bridges, storage facilities should be improved so that organic products can be easily transported from one place to another. There is also a need for developing adequate marketing facilities in the form of marketing channels, customer awareness, branding, etc so that a strong market for organic products both locally and outside Sikkim can be created. Moreover, to increase the outreach of the benefits of organic products, more mass awareness through workshops, seminars, conferences and mass participation should be encouraged at all levels in the state. *MA*

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Co-Operative Easy Outlets 'MAKE IN INDIA'

After resuming the duty of governance by new government in 2014 under the leadership of Hon'ble Prime Minister Sh. Narender Modi ji, a great attention to give heavy push to industrial sector has been initiated and consequently, Make in India (MII) agenda is being considered significant effort in this line. The government has injected this new agenda in a different style on September 25, 2014. Under this new regime, the policy makers of India have considerably started to think on many viable efforts in terms of enactment of new laws, change in the existing statutes and removing unnecessary regulations so that people from abroad and also definitely within the country can also easily be encouraged to park their savings in industrial sector of India economy and produce sustainable products and services on the land of India. Moreover, the sustainability of this initiative requires efficient financial spectrum and architecture across the country which greatly depends on investment. Definitely, many efforts are being made by the central govt. for inviting the foreign investment but domestic investment may play good role in this regard especially when we expect sustainable ingredients in our production. Further, institutions especially banking firms may play vital role and meet out the financial needs of industrial and allied production and manufacturing units. For motivating the entrepreneurial ventures and innovations, the arrangement of their financial needs becomes vital. Make in India agenda also inherently comprises and requires the significant contribution of small scale units and agriculture based production outlets for creating and meeting the financial needs of the big production units. In this background, the contribution and role of co-operatives especially co-operative banks becomes essential and indispensable in this regard.

Further, co-operative banks in India are unique as per structure, financial services delivery mechanism and their clientele and they have been diversifying their business (Sh. R. Gandhi, 2015)[1] . As per the recent report of RBI, the results of PACS (Primary Agricultural Credit Societies) and banks for long term structure i.e. State Co-operative Agriculture and Rural Development Banks (SCARDBs) and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs), are still serious concern. This article aims to present that how can Indian co-operative banks contribute in the success of the agenda of Make in India.

Network of Co-operative Banks in India

Though Co-operative banks do not contribute more

[1]*Speech delivered by Shri R. Gandhi, Deputy Governor on 'Future and New Thoughts on Co-operative Banks' at the Silver Jubilee celebrations of National Institute for Rural Banking (NIRB) on June 19, 2015 at Bangaluru*

Banks: for Financing

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than five percent to Indian banking business, co-operative banking in India is different as compared to commercial banks in terms of structure, banking culture and delivery mechanism and their relevance is still indispensable. Co-operative credit institutions in India are categorized into two segments such as urban co-operatives and rural co-operatives. Urban Co-operative Banks (UCBs) are considered as urban co-operative credit institutions and rural co-operative credit institutions have two distinct structures viz. the Short Term Co-operative Credit Structure (STCCS) i.e. three tier structure and Long Term Co-operative Credit Structure (LTCCS) i.e. two tier network. Primary Agricultural Credit Societies (PACS) do function at the village level as ground level outlets and District Central Co-operative Banks (DCCBs) do banking function at district levels and the State Co-operative Banks (StCBs) work at state level i.e. apex level under the STCCS. The institutions of STCCS mostly provide crop and other working capital loans primarily for a short time to farmers and rural artisans. LTCCS comprises State Co-operative Agriculture and Rural Development Banks (SCARDBs) at the state level and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) at grass root level.

Co- operative Banks for Make in India: Relevance and Requirements

The financial status of co-operatives has consistently been a serious concern for their stakeholders. Though the performance of UCBs and StCBs has been at satisfactory level, co-operative banks are much behind as compared to the results of commercial banks. Positively, they are again being tapped in a good way when financial inclusion has come as a national momentum but their profitability is still low and in some cases, they run on losses. Now, it is important to underline what they can hope from Make in India momentum and how they can contribute for this agenda. Service sector of Indian economy is relatively performing and contributing nicely while contribution of agriculture and allied activities in GDP is regularly going down. In this particular changing economic environment and frequent shifts in international markets, the policymakers at central level in India have again decided to focus on means and ways to foster industrial sector so that outcomes of Indian production can be offered with desired competitiveness at global level. Under the regime of Make in India, producers and manufacturers are heavily being encouraged to manufacture, construct, innovate and syntheses the products and services in Indian territory. Though Make in India agenda covers many sectors, co-operative banks can mainly tap the financial requirements of the enterprises engaged in automobiles, construction, food processing, textiles and garments, tourism and hospitality.

In addition to that, the inputs for large level of production and construction in terms of raw materials and small parts generally come from agricultural and allied activities which are undertaken largely in rural and semi urban areas where the network of co-operative banks and other types of cooperative outlets is very extensive and unique. Consequently, to meet the financial needs of this strata, these banks have always been ahead and provided various banking services in different forms. Now, it is fair to note that in the paradigm of Make in India, the demand of agriculture and allied products will be high and co-operative banks may have enough opportunities to play important role in meeting these requirements of people working in rural and semi-urban areas. Further, they need to create proactively niche market of unbanked people in urban areas also.

They should focus on rural youth who can be promoted as rural entrepreneurs on the basis of agriculture and allied segment. It would be more easy and fruitful because co-operative banks including societies have already connected well with our rural population. Further, these banks including societies and federations should proactively focus on creating niche market of enterprises in semi- urban and urban areas also Additionally, they need to think in advance on pooled financing for entrepreneurs and industrial companies and they may, collectively like three four banks or societies together, offer collective loans to those companies.

Moreover, they may play vital role in making linkages between creative people and successful beneficiaries so that the motivation for innovation, entrepreneurship, and venture units can be extended as our Hon'ble President Sh. Pranab Mukherjee highlighted recently for banks. It may fairly be said that co-operative banks are good agencies to provide and fulfill the financial needs of agriculture based production units and also for industrial units also in a collective mechanism but for this, they need to be proactive and they have to be professional and techno based institutions. Further, by crating niche market, they may improve their financial health at their own. In addition to this, policymakers should also frame such mechanism so that of co-operative banks can be taken and enjoyed primarily by agriculture sector and then industrial sector also.

Conclusion

To meet the investment requirement for make in India mission, both foreign and domestic investment are equally required. In the above discussion, the relevance of domestic investment is tried to be justified and the role of India co-operative banks is mainly discussed. The stakeholders of co-operative sector have recently observed International Day of Co-operatives in July, 2015. For this year, the theme is 'choose cooperatives choose equality'. On 4th of July, 2015, UN General-Secretary Ban Ki moon underlined inequality as fundamental obstacle on the way of development and co-operative business model is now being discussed as viable way. Besides co-operative credit institutions, co-operatives greatly cover agriculture, consumer, housing, fisheries, transport and industrial units. So, for inclusive growth and reduction in the extent of inequality across different areas, co-operative banks are needed to be encouraged. The role of co-operative banks for giving the significant edge to Make in India and financial inclusion can't categorically distinguished. By providing more financial services along with the injection of financial literacy, these banks will simultaneously be discharging their duties regarding Make in India. Co-operative banks of long term rural structure – SCARDBs and PCARDBs need to be absorbed in banks of short term structure because they are not financially viable now and there should be common co-operative banking outlets especially for rural population for meeting their all types of banking needs i.e. short term and long term needs for agriculture and allied activities. The short term co-operative credit structure has fifty percent more accounts than commercial banks and RRBs (Sinha, 2015). Hence, there are good and enough opportunities for co-operative banks under the regime of Make in India also but they need to adopt above mentioned efforts. MA

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Financing Small and Marginal Farmers: Bankers Issues

The share of agriculture in country's GDP progressively declined from 23.4% in the 9th five year plan [1997-02] to 17.60% in 2014-15 but population depending on agriculture as the main source of livelihood declined to 48.9% from 59.9%between 1999-00 and 2011-12.Agricultural growth rate during 2014-15 is estimated to be 0.2% as against country's 7.3% growth rate. Food output is estimated to be 251.12 million tons (MT) significantly less than 257.13 MT and 265.14 MT in 2012-13 and 2013-14 respectively. Though gross cropped area and net sown area increased to 195.25 and 140.80 million hectares (MHa) till 2011-12, area under food grains has remained stagnant, at 120.4 MHaover four-and-a-half decades. Growth rate of food output and yield/hectare declined to 2.11% and 1.70% respectively during 2000-01 to 2013-14 from 2.19% and 2.40% respectively during 1990-91 to 1999-00. Hunger Index for India was 17.8 in 2014 which in a decade declined from 25.5 in 2000.

Against this background, this article analyses the performance of Government–sponsored and Banks programs aimed at financing small and marginal farmers [S&MF]and suggest enabling measures to achieve 8% target of credit to S&MFs within existing 18% credit to agriculture by 2017 prescribed by the RBI.

Predominance of Small & Marginal Farmers

Agricultural Census [2010–11] reveals that out of 138.35 million operational holdings,85% (accounting for 44.6% of the total area) are less than two hectares characterising India's agriculture a small-scale-farming. Average size of small-holding is only 0.61 hectare whereas overall average size of holdings declined from 1.33 ha in 2000–01 to 1.15 in 2010–11.In India most of the farm holdings are small. Farm activities are carried out in these small holdings loans disbursed for benefit of these holdings. This being a major way in farming has its own typical problems as such farm yields are also fragmented due to which profitability and viability of such activity is undermined. Ultimately this affects the repayment capacities of agriculture.

The Table 1 indicates how the size of farm holdings has become smaller over the decades. The actual land holdings are small. In 2002-03 85.9% of the land distribution is in the small and marginal category. The figures in parenthesis indicate how many of the holdings which are operating in the country and belonging to the particular holding category. The share of marginal & small stands at 42.8% in 2002-03.

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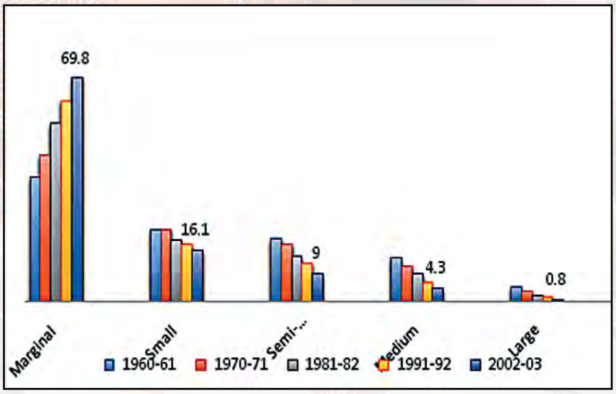
Table 1
The Size-distribution of Operational Land Holdings [% of operated holdings]

Holding category	1960-61 17th Round	1970-71 26th Round	1981-82 37th Round	1991-92 48th Round	2002-03 59th Round
Marginal < 1 hectare	39.1 [6.9]	45.8 [9.2]	56.0 [11.5]	62.8 [15.6]	69.8 [22.2]
Small 1- 2 hectares	22.6 [12.3]	22.4 [14.8]	19.3 [16.5]	17.8 [18.7]	16.1 [20.6]
Semi-medium 2-4 hectares	19.8 [20.7]	17.7 [22.6]	14.2 [23.6]	12.0 [24.1]	9.0 [22.4]
Medium 4-10 hectares	14.0 [31.2]	11.1 [30.5]	8.6 [30.1]	6.1 [26.4]	4.3 [22.7]
Large > 10 hectares	4.5 [29.0]	3.1 [23.0]	1.9 [18.2]	1.3 [15.2]	0.8 [12.1]
All categories	100 [100]	100 [100]	100 [100]	100 [100]	100 [100]

Figures in parentheses indicate % share of operated holdings

Operational Land Holdings



Historical background of Credit policy & programs

- Government appointed All-India Rural Credit Survey Committee which made far reaching recommendations in 1954 to strengthen agricultural cooperatives and expand the role of the State Bank & its Associate Banks to finance agriculture. Government policy in early 1950s till mid-1960s was to increase food output in order to avoid substantial import of food. In this process, Government developed seed-fertilizer-irrigation technology and did usher in Green Revolution. Of course this increased food output but did not benefit S&MFs. Government, therefore, started as pilot projects by establishing two development agencies, viz. **Small Farmers' Development Agency**[SFDA] and **Marginal Farmers & Agricultural Laborers' Development Agency** [MFALDA] in late 1960s aimed at improving their farm productivity substantially when technology was already available and 14 private commercial banks were nationalized with a mandate to provide credit to agriculture on priority basis in 1969.
- Government, also, directed nationalized banks to finance Primary Agricultural Credit Societies in rural areas where cooperative credit institutions [which were financing agriculture assigning priority to S&MFs] were financially, managerially and administratively weak.
- In 1973-74, Government initiated to establish Farmers' Service Societies [FSS] for S&MFs in SFDA

areas to facilitate and provide linkage between credit and services for production inputs and for investment in land development, sinking irrigation wells, installation of diesel/electric pump-sets, purchase of modern farm equipment and marketing of produce.

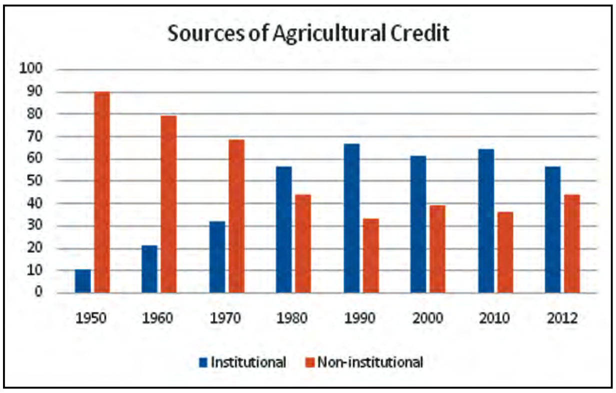
- On 2nd October 1975 the Government by an Act of Parliament established the Regional Rural Banks [in addition to existing cooperatives and commercial banks] to S&MFs, among other rural households, to improve agriculture and rural economy and since mid-2000s RRBs have been amalgamated as a part of reform process.

Credit Dispensation

Credit is a*sine qua non* to augment working capital required for seasonal agricultural operations and more importantly for investment on farms.Institutional credit, to replace informal credit obtained by S&MFs at exorbitant rates of interest, progressively improved its share in outstanding credit of cultivator households from 10.2% in 1950 to 66.3%in 1990 but declined to 56.0%in 2012, mainly because of increase in the share of professional moneylenders from 19.6% to 28.2%. This is seen in Table 2 below.

Table 2
Percentage Share of Institutional and Non-institutional Sources of Agricultural Credit

Year	Institutional	Non-institutional	Year	Institutional	Non-institutional
1950	10.2	89.8	1990	66.3	33.2
1960	20.9	79.1	2000	61.1	38.9
1970	32.0	68.0	2010	64.0	36.0
1980	56.2	43.8	2012	56.0	44.0

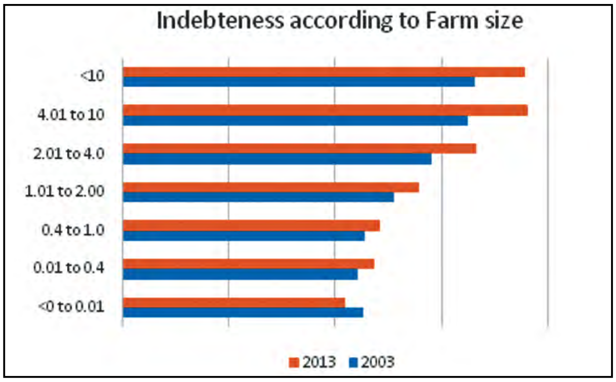


Field researchesreveal that inability of S&MFs to access hassle-free institutional credit has benefitted farmers with larger holdings from the credit expansion policy and programs.

This is evident from the following Table 3.

Table 3
Percentage of Agricultural Households Indebted According to Farm Size

Farm Size [hectare]	2003	2013	Farm Size[hectare]	2003	2013
<0 to 0.01	45.3	41.9	2.01 to 4.0	58.2	66.5
0.01 to 0.4	44.3	47.3	4.01 to 10	65.1	76.3
0.4 to 1.0	45.6	48.3	<10	66.4	75.7
1.01 to 2.00	51.0	55.7			



In 2011, out of the 74.97 million S&MFonly about 46.3% [34.70million] S&MFs had access to credit, either from formal or informalsources. Banks, as major sourcesof loan for all farmer-households, accounted for 36% outstanding loan amount.During 2007-11, public sector banks increased their share of S&MF credit in Adjusted Net Bank Credit (ANBC) from 4.57% to 6.32% as compared with 0.64% to 2.82% by private banks.In aggregate,banks' share increased from 3.77% to 5.71%.Despite S&MF credit increasing over the years, the number of S&MF financed had not proportionately increased. As of March 2011, the total numbers of S&MF loan accounts with SCBs were approximately 23 million. Considering that a farmer, on an average, may have more than one account with bank(s), only around 15% to 20% of S&MF households were availing loans from SCBs.

In Table 4 the amounts outstanding from the agriculturesector and their share in ANBC is indicated. Over the years it has been increasing, from 3.77 in 2007 to 5.71 in 2011.

Table 4

Outstanding Agricultural Credit [in Rs. Crore]to S&MFs Their percentage share in ANBC

Year	Public Sector Banks	Private Banks	Total
2007	60,273 [4.57]	2,140 [0.64]	62,413 [3.77]
2008	75,381 [5.75]	5,560 [1.62]	83,940 [4.92]
2009	103,875[6.13]	8,556[2.10]	112,431[5.35]
2010	130,830[6.31]	13,343[2.85]	144,174[5.67]
2011	157,698[6.32]	15,029[2.82]	172,727[5.71]

Figures in parentheses indicate percentage share of S&MF in ANBC

As seen in Table 5, as on 31st March 2011,21 PSBs and 15 private banks had outstanding credit to S&MF ranging from zero to 9% and 22 (i.e. 84.61%)PSBs and 9 (i.e. 45%) private banks had 4% or more of share of S&MF credit in ANBC respectively.

Table 5

Range-wise coverage of S&MFs as % to ANBC by Banks, 31-03-2011

Range	PSBs	Private Banks	Range	PSBs	Private Banks
<4.0%	04	11	7to9%	06	02
4 to 7%	11	02	<9%	05	05

As shown in Table 6:

Between 2009-10 and 2013-14 total numbers of borrowal accounts financed increased by 65.80% from 48.23 million to 79.968 million of which share of S&MFsin the total increased from 59% to 63% respectively.

During the same period, credit disbursed shot up by 85.07% from Rs.3845.1 billion to Rs.7116,2 billion.

Share of S&MFs at 63% is significantly less than their share in thetotal number of operational holdings(85%) (Table 3), whereas the share of S&MF credit [45%] in the totalcredit disbursed matches with their share in the total areaoperated (44.6%) in the country (according to 2010-11 agricultural census).

RRBs have performed better in financing S&MFs followed by Cooperatives than commercial banks.

Table 6

No. of A/Cs financed and Amount of Credit disbursed with share of S&/MFs

Banks	% share of A/Cs financed		% Share in credit disbursed	
	2009-10	2013-14	2009-10	2013-14
Commercial	42.57% [52%]	47.40% [62%]	74.33% [24%]	71.53% [40%]
Cooperatives	42.28% [63%]	40.18% [64%]	16.51% [46%]	16.86% [58%]
RRBs	15.15% [68%]	12.41% [67%]	09.16% [60%]	11.61% [62%]
Total	48.23 million [59%]	79.968 million [63%]	3845.1billion [31%]	7116.2billion [45%]

Figures in parenthesis indicate % share of S&MFs in total by respective banks

Credit flows easily only when the lender is assured that the depositors' money lent will be repaid with interest on time. This requires putting in place effective default prevention mechanism.

Since decade, NPA status in agriculture, percentage of NPAs to total agricultural loan outstanding and overdue percentage to demand has been growing at faster rate, For State Cooperative Agricultural & Rural Development Banks [SCARDB]&Primary Cooperative Agricultural & Rural Development Banks [PCARDB],these incidences have been very high as compared with State cooperative banks [SCB]& District Central Cooperative Banks [DCCB]. Scheduled Commercial Banks [SCB]had lower NPA percentage than RRBs whereas recovery performance of RRBs was better than SCBs. This is perhaps a single most factor responsible for banks to be most cautious, alert and hesitant to lend to agriculture. This is shown in Tables 7, 8, 9 and 10.

Table 7

Recovery of Direct Agricultural Credit by SCBs and its Percentage [Rs. Billion]

Year	Demand	Collection	Year	Demand	Collection
2012	1917.7	1428.9[74.5]	2014	2814.9	2066.0[73.4]
2013	2596.2	1975.7[76.1]			

Figures in parentheses indicate percentage of collection to demand

Table 8

Gross NPA in Agriculture and Percentage in total outstanding Agricultural credit of Scheduled Commercial Banks[Rs.Billion]

Year	NPA	O/S AC	%	Year	NPA	O/S AC	%
2008	97	3081	3.2	2012	248	5802	4.3
2009	72	3744	1.9	2013	302	6428	4.7

Year	NPA	O/S AC	%	Year	NPA	O/S AC	%
2010	104	4636	2.2	2014	340	7698	4.4
2011	167	5072	3.3	2015	391	8295	4.7

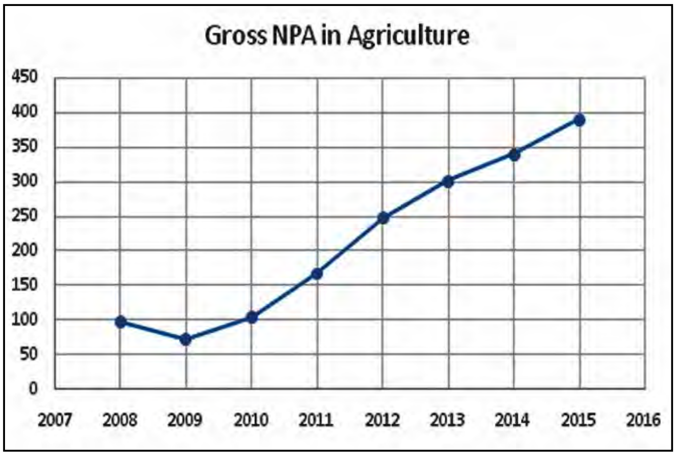


Table 9
NPA Status &Recovery Performance of Cooperatives

Cooperatives	NPA [Rs.Crore]		NPA as % to Loan O/S		Recovery %	
	2012-13	2013-14	2012-12	2013-14	2012-13	2013-14
St.CBs	5664.72	5710.62	6.16	5.54	94.62	82.08
DCCBs	18152	18835	9.83	9.29	79.33	74.92
SCARDBs	6747.59	7255.81	36.00	35.57	32.26	33.25
PCARDBs	4824.86	4809.02	37.30	42.68	42,68	43.92

Table 10
NPA Status & Recovery Performance of RRBs

NPA% to O/S	2014	2015	Recovery %	2014	2015
	6.09	5.72		81.9	79.47

The discussion above denotes various aspects of credit and the behaviour of credit to S&MFs in the past decades. The researcher has also highlighted how it is essential that S&MFs are given their due in the credit system so that they are able to earn as well as contribute significantly to the GDP of the country. UN has recognized this group of farmers as a major way of achieving Sustainable Development Goals (SDG).

Recommendations

Risksthat have to be covered in agriculture

Agriculture in India has been exposed to specific types of risks which adversely affect S&MFs income, livelihood and financial sustainability of small-scale farming. Thefrequency and severity of these risks have increased overthe past several years.

S&MFs are unable to manage or mitigate following types of risks in particularsince they lack in technical & managerial skills and financial support. Inadequate public investment in agriculture and low priority in creating enabling environment to mitigate the adverse impact of these risks have been the important factors discouraging banks to lend to agriculture.

1. Climate Risks*:* Climate [temperature, humidity, rainfall, sunshine, wind etc.] during critical phases, namely crop planting, its growth period, flowering & harvesting significantly influences crop productivity & quality of farm products. Sometimes, abrupt & unforeseen climatic changes result into outbreak of pests & diseases, leave alone drought, floods, cyclones etc.causing unbearable crop loss. While south-west monsoon accounts for 80% and north-east 20% of rainfall there is a large variability in the monsoon rainfall on both space and time scales. Only 63 million hectares [45%] of net cropped area is irrigated.Consequently, some parts of the country experience drought or flood almost every year. Since post-independence, country experienced 15 large-scale droughts in 1951, 1965,1966, 1972,1974, 1979, 1982, 1986, 1987,1988, 1999,2000,2002,2009 and 2012.. About 49.8 million hectares [15.2% of geographical area] is flood-prone and 10 to 12 million hectares are actually flooded each year.

2. Production/Producer Capacity Risks: As S&MFs have limited capacity to innovate, share knowledge among resourceful farmers and their access to institutions engaged in researching & disseminating proven & demonstrated production technology [including better methods of crop harvesting] as well as easy access to inputs of crop production [seeds, fertilizers, pesticides, water of standard quality & reasonably priced] & farm equipment their farm output is less in terms of quantity & quality.

3. Market Risks: S&MFs often face problems during post-harvest stage in terms of processing, packaging, transport, handling, storage & marketing. Since these facilities & services are not available on time & at reasonable rates at one place they have to move from pillar to post and ultimately sell the produce at a very low price. In most cases their return on the investment & other resources is quite low making crop farming an unviable proposition. Market risk is such an unpredictable that sometimes a farmer receives good crop yields only to face a drop in price at the time of sale due to excess supply in the market. For marketing, S&MFs have to deal with multiple layers of middlemen. For example, farmers sell in villages 85% of wheat and 75% of oil seeds in Uttar Pradesh, 70% of oil seeds and 35% of cotton in Punjab, and 90% of jute in West Bengal. These middlemen take away about 47% of the price of rice, 52% of groundnut and 60% of potatoes. On an average, Indian farmers realize only 20% to 25% of the value paid for by consumers.

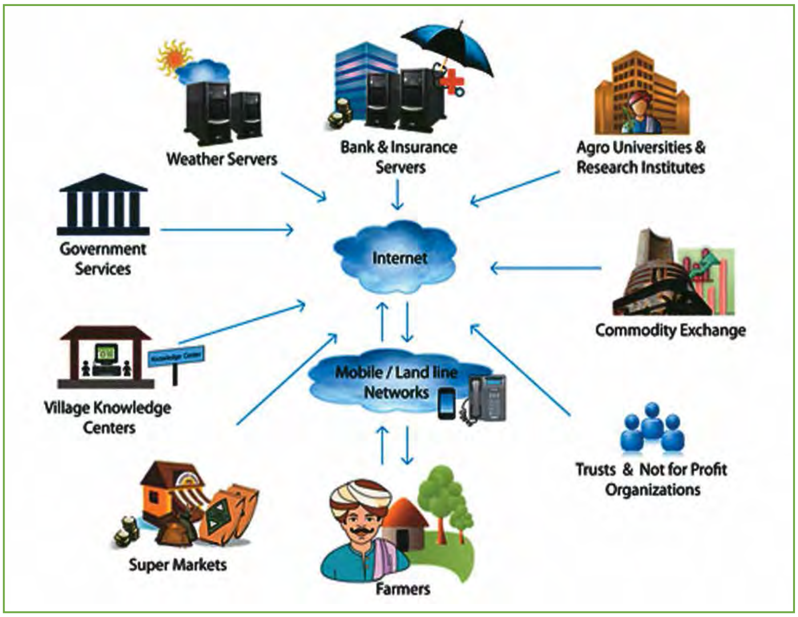
4. Credit Risk: Financing potential S&MFs necessitates careful appraisal of the profile of S&MF, his/her business profile & business cycle and cash flows of households in order to properly estimate the repayment capacity &their willingness to repay the credit with interest on time. Since many S&MFs do not keep proper business & financial records, this calls for developing a method to collect reliable critical data & information through various means, which is time consuming & expensive for banks. Besides, bank-staff are not that much equipped to understandother types of risks that S&MFs face in specific agro-ecological region of India.

Risk management should not concentrate on any one risk factor or any one solution. Diversification is nearly always a good strategy to reduce risk, and that also holds for reducing the risk of policy failure. A broad approach is needed that recognises how different sources of risk, different strategies and different actors, public and private interact. Governments must recognise the interconnectedness of agricultural risks and focus on a holistic approach to risk management in agriculture. Government payments, as well as production and price-linked policies, affect farmers' risk exposure, but they also change farmers' risk management behaviour.

One of the biggest problems in designing risk management instruments, whether by the private sector or the government, is what economists call information asymmetry. Put simply, farmers have good information about the circumstances of their business and are very well placed to assess risk – but the private sector and governments do not have access to the same level of information. There are incentives for farmers to disclose this information in ways favourable for their tax bill, payments or insurance indemnities.

Risk management is and will be a key driver of policy in agriculture. Climate change is likely to increase the probability of extreme events. Catastrophic risks affecting agriculture will continue to require government action to ensure quick recovery. This is particularly the case for risks and risk management strategies involving externalities like pest and disease risks.

The challenge ahead is separating this legitimate policy objective of assistance to disasters from the management of "normal risks" and the provision of general income support to agriculture.



Annexure

Computation of Adjusted Net Bank Credit (ANBC)

Bank Credit in India (As prescribed in item No.VI of Form 'A' (Special Return as on March 31st) under Section 42 (2) of the RBI Act, 1934.	I
Bills Rediscounted with RBI and other approved Financial Institutions	II
Net Bank Credit (NBC)*	III(I-II)
Investments in Non-SLR categories under HTM category + other investments eligible to be treated as priority sector.	IV
ANBC	III+IV

** For the purpose of priority sector only. Banks should not deduct / net any amount like provisions, accrued interest, etc. from NBC.*

For the purpose of priority sector lending, ANBC denotes the outstanding Bank Credit in India [(As prescribed in item No.VI of Form 'A' (Special Return as on March 31st) under Section 42 (2) of the RBI Act, 1934]**minus** bills rediscounted with RBI and other approved Financial Institutions **plus** permitted non Statutory liquidity ratio (SLR) investments in Held to Maturity (HTM) category **plus** investments in other categories, which are eligible to be treated as part of priority sector lending (eg. investments in securitised assets). MA

Source: https://www.rbi.org.in/scripts/NotificationUser.aspx

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IP Tax Planning For Value Creation

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Our world today is one that has embraced intellectual property (IP) as a strategic asset which can help companies gain sustainable competitive advantage. Many countries understand this, and recognize that the creation and management of IP can help to foster economic growth and create high value added job opportunities. They have accordingly introduced policies and measures which create a conducive fiscal environment, the objective being to attract and anchor innovation and IP management activities in their respective jurisdictions.

Against this backdrop, companies must carefully consider how to restructure their IP holdings and leverage on opportunities to achieve better overall tax efficiency.

Operational Restructuring Provides an Opportunity for Tax Efficient IP Structuring

With increased globalisation, companies enjoy reduced production and delivery costs – this theoretically should lead to increased profits and margins. Balanced against this however, is an increase in global competition and the escalating cost of research and development (R&D), which typically put downward pressure on margins and reduce profitability. To remain competitive, companies therefore need to focus on increasing margins through innovation, improved quality, operational efficiency, effective risk management, etc.

In response to these factors, companies have actively streamlined and re-aligned their operational structures and business models, by managing central functions and risks on a regional or global basis and revising their geographic footprints. When a company expands its business presence beyond its home territory, this presents a strategic opportunity to own its IP rights in a more tax efficient location.

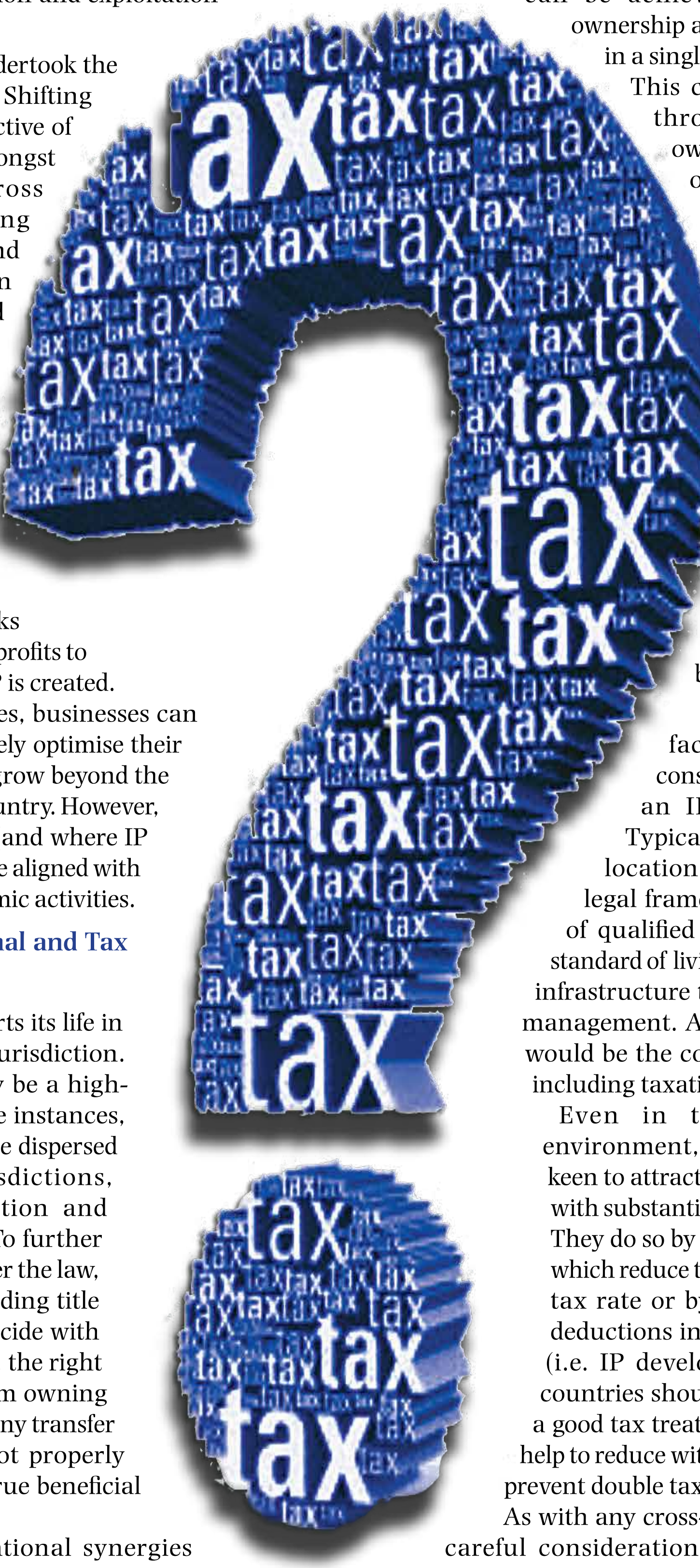
IP Management in the Current Fiscal Environment

Tax planning related to IP is often favoured because of the portable nature of IP and the value that can be attributed to it. Effective tax planning for IP can therefore help to substantially reduce a company's effective tax rate and significantly enhance shareholders' value. This may, for example, involve shifting the ownership of IP rights to a more favourable tax jurisdiction.

Such decisions and actions need to be driven by commercial considerations and backed by adequate substance. As such, it has become crucial for businesses to pay greater attention to their IP management activities across the various stages of the IP life cycle, starting from creation to protection and exploitation of IP rights.

The OECD recently undertook the Base Erosion and Profit Shifting (BEPS) Project, the objective of which is to counter, amongst other things, all cross border IP tax planning that lacks substance and results in non-taxation of corporate profits and distortions in the global economy. The initiative specifically pushes for additional substance and transparency rules to be imposed on companies benefiting from any preferential regimes (including IP tax regimes); it also seeks to link the taxation of IP profits to the country where the IP is created.

Despite these initiatives, businesses can – and should – legitimately optimise their IP tax planning as they grow beyond the borders of their home country. However, the IP holding location (and where IP profits are booked) must be aligned with management and economic activities.



Planning for Operational and Tax Efficiency

A piece of IP often starts its life in the parent company's jurisdiction. Unfortunately, this may be a high-tax jurisdiction. In some instances, IP ownership may also be dispersed across different jurisdictions, depending on acquisition and development patterns. To further complicate matters, under the law, legal ownership (i.e. holding title to that IP) may not coincide with beneficial ownership (i.e. the right to enjoy the benefits from owning that IP), and inter-company transfer pricing policies may not properly reflect and reward the true beneficial owner of key IP rights.

In such cases, operational synergies can be achieved by centralising ownership and management of IP in a single tax efficient location. This can be accomplished through transfer of IP ownership, cost-sharing of IP development costs, licensing arrangements (i.e. licensing of IP among affiliated companies), or by revising transaction flows to coincide with the beneficial ownership of IP. This may involve relocation of people, plant and equipment, or realignment of IP ownership and business risks.

Various commercial factors should also be considered when selecting an IP holding location. Typically, a good IP holding location must have a robust legal framework, available pool of qualified human capital, good standard of living and well established infrastructure to support effective IP management. Another consideration would be the cost of doing business, including taxation.

Even in the current fiscal environment, many countries are keen to attract IP holding companies with substantive business operations. They do so by offering tax incentives which reduce the applicable corporate tax rate or by allowing super tax deductions in respect of R&D costs (i.e. IP development costs). Such countries should also offer access to a good tax treaty network, which will help to reduce withholding tax costs and prevent double taxation.

As with any cross-border restructuring, careful consideration should be given to ascertaining and documenting the arm's length transfer price of the resulting related

party transactions – substantiating the value of the IP in the case of a sale, the basis of royalty charges in the case of a licence arrangement, etc.

Other Considerations

It is crucial for companies to consider the following additional issues carefully as they embark on building a robust IP tax strategy throughout the IP life cycle:

- Tax planning for IP rights is most effective when addressed early on in the IP life cycle; the value of IP rights can increase rapidly, making it more difficult to migrate them at a later stage in a tax efficient manner.
- When a mature and valuable IP is transferred, the higher exit taxes involved could be a hurdle for IP migration. There could also be commercial considerations for such migration. For example, migrating the IP rights of a high-profile brand and company may draw negative publicity and attention from non-government organisations, media, public, and various authorities.
- This cannot be a one-off exercise. IP rights are volatile by nature and their value needs to be monitored throughout their life cycle as this will influence the effectiveness of tax planning; in this respect, evolvement from one kind of protection to another over time should therefore be taken into account.
- For example, when a product's patent expires and the product becomes generic, the product's brand could become more valuable than the initial patent. The focus of the company may then shift to advertising and promoting the brand and less on R&D. Correspondingly, the emphasis of its IP tax strategy would be more on maximising tax benefits for advertising and promotion activities.

> ***With increased globalisation, companies enjoy reduced production and delivery costs – this theoretically should lead to increased profits and margins. Balanced against this however, is an increase in global competition and the escalating cost of research and development (R&D), which typically put downward pressure on margins and reduce profitability. To remain competitive, companies therefore need to focus on increasing margins through innovation, improved quality, operational efficiency, effective risk management, etc.***

Conclusion

Companies are actively reviewing their operational structures and business models in response to an ever evolving and challenging business environment. Operational restructuring, in particular, presents a unique opportunity for companies to implement IP management structures and to introduce efficient tax strategies. However, in today's regulatory environment, one needs to ensure that all tax strategies are sustainable and based on commercial considerations; otherwise, it will be difficult to withstand international tax scrutiny MA

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Service Tax : Areas of Concern

As a general rule, for implementation of any 'law', a relevant 'Act' on that subject is being enacted. For example, for implementation of 'Company' related laws, Companies Act, 1956 (Now Company Act, 2013) has been enacted. Income Tax Act, 1961 has been enacted for compliance of income tax related issues. Rules, by-laws, notifications etc may be called as the 'sub-set' of the relevant Act. But there is no such Act for 'Service Tax'. It is governed by the 'Finance Act, 1994'. Service tax was introduced for the first time in the year 1994 through insertion of Chapter V of Finance Act, 1994. Initially, the concept was of 'positive lists' of services. Service tax will be applicable on the 'listed services'. To start with three services in 1994, it expands to 117 services at the end of 2011-12. From July, 2012, total dimension of service tax has been changed. Form 'positive lists' concept of service tax, a new concept of 'negative lists' of services has been introduced. It means, now all services are taxable except those are in negative lists or specifically exempted. Quantum of service tax collected plays a very vital role in total 'Revenue' of Government. Service Tax is administered by 'Central Government' and 'State Government' has no role to play. This is the only area where **'arrest'** provisions have been incorporated in the Act.

Taxable services: A general discussion

Section 66B of Finance Act is the charging Section. It states that there shall be levied a tax at a specified rate (notified time to time) on

a. Value of all services,

b. Services must not fall in the 'negative' lists of service.

c. Service has been provided or agreed to be provided for consideration by one person to another.

d. Service has been provided in taxable territory.

'Taxable Service' has been defined in Section

65B (51) of the Act as '*any service on which service tax in leviable under section 66B of the Act*'

For the First time, 'service' has been defined in section 65B(44) as follows:

"*Service means any **ACTIVITY** carried out by a person for another for **CONSIDERATION**, and includes a **DECLARED SERVICE**, but shall not include;*

(a) An activity which constitutes merely,(i). A transfer of title in goods or immovable property, by way of sale, gift or in any other manner; or (ii). A transaction in money or actionable claim.

(b) A provision of service by an employee to the employer in the course of or in relation to his employment.

(c) Fees taken in any court or tribunal established under any law for the time being in force."

Various Rules like, "Service Tax Rule,1994", "Point of Taxation Rules,2011" , "Service Tax (Determination of Value) Rules, 2006", "Place of provisions of service Rules, 2012", "CENVAT Credit Rules, 2004" etc have been framed to administer the 'Service Tax'. Time to time various Notifications on specific matters are issued to clarify or to implement the subject matter.

So apparently it seems that 'Service Tax' is very simple to administer by the Government and easy to comply with by the provider of taxable service. But due to difference in interpretation of languages used in the Act, Rule or notifications, lots of controversies arise. Government does not want to loose their revenue and at the same time the assessees do not want to discharge excess liability or to avail less CENVAT credit. These leads to a lot of litigations between Departments and assesses,

In this article, we are going to discuss 'Four' grey areas where there are lots of litigations or chances of litigations are there. These are really the area of concern for both Department and assesses.

Areas of Concern :

Service Tax on TDS (Withholding Tax) on payment to Foreign Vendor.

Introduction: Due to the economic liberalization, business activities are no longer confined to a boundary of a single Country. Cross border activities; both supply and service are very common now a day. EXIM policy of Government of India has made it easy to import and export of goods and service into and outside India. Now a day many organizations take the service of foreign technical experts for installation, commissioning activities etc. Payment for this 'import of service' needs to be made in foreign currencies as per agreed term and conditions. 'Service Tax' on the value of service needs to be discharged by recipient of service under 'Reverse Charge'. While discharging the payment on services received from the foreign parties, TDS (withholding Tax) needs to be deducted and deposited with the Government of India as per the provisions of the Income Tax Act, 1961. Now, question arises whether service tax needs to be discharged on gross value payable (i.e including amount of with holding tax) or on net amount payable (i.e excluding amount of with holding tax)?

Issues: Service Tax is computed on the 'Value' of taxable service rendered. Actually what constitute the value of service is of great debate due to the difference in agreement clause with regards to; Withholding Tax'.

Normally there can be two types of contracts (agreement) on which there are confusions on WHT applicability.

(a) In one type of contract it may be provided that contract value includes the applicable TDS on the date of payment and payment to the vendor will be made after deduction of TDS as applicable. For example, X company of India(receiver of service) enter in to an agreement with Y company (provider of service) of USA for 'technical consultancy' for a value of \$ 1,00,000/- for installation of a plant in India. Terms of agreement specifically provides that payment will be made after deducting applicable TDS. Y Company raises its first invoice for \$ 10000 on 14.10.2015. Payment has been processed on 25.10.2015 and on this date Withholding Tax rate is say 10%. So, X Company will remit to Y company \$ 9000 and \$ 1000 will be deposited with Government.

(b) In another contract it may be provided that Withholding Tax will have to be borne extra by the recipient of service. In that case, in the above example, \$ 10000 will be paid to the Y company of USA and additional \$1000 will be deposited by X company with the Government out of his own pocket. Virtually Total cost of service becomes \$ (10000 + 1000) = \$ 11000.

Now the question arise, how much will be considered for 'Value of service' for discharging the Service Tax Liability under Reverse Charge. Whether it will be \$ 9000, \$ 10000 or \$ 11000

Legal Position : Whether to include or exclude the TDS from the value of Taxable services has been a subject matter of big debate resulting a different interpretation and conflicting judicial decision.

Section 67 of the Finance Act provides as follows

"***SECTION 67. Valuation of taxable services for***

charging service tax. —

(1) Subject to the provisions of this Chapter, where service tax is chargeable on any taxable service with reference to its value, then such value shall, —

(i) in a case where the provision of service is for a consideration in money, be the gross amount ***charged by the service provider*** *for such service provided or to be provided by him;"*

From the above provisions, the following significant interpretation can be drawn

a. The amount should be charged by the service provider himself and

b. The amount should be charged for the service provided or to be provided.

The amount which is charged by any other entity (whether statutory or other) shall not be a part of gross amount charged by the service provider unless specifically stated in legal provisions. In Case of TDS also the charge is not created by the Service provider but by the statutory authority and shall not be includable in the valuation of taxable service unless explicitly stated in legal provisions.

The above interpretation has been accepted by the appellate authorities in the following cases:

2012 (28) S.T.R. 545 (Commissioner. Appeal.) SUNDARAM AUTO COMPONENTS LTD

Valuation - Tax deducted at source - Consulting Engineer's service - Receiver of technical consultancy service from foreign service provider - Payment of Service Tax on value of service charges paid after deduction of TDS - *HELD :* Foreign company to receive fixed net amount payable in four installments and any tax liability to be borne by assesses - Consideration received by service provider independent of TDS amount - Also, not a case where TDS deducted from gross amount charged and tax paid on net amount - Therefore, TDS value not to be included in taxable value - Sections 67 and 66A of Finance Act, 1994. *[para 5.3]*

2012 (25) S.T.R. 454 (Tri. - Chennai) HINDUSTAN OIL EXPLORATION CO. LTD.

Stay/Dispensation of pre-deposit - Valuation - Income tax paid by recipient of services from company/persons not having offices in India - Prima facie, though there is no specific provision in Finance Act, 1994 to exclude it, gross amount charged for services cannot include income tax deducted at source.

Opinion: Let us start with an example:- Lets say a Indian Service recipient (Party X) enters into contract with foreign service provider (Party Y) for Import of Consultancy service. The terms state the contract value to $1000 and TDS of $140 is to be borne by Party A. Now in Order to Value the imported service lets apply the above rules.

As per Rule 7(1) of Service Tax Ruel,1994, the ***actual consideration charged for the services*** *provided or to be provided is $1000 and Rule 7(2) total consideration paid by the recipient is also $1000. Since there are no deeming fictions and explicit statement adding TDS to the amount shall not be apt.*

Specific Provisions for 'Grossing up of Income' is provided in Income Tax Act. As per Sec195A of Income Tax Act, where under any arrangement/agreement, the tax chargeable on any income is borne by the payer of income, then, for the purpose of deduction of tax at source, such income shall be increased to such an amount as would after deduction of tax thereon, be equal to the net amount payable under agreement. It is doubtful whether this can be automatically extended to Service Tax in the absence of specific Provisions permitting such 'Grossing up' under Service Tax Provisions.

But, If the Indian residence who bear the withholding tax incidence under the contract with non-resident, issue the 'Tax Credit' Certificate to such Non resident and the Non resident use this certificate for availing tax credit in his home country, then tax authorities **may seek** to include such with-holding tax in the "gross value of Service".

If the contract with the non-resident service provider is to make remittance of a specific amount and withholding tax is to be borne by the Indian party under the contract, In such case the recipient can decide not to include withholding tax in the "gross value of service" for the purpose of Service tax. So, if the fixed amount of $ 9000 is to be paid to Y Company as per contract and no Tax Credit certificate is issued, It will be $9000. Otherwise it will be $10000 as per provision of Section 67. But in no circumstance it will be $11000. Provision for 'Grossing up of income' is not specifically provided in Service Tax. In my opinion, even in 1st case also, ST liability should be discharged on $10000 as the gross amount 'charged by the service provider' is $ 10000. It will avoid all possible litigations. On discharging the ST liability CENVAT credit can be availed on the basis of Challan.

2. Rule 6(3) of CENVAT credit Rule: Treatment of common 'input services' used for both Taxable and exempted services.

Introduction : To avoid cascading effect, credit (off set) of taxes and duties paid on input/input services are allowed while paying the tax/duties on output / out put services. For example, One organization, during a particular period, has availed input service of Rs 1,00,000 on which it pays tax @ 14.5% i.e Rs 14,500.

The organization utilizes this input services for providing out put services value of which is Rs 2,00,000. It needs to discharge the Out put liability @ 14.5% i.e. Rs 29,000. While discharging this output liability, it can utilize the tax paid on input service and pay the balance amount. It means, it needs to discharge Rs 14,500 (Rs 29,000-14,500) as output Tax.

But in practice the things may not be as simple as explained above. The complication arises due to the following reasons.

A. Entire output services may not be taxable. It means Rs 2,00,000 may consist of both Taxable and Exempted service.

B. Some on the input service may not be eligible for availment of Credit of Tax. .i.e. some input service may be specifically excluded from taking input credit.

C. Some input services may be used for providing both taxable and exempted output service (common input/ input services) and no separate accounts have been maintained to identify how much is used for exempted and/or taxable services.

As per Rule 3(1) of Cenvat Credit Rules, provider of output services shall be allowed to take Cenvat Credit of specified duties and taxes. Thus, only a person providing taxable output service will be eligible to take Cenvat Credit.

Cenvat Credit is not available if inputs or input services are used for manufacture of exempted goods or provisions of exempted output services.

As per Rule 6(1) Cenvat Credit Rule, Cenvat credit shall not be allowed on such quantity of input used in or in relation to the manufacture of exempted goods or for provisions of exempted services or input service used in or in relation to manufacture of exempted goods and their clearance upto the place of removal or provisions of exempted services except in circumstance mentioned in rule6(2).

So from the above discussion it is clear that.

a. Cenvat credit is available if input/input service is used or providing taxable output/output services.

b. Cenvat credit is not available if input/input service is used or providing exempted output/output services.

But what will happen if certain inputs/ input services are utilized for manufacturing of exempted goods and provisions of exempted output services? What is the procedure and to what extent Cenvat on such common input/input services can be taken?

Our focus is on the discussion on the legal provisions and litigations on availing Cenvat on the common 'input services'.

Legal Provisions on CENVAT Credit Rules in General:

As per Rule 3(1) of Cenvat Credit Rules, provider of output services shall be allowed to take Cenvat Credit of specified duties and taxes. Thus, only a person providing taxable output service will be eligible to take Cenvat Credit.

Rule 2(l)) of Cenvat Credit Rules defines 'input services; as follows

'Input Service' means any service

i. used by a provider of output service for providing an out put service, or

ii. used by a manufacturer , whether directly or indirectly, in or in relation to the manufacture of final products and clearance of final products upto the place of removal

The above definition has some 'inclusion' part and some 'exclusion' part.

'Output Service' means any service provided by a provider of service located in the taxable territory but shall not includes the service covered under 'negative lists' and service where service tax is payable under 'Reverse Charge' method.

Rule 3(4)(a) of Cenvat Credit Rules states that Cenvat Credit may be utilized for payment of any duty of excise on any final product or service tax on output service. Thus there is no requirement of establishment of establishing relation between inputs/input services and final product/ output service. *One to one relation is not required.*

Rule 4(7) of Cenvat Credit Rule provides that Cenvat Credit shall be allowed on or after the day on which invoice, bill, or challan of service provider, as specified in Rule 9 of Cenvat Credit Rules is received.

If the payments of value of service and tax there on is not made to the provider of input service with in three months from the date of invoice, bill, challan, the Cenvat Credit already taken should be reversed by paying' amount' equal to Cenvat credit availed on such input service. If at a later date, payment is made to the service provider by the manufacturer or service provider who had reversed the Cenvat Credit, he can take the credit of the amount equal to the Cenvat Credit reversed earlier. Cenvat credit can be availed if such payment to the service provider is made with in one year from the date of invoice, bill, and challan.

Rule 9(2) provides that Cenvat Credit can be taken if the duty paying documents contains at least, following minimum details should be available.

a) Details of duty/service tax payable.

b) Description of goods and taxable service.

c) Assessable value. d) Central Excise/ service Tax Registration Number and e) Name and address of the factory, warehouses or premises of first and second stage dealers or provider of taxable service.

Issue : Rule 6 of Cenvat Credit Rules :

As per Rule 6(1) Cenvat Credit Rule, Cenvat credit shall not be allowed on such quantity of input used in or in relation to the manufacture of exempted goods or for provisions of exempted services or input service used in or in relation to manufacture of exempted goods and their clearance upto the place of removal or provisions of exempted services except in circumstance mentioned in rule6 (2).

Thus, if inputs or input services are partly used in exempted final product /output service, Cenvat Credit of that portion of input / input service will not be available.

Then how to avail the Cenvat Credit or how to discharge the liability?

In case of manufacturer manufacturing both dutiable and exempted goods or service provider providing both taxable and exempted service, it may so happen that same input/input services are used partly for manufacturing of dutiable goods/taxable service and partly for exempted goods/services.

In such cases, the manufacturer or provider of output services has following four options.

a) Maintain separate inventory and accounts of receipts and use of input and input services used for exempted goods or exempted services. Rule 6(2) of Cenvat Credit Rule.

Explanation: Avail the Cenvat credit of input/input services used for manufacturing of dutiable goods/taxable services and do not avail input/input services used for manufacturing of exempted goods/taxable services

b) pay an amount equals to 6% of value of exempted goods or 7% of the value of exempted services- Rule 6(3)(i) Explanation : If the manufacturer or service provider opts not to maintain separate accounts of inputs or input services, he has option to pay an amount equal to 6% of the 'value' of such exempted goods and 7% o value of exempted services. Rule 6(3) of the Cenvat Credit Rules uses the words' manufacturer or provider of output services opting no to maintain separate accounts'. Thus, whether to main separate accounts or not is at the option of the person availing Cenvat Credit. He can not be compelled to maintain separate accounts.

c) Pay an amount equals to equals to proportionate Cenvat credit attributable to exempted final product/exempted output services as provided in rule 6(3A) – Rule 6(3)(ii) of Cenvat Credit Rules.

Explanation: The assessee needs to pay (reverse) an amount equals to the Cenvat credit availed on the input/ input services used for manufacturing of exempted goods /exempted services. The mode of calculation is as follows:

Step 1: Assessee should first take entire Cenvat Credit of input and input services used in exempted as well as taxable final products and exempted as well as taxable services.

Step 2 : At the end of each month, assessee should calculate the Cenvat Credit attributable to exempted final products and exempted services on provisional basis

Step 3: Reverse this amount every month from the total Cenvat availed during the month.

Amount to be reversed at the end of the each month

1. 'Inputs' used for exempted final Products – Rule 6(3A)(b)(i) ***plus***

2. 'Inputs' used for exempted services (based on the ratio of previous year)- Rule 6(3A)(b)(ii) **plus**

3. 'Input services' used for exempted final products and exempted services (based on the ratio of previous year)- Rule 6(3A)(b)(iii)

Step 4 : At the end of the year, the assess should calculate the ratio on the basis of actual data for the year and make a fresh calculation of the amount to be actually reversed. Difference to be adjusted or paid before 30th June.

d) Maintain separate accounts for 'inputs' and pay an 'amount ' as determined under rule 6(3A) in respect of input services

Explanation: Same as explained above in option 'c' and now only for input services.

Computation of amount of 'Input services' to be reversed at the year end is as follows.

Amount to be reversed = M / N * P where

M= Total value of exempted services provided plus total value of exempted goods manufactured during the financial year

N = Total Value of taxable and exempted services provided and total value of dutiable and exempted goods manufactured and removed during the financial year.

P = **'Total Cenvat credit'** taken on input services during the financial year.

Legal provisions have been discussed above. Now consider the following example to understand the implication of legal provisions and their complication which leads to a lot of litigations.

a. Taxable Out put service (say erection services) - Rs 1,50,00,000.
b. Exempted output services (say construction of Road) - Rs 1,00,00,000
c. Input service directly attributable to Erection service - Rs 75,00,000
d. Taxable Input service directly attributable to Exempted service - Rs 20,00,000
e. Exempted Input service directly attributable for Exempted service - Rs 30,00,000
f. Common input services for both exempted and taxable services -Rs 10,00,000
g. Service Tax rate 14%

Separate accounts could be maintained for a,b,c,d ,e but separate accounts could not be maintained for f .

Now how much Cenvat Credit can be availed in the above example.

Circumstances One : When Rule 6(2) and Rule 6(3) should be taken as complementary

It means the assessee can follow Rule 6(2) for input/ input services for which he can maintain separate records and accounts and Rule 6(3) should be applied in case of common inputs and common input services where assessee is not in a position to maintain separate accounts.

Cenvat Under Rule 6(2) = 14% on 75,00,000 = Rs 10,50,000.

Cenvat under Rule 6(3) for common input services

Step 1 : Cenvat on Common Input service available = (10,00,000*14%) = 1,40,000

Step 2 : Total Value of exempted service = Rs 1,00,00,000

Step 3 : Total Value of exempted plus taxable services = Rs 2,50,00,000

Amount of CENVAT to be reversed on Common input services are Rs (1,00,00,000/2,50,00,000 * 1,40,000) = Rs 56,000.

Cenvat Credit available is Rs (1,40,000- 56,000) = Rs 84,000.

Total available Cenvat = Rs (10,50,000 + 84,000) = Rs 11,34,000

Circumstance Two : When Rule 6(2) and Rule 6(3) should not be taken as complementary

Now Question arises whether this 'proportionate' reversal is applicable for common 'input; service only. The word used in Rule 6(3) is 'Cenvat Credit taken on input services'. It means , when separate accounts has not been maintained for all input services, then proportionate reversal is to done for all the entire Cenvat Credit taken. Then computation will be as follows for availment of Cenvat Credit.

Step 1 : Cenvat on total Input service available (P) = (75,00,00*14%)+(10,00,000*14%) = 11,90,000

Step 2 : Total Value of exempted service (M)= Rs 1,00,00,000

Step 3 : Total Value of exempted plus taxable services(N) = Rs 2,50,00,000.

** Cenvat on Input service used for Exempted Service is ignored following Rule 6(2).

Amount of Cenvat Credit to be reversed = Rs (1,00,00,000/25,00,00,00* 11,90,000) =Rs 4,76,000.

Cenvat credit Available = Rs (11,90,000- 4,76,000) = Rs 7,14,000.

Cenvat Reversal of Rs 4,76,000 is more than the CENVAT credit on Common Input services of Rs 1,40,000.

This is really hardship for the assessee. He will have to sacrifice a portion of genuine Cenvat attributable to taxable output services to the extent of Rs 3,36,000 (476000- 140000).

Now question arises whether Circumstances One is permissible or not?

Complications due to difference in interpretation: Case Laws on this issue:

1. The views in Circumstance one was upheld in ***Chennai Petroleum Corporation Limited Case*** (2012) In this case it was held that rule 6 in only for common input or input services. Rule 6(3) is only procedural. It cannot take away the right to avail credit fully on inputs and input services used in dutiable goods and taxable services. Credit of service tax paid on input services exclusively used in dutiable goods is not covered under Rule 6 but under rule 3 of Cenvat Credit Rule. In this decision

In Costing, there is concept to 'allocation' and 'apportionment' of costs. The costs which can be allocated directly to a particular product should be so allocated, while costs which cannot be directly allocated to any particular product/service, should be apportioned in a reasonable basis. This principal can be applied here. The input goods/services which can be directly allocated to taxable goods/service and exempted goods and services should be allocated under Rule 6(2). It means full credit should be allowed on Cenvat credit allocable to taxable goods and services and no credit should be allowed for Cenvat Credit allocable to exempted goods/service. The remaining input credit on goods /service should be apportioned between taxable goods/service and exempted goods and service on the basis of formula given in rule 6(3A). This should give best possible and most fair result.

2. The same view was taken in the case **Sify Technology vs CCE Chennai as on 31.07.2013**. ENVAT Credit availed in respect of taxable and exempted output services – Appellant reversed credit on common input services in terms of Rule 6(3A) of the CENVAT Credit Rules, 2004 – Revenue contends formula should be applied for all the input services. It was decided that Rule 6 deals with only common input services used in providing taxable services and exempted services and there is no reason to apply this rule in respect of input service going entirely into providing taxable output service – ***Prima facie*** case made out for waiver of pre-deposit of Tax.

3. Contrary view was taken in a recent case between **Thussnkurp Industries vs CCE, Pune(2014**) (CESTAT). The difference in opinion arises due to the words used in 'P' of the above mentioned formula. The word used here is **'Total Cenvat Credit'** and not the Cenvat on Common input /input services. The details of decision taken are reproduced hereunder for reference.

"It is well settled position in the law that while interpreting statutes, no word can be added or removed/ deleted from the statute. As held by Rowlatt J "in a taxing stature one has to look merely at what is clearly said. There is not room for any intendment. Nothing is to be read in, nothing is to be implied. One can only look fairly at the language used". If, we apply this principle to the formula prescribed in sub-rule (3A), there is no scope for interpreting the term "P" otherwise. **<u>If the formula leads to an anomalous situation, the remedy lies in amending the provisions of the statute and the judiciary is helpless.</u>**

In the present case, it is a fact that the total CENVAT Credit taken on common input services is only Rs.2.07 crore (approx) whereas if we apply the formula the amount of credit required to be reversed works out to Rs.8.62 crore. But if we consider the first option of payment of an amount @ 5% of the value of the exempted services, the liability of the appellant would work out to about Rs.13 crore which is much higher than that arrived at by applying the formula. This also conforms the views we have taken on interpretation of the term "P" prescribed in the formula."

Opinion: So from the above discussion, it is clear that due to the difference in interpretation of law by different judicial authority over a different point of time has made the things more complicated. It is very obvious that the genuine Cenvat from taxable input services should not be sacrificed at the cost of Cenvat on common input service used for both taxable and exempted services. The assessee may do the following things to avoid litigations

a) maintain the separate records for all input services and out put services (both taxable and exempted) and follow Rule 6(2). Or

b) when separate accounts could not be maintain for common input services uses for both taxable as well as exempted service, it is advisable to sacrifice the Cenvat so available.

In our example, Cenvat on Common input services were only Rs 84,000/-.Where as if Rule 6(3) is being followed, it needs to reverse Rs 4,76,000 i.e and additional Cenvat of Rs 3,36,000/- need to be reversed from genuine input Cenvat on input services used exclusively for providing taxable services. It means you can save Rs 3,36,000 by sacrificing Rs 84,000. Amendment of legislature is requires to mitigate the hardship on the assessees.

3.Service Tax on Notice Pay collected by the employer from its resigning employee

Introduction: Joining of new employees and resigning of existing employees are very common phenomenon in any organization. At the time of joining, the new employees sign an agreement paper containing the terms of employment which needs to be obeyed during his/her employment. The employer, in addition to other terms of employment, always attached a clause called 'Notice period'. It means before departing from an organization the employee has to give a letter of resignation and will serve a minimum period from the date of such letter. If the notice period is for 'three months', it implies that the employee will have to serve the organization for minimum three months from the date of resignation. Some times HR department allows the employee to 'go' before completing these three months in lieu of the compensation for the 'short service' period. Say, an employee has been released after one month from the resignation date. He needs to pay for short service period of two months as per the term of the employment.

Issue: There are two issues needs to be addressed.

a. Whether notice pay collected by the employer will attract Service Tax? and

b. If so who will bear the service Tax?

Legal Position: As per Section 65B (44) of the

Finance Act, 1994, which provides the legal basis for levy of service tax, the term "service" means "any activity carried out by a person for another for consideration, and includes a declared service."

There are two factors which determine whether a transaction will attract service tax or not

a) There must have to be a consideration for service activities and

b) The activity must be carried out by one person for another.

The above definition includes 'Declared Service'. It has been defined as

Section 66E of the Finance Act, 1994, states that "agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act" shall be a declared service.

Analyzing the above definitions and explanations, there can be two school of thoughts on the subject matter of discussion.

A. First School of thought: Notice pay is not the subject matter of service tax and does not attract service tax.

In this school of thought, it has been argued that, in notice pay recovery there is a payment from the employee to the employer. If that payment is construed to be a consideration, the question that arises is: "What service does an employer deliver in case of notice period recovery? If the employer is not delivering any service, how can this fall under the service tax ambit?"

So , Notice pay recovered by the employer should not be a subject matter of Service Tax. Moreover, the definition of service under Section 65B (44) specifically excludes "provision of service by an employee to the employer in the course of or in relation to his employment."

The notice period recovery is a part of an employment contract. It can be said as the penalty for not fulfillment of certain terms of contract of service. It cannot be considered as 'Consideration' for rendering any service by the employer.

B. Second school of thought: It is a part of declared service and will attract service tax.

The arguments in favor of this are as follows

a. The exclusion clause of definition of service does not cover the service provided by 'employer to employee'

b. Analyzing the definition of 'Declared service' it is clear that Companies collect money from the resigning employees for 'tolerating' early termination from the employment, without serving notice period and such receipts could be liable to service tax in the hands of company.

So notice pay received by the employer is treated as consideration for 'tolerating an act or a situation' and will be a subject matter of service Tax.

Opinion: There are no specific provisions, case laws , circular or notification on this subject till date by the Service Tax Department. Some organization play safe and deduct the service tax on notice pay and deposit with the government. In order to put an end to needless speculation, it would be good if the Service Tax Department comes out with a communication clearly specifying its stance on this.

Second part of discussion with regard to 'who will bear the service tax Liability'. As per Section 68(1) of Finance Act, service tax is payable by the provider of taxable services, except in some specified instances where the service receiver is liable under Reverse Charge.

An employer, who is recovering any amount towards short notice, could collect and pay the service tax at appropriate rate from the employee. In the terms of employment, company could insert a clause stating that service tax payable extra by employee as applicable. If company does not collect extra service tax, then it shall bear the service tax out of pocket by calculating the service tax on inclusive basis as per Sec 67(2) of the Act.

In all the cases, service tax needs to be deposited by the employer. The employer can either recover service tax extra as per the term or making a back calculation considering the amount recovered from employee is inclusive of service tax.

Example: Suppose an employer to recover two months' salary as notice pay from a resigned employee. Per month salary of the employee is Rs 50,000/-. If the terms of the employment provides for additional recovery of Service Tax in addition to month salary, the Employer will recover Rs (50000 * 2) + 14.5% of (50000 * 2) = Rs 114500 and deposit Rs 14,500/- with Service Tax department. If there is no specific clause for recovery of service tax extra in the terms of employment, the total recovery of Rs 100000 will be considered as inclusive of service tax. Service Tax will be calculated as : ST = Rs (100000/114.5*14.5) =Rs 12664/- and will be deposited by the employer with ST department.

All these computations requires provided 'Notice Pay' is considered as consideration and attract Service Tax.

4. Service Tax on Reimbursement of Expenses

Introduction: Major changes have occurred in service tax regime from 1st July,2012. Prior to this date, only the specified listed services were the subject matter of service Tax. From this date, a new concept of negative lists of services has been introduced. For the first time

‘Service’ has been defined also. New charging section 66B specifies that all services, other than those services specified in the negative lists, provided or agreed to be provided in taxable territory by one person to another for consideration is taxable. There are certain services which are specifically exempted vide Notification No –ST 25/2012 from the ambit of service tax. In short, all services other than those in negative lists and those are specifically exempted, are taxable service. So, when a service is falling under the tax bracket, service tax needs to be discharged. For this purpose next important task is to determine the base value on which service tax will be calculated.

Issue: In some cases, provider of the taxable services incurs certain expenses while discharging their duty and claim these expenses as ‘reimbursement’ on actual in addition to their professional fees for the service rendered. For example, X Company appoints Mr. A as technical consultant for installation of a plant. The agreed fees are Rs 2 lakhs and other incidental expenses. Mr. A, after completing the job raised a bill to the company for Rs 2 lakhs and Rs 10,000 for traveling and accommodation charges. The question arises What will be the base value for computing service tax: Rs 2 lakhs or Rs 2.1lkahs (value for service + expense reimbursed).

Legal Position: As per Rule 5(1) of Service Tax (Determination of Value) Rule, 2006 Where any expenditure or costs are incurred by the service provider in the course of providing taxable service, all such expenditure or costs shall be treated as consideration for the taxable service provided or to be provided and shall be included in the value for the purpose of charging service tax on the said service.

As per Rule 5(2) **of Service Tax (Determination of Value) Rule,2006** the expenditure or costs incurred by the service provider as a **‘pure agent’** of the recipient of service, shall be excluded from the value of the taxable service subject to fulfillment of certain conditions.

So form the Rule 5(1) of the valuation rule,2006 it apparently seems that Rs 10,000 should be included in the value of taxable service. But this argument by the Department was discarded by Delhi High Court in the following case

Case : Intercontinental Consultants and Technocrats (P.) LTD vs. Union of India, The petitioner filed a writ petition before the High Court for quashing the show cause notice issued by the Service Tax Department for recovery of Service Tax on amount received as reimbursement of expenses such as hotel accommodation and traveling etc. under service tax Rule 5(1) , 2006.

The Hon’ble Delhi High Court while deciding the petition held as follows:

1. Rule 5 (1) of the Rules is ultra vires section 66 and section 67 of the Finance Act, 1994 since it travels beyond the scope of the aforesaid sections.

2. The expenditure or costs incurred by the service provider in the course of providing the taxable service can never be considered as the gross amount charged by the service provider for such service provided by him.

3. If the expenses on air travel tickets are already subject to service tax and is included in the bill, to charge service tax again on the expense would certainly amount to double taxation. It is true that there can be double taxation, but it is equally true that it should be clearly provided for and intended.

4. Section 66 levies service tax at a particular rate on the value of taxable services. Section 67(1) makes the provisions of the section subject to the provisions of Chapter V, which includes Section 66. This is a clear mandate that the value of taxable services for charging service tax has to be in consonance with Section 66 which levies a tax only on the taxable service and nothing else. There is thus inbuilt mechanism to ensure that only the taxable service shall be evaluated under the provisions of 67. Clause (i) of sub-section (1) of Section 67 provides that the value of the taxable service shall be the gross amount charged by the service provider for such service. Reading Section 66 and Section 67(1)(i) together and harmoniously, it seems clear to us that in the valuation of the taxable service, nothing more and nothing less than the consideration paid as quid pro quo for the service can be brought to charge. Sub-section (4) of Section 67 which enables the determination of the value of the taxable service in such manner as may be prescribed is expressly made subject to the provisions of sub-section (1).

The same view has been taken by Commissioner of Central Excise (Appeals)-IV, Mumbai in the Case between **Commissioner (ST) vs FRISCHMANN PRABHU (INDIA) LTD as on 21st July,2015.**

So the decision was given in favor of assessee and expenses reimbursement was out of the scope of total value of service. The department has filed an appeal to the Supreme Court against the decision of the Delhi High Court which is pending for disposal.

Amendment of Section 67 in budget 2015

Budget 2015 has amended section 67 to include reimbursement of expenses in the value of taxable service. Relevant portion of the amendment is reproduced below.

In section 67 of the 1994 Act, in the Explanation, for clause (a), the following clause shall be amended: '(a) consideration will include
(1) the amount that is payable for the taxable services provided or which is likely to be provided
(2) any reimbursable **expenditure or cost** incurred by the service provider and charged, **in the course of providing or agreeing to provide a taxable service**, except in such circumstances, and subject to such prescribed conditions
(3) any amount retained by the lottery distributor or selling agent from gross sale amount of lottery ticket in addition to the fee or commission or the discount received, that is to say, the difference in the face value of lottery ticket and the price at which the distributor or selling agent gets such ticket.'.

So, after such amendment of Section 67, now it seems that all the expenses incurred 'in the course of providing' taxable services, which claims as reimbursement should be included in the value of taxable services. Reimbursement of expenses like accommodation charges, traveling charges are now to be included for computing service tax if not specifically excluded.

Opinion: Even after amendment of section 67 to include the reimbursement of expenses in total consideration, still there is doubt whether all the expenses reimbursed will be blindly included in the gross consideration for following two reasons

(1) The expenditure reimbursed or cost incurred in the course of providing taxable services. There is certain cost which needs to be reimbursed to service provider which is virtually not for 'Providing the taxable service. For example, while using the 'Cab operator' service, sometimes we need to pay toll tax in addition to the total consideration. This toll tax is not really a part of the 'value' of cab services and in my opinion this should not be part of total value for computing the service tax. Areas of dispute still there.

(2) Point 2 of the amendment includes 'except in such circumstances and subject to such prescribed condition'. Till date no such circumstances prescribed and difference in interpretation in point no 1 above may leads to the litigation. Decision on this subject matter is to be taken judicially and not by mere 'form'.

Conclusion: These discussed areas are only the tips of iceberg. On any subject matter, there are so many case laws, decisions on which have been given in favor of the assessees and many others in favor of Service Tax Department. Whenever there are scopes of interpreting differently on any issues, chances of litigations are unavoidable. Neither assessees nor the department wants to loose their revenue. Where the department is in weak positions and decisions are given against their stands, they generally amend the law by inserting a sub section, rules or amending the language used in any definitions or explanations. Indirect taxes are more about the digesting and interpreting the provisions and rules in favor of the persons you worked with. Executives dealing with the indirect taxes are expected to interpret and apply the legal provisions judicially going beyond the legal form. MA

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The Recent Trends in NPA of Banks

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Scheduled Commercial Banks (SCBs) in India play a pivotal role in the development of Indian economy. Banks act as an intermediary between the lenders and borrowers. Hence, it channelizes savings into productive purposes and fosters economic development. This primary function of lending of banks gives rise to credit risk i.e. the risk of non-recovery of loans and advances. The failure of banks to manage this credit risk forms the genesis of Non-Performing Assets (NPAs). A glance at the NPAs of SCBs show a steep rise in the years 2011-12, 2012-13 and an overall increasing trend during 2009-10 to 2012-13. Public sector banks are perceptibly responsible this deterioration in asset quality. The steep surge in NPAs during 2011-2013 can be attributed to slowdown prevailing in the Indian economy as well as inadequate credit appraisal and monitoring systems. In this backdrop it becomes pertinent to understand the concept, causes, management of NPAs and study the trends in NPAs and performance of recovery mechanisms during 2009-2013.

An asset is considered as Non-Performing Asset (NPA) when it ceases to generate any income for the bank. Such identification came in vogue with the recommendation by the Narasimham Committee, 1991. However, with a view towards converging with best international practices and incorporating further transparency, the then norm used for identifying NPAs was replaced with "90 days' overdue" (i.e. any amount due to the bank under any credit facility but not paid within the due date fixed by the bank) concept with effect from 31st March, 2004. The loans and advances of banks may be in the form of term loan, overdraft/ cash credit, bill purchased/ discounted, agricultural advances or credit facilities of any other sort. These are to be identified as "90 days' overdue" and consequently as NPA in the following manner:

⁎ ***Term Loan***: A term loan will be identified as an NPA if either interest or instalment is overdue for more than 90 days.

⁎ ***Overdraft/Cash Credit***: If an account remains out of order, it would become NPA. For this purpose an account would be treated as 'out of order' if (i) the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for 90 days or more, or (ii) Even if the outstanding in the account is less than the sanctioned limit/drawing power, there are no credits in the account continuously for 90 days as on the date of the Balance sheet, or (iii) Credits in the account are not sufficient to cover interest debited during the same period.

⁎ ***Bill Purchased/Discounted***: If the bill purchased or discounted remains overdue for a period of more than 90 days from its due date.

⁎ ***Agricultural Advances:*** A Loan granted for agricultural purpose will become NPA in the following situations:

- Short duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for two crop seasons.
- Long duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for one crop season.

⁎ ***Other Credit Facility:*** In case of any other credit facility, if the amount to be received remains overdue for more than 90 days, then the account will be classified as NPA.

It is not only sufficient to identify an asset as an NPA but it should also be known that to what extent it is non-performing. Thus, RBI suggests further classification of NPAs into the following three categories based on the period for which those have remained non-performing and the extent of implausibility of realization:

- *Substandard assets*: Assets which have remained non-performing for a period less than or equal to 12 months.
- *Doubtful assets*: Assets which have been falling in the substandard category for a period of 12 months.
- *Loss assets*: Those assets which cannot be recovered at all.

Objectives of the Study

The study aims at exploring the causes of NPAs, trends in NPAs and their management. More specifically, the objectives of the study are as follows:

i) To study the factors that give rise to NPAs.

ii) To observe the trend of Gross NPAs to Gross Advances (Gross NPA ratio) and Net NPAs to Net Advances (Net NPA ratio) of public sector banks, private sector banks, foreign banks and SCBs as a whole during the period 2009-2013.

iii) To study the various modes of management of NPAs with a special reference to recovery through Lok Adalats, Debt Recovery Tribunals and SARFAESI Act during the period 2009-2013.

Causes of NPAs

Now the question is how does a performing asset become non-performing? There are several internal and external factors which give rise to NPAs. *Sahoo (2015)* has described the factors as 3B's i.e. Business Environment, Borrower and Banker. These factors are discussed as follows:

Business Environment

Business environment here comprises of the economic, political, legal and regulatory climate affecting the banks. The contributing factors under this head are as follows:

- Abrupt change in domestic and international markets.
- Downturn in the economy.
- Dearth of organised regulatory system.
- Lack of favourable system for loan recovery. The legal procedures are too lengthy and cumbersome.
- Govt. policy of priority sector lending and loan waiver schemes.
- Corporate frauds
- Natural disaster, etc.

Borrower

Assets often turn non-performing due to defaulting borrowers. Borrowers might not be able to repay loan due to their inefficiency in management of business or other activities and sometimes they also default deliberately. The causes of NPAs relating to borrowers are stated as follows:

- Lack of technological advancement in business activities.
- Unjust selection of projects.
- Inefficient management.
- Inefficiency in fund management.
- Deliberate default in loan and interest thereon
- Non-cordial management-labour relationship, etc.

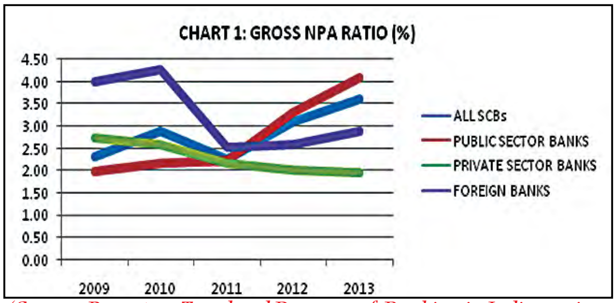
Banker

Besides, Business environment and borrower, often it is found the banker himself is primarily responsible for the NPAs. Lack of his awareness in the pre and post loan sanctioning stage gives rise to NPAs. The contributory factors for NPAs, relating to banker are as follows:

- Improper assessment before lending loan.
- Dearth of suitable credit monitoring.
- Loan provided under undue pressures.
- Dearth of proper stressed asset management.

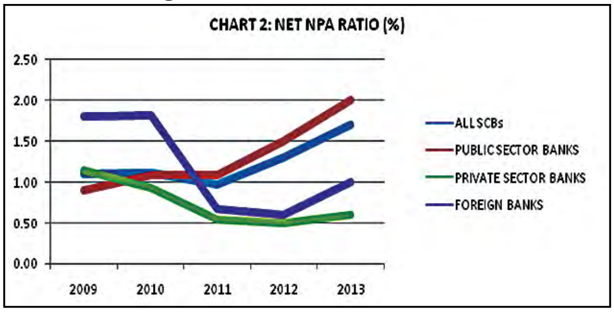
Trends in Gross and Net NPAs in India

This section presents the trends in Gross NPAs and Net NPAs of Public Sector Banks, Private Sector Banks, Foreign Banks and all SCBs as a whole during the period 2009-2013. Before moving on to the trends, it is pertinent to have knowledge of the terms "Gross NPAs" and "Net NPAs". Gross NPAs are the aggregate of the total loans and advances that are marked as NPAs as per RBI guidelines. Thus, it comprises of sub-standard, doubtful and loss assets. Besides, Net NPAs are arrived at after deducting the appropriate provision from Gross NPAs. Instead of studying the trends in Gross NPAs and Net NPAs, relative figures viz. Gross NPA ratio and Net NPA ratio have been considered. Where, Gross NPA ratio= Gross NPAs/ Gross Advances and Net NPA ratio = Gross NPAs – Provisions/ Gross Advances – Provisions or Net NPAs/ Net Advances. Asset quality which is considered to be indicator of financial health of banks, continued to remain a matter of serious concern at the end-March 2013. The Gross NPA ratio of all SCBs ranges between 2.3% to 3.6% during the study period 2009-2013 of which 2013 shows the worst level and 2009 shows the lowest level (Chart 1). Though SCBs could not get rid of NPAs, yet it is able to mitigate NPAs to a large extent. This is evident from the fact that the Gross NPAs which stood at 14.6% at end -March 1999 steadily came down to 3.6% at end- March 2013. The Public Sector Banks are highly responsible for the upward trend of Gross NPA ratio during the last two years of the study period. Thus, it can be deduced that the degradation of asset quality of Public Sector Banks was primarily accountable for the spurt in this ratio. The Gross NPA ratio of Foreign Banks was higher than all the banks of other sectors in 2009, 2010 and 2011 by standing at 4%, 4.26% and 2.54% respectively. But Foreign Banks have succeeded in controlling their NPAs in the next two years and it stands at 2.90 % in 2013. The Private Sectors Banks have played a commendable role in this regard as they didn't show a too high ratio and the trend of the ratio is a declining one (from 2.75% in 2009 to 1.95% in 2013) as well.



(Source: Report on Trend and Progress of Banking in India, various issues, RBI)

The Net NPA ratios of all SCBs range from 1.1% to 1.7% during the period of study. The worst level of 1.7% relates to the year 2013. Again the Public Sector Banks are immensely responsible for the surge in this ratio in 2013 and the preceding years as well. The private sector banks and foreign banks have been able to reduce their net NPA ratio immensely from 1.15% and 1.80% respectively in 2009 to 0.60% and 1.00% respectively in 2013. But a noticeable fact is that the net NPA ratios of these banks in 2013 are higher than that of 2012.



(Source: Report on Trend and Progress of Banking in India, various issues, RBI)

Management of NPAs

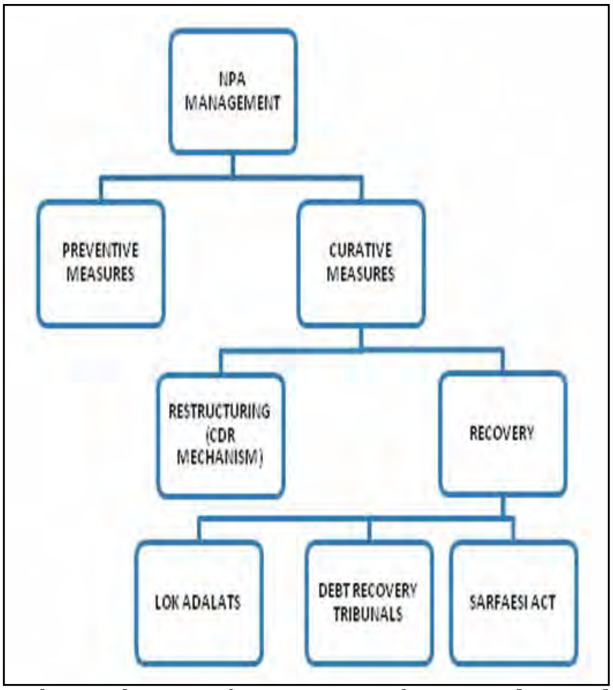
Banks play a major role in the financial system of a country. Thus, it is obvious that the stability of the financial system will be greatly affected by the financial health of the banks and NPAs are the indicators of financial health (*Two Decades of Credit Management in Indian Banks: Looking Back and Moving Ahead, speech by Dr. K. C. Chakravarty*). Hence, management of NPAs has always been a matter of serious concern for the banks. This section deals with the *techniques of management of NPAs* and *trends in the recovery of NPAs*.

A. Techniques of Management of NPAs

Various measures have been adopted from time to time for the mitigation of NPAs. Management of NPAs can be classified into two groups – *Preventive measures* and

Curative measures. Again curative measures can be either in the way of *Restructuring* or *Recovery.* The techniques commonly used for recovery of NPAs are *Lok Adalats, Debt Recovery Tribunals (DRTs)* and *SARFAESI Act* (Exhibit 1).

EXHIBIT 1: NPA MANAGEMENT TECHNIQUES



These techniques of management of NPAs are discussed as follows:

1. Preventive measures

Prevention is always better than cure. It is very much essential to impose proper credit monitoring system to arrest loans and advances from turning into NPAs. Credit monitoring comprises of both pre-credit and post-credit appraisal mechanisms (*Selvarajan et al., 2012*). Pre-credit appraisal considers proper assessment regarding credit-worthiness of borrowers, before granting loans. Post-credit monitoring includes scrutiny of borrowers' operations as revealed through various statements and accounts, site inspections, assessment of deviation in actual financial performance with that projected at the time of loan sanctioning, etc. Those deviations which turn out to be adverse are considered as the Early Warning Signals (EWS) of probable NPAs which are given sharp attention to prevent slippage into NPAs.

2. Curative measures

Corrective measures can be in the form of restructuring or recovery of NPAs. The mechanism of Corporate Debt Restructuring (CDR) is applied for rehabilitating viable but temporarily distressed advances. Whereas, nonviable borrowings are commonly dealt through Lok Adalats, Debt Recovery Tribunals (DRTs) and SARFAESI Act. A brief description of each of these methods are stated below:

a) Restructuring

The popular mechanism used for restructuring of loans and advances is *Corporate Debt Restructuring (CDR)*. This scheme was introduced by Reserve Bank of India in August, 2001 based on the mechanism prevalent in UK, Malaysia, Thailand, Korea, etc. It is a specialized institutional mechanism used for restructuring large exposures involving more than one lender under consortium/ multiple banking arrangements. It provides timely and transparent mechanism for restructuring corporate debts of viable entities outside the purview of Board for Industrial and Financial Reconstruction (BIFR), DRT and other legal proceedings, for the benefits of all concerned. Restructuring can be of various forms, such as rescheduling of loans (extension of maturities), lower interest rates, debt for equity swaps, debt waiving, etc.

b) Recovery

The most popular mechanisms used for recovery of loans and advances which have turned into NPAs are discussed as follows:

(i) Lok Adalats

Lok Adalats are voluntary agencies which facilitate banks and financial institutions for compromise settlement of their NPAs. The specialty of this mechanism is that it provides speedy justice and is very effective for recovery of small loans. It can not only be used for settlement of cases which have already been filed in the court but also for disputes which have not been referred to the court. This mechanism is used to settle accounts in the doubtful and loss category. In August 2004, the Reserve Bank of India raised the monetary ceiling of cases for compromise settlements referred to the Lok Adalats organised by civil courts to Rs 20 lakhs from the earlier limit of Rs 5 lakhs.

(ii) Debt Recovery Tribunals (DRTs)

The banks and the financial institutions can file petitions with DRTs. DRTs are special courts which were established by Government of India vide the Recovery of Debts Due to Banks and Financial Institutions Act, 1993, to speed up the recovery process of NPAs. This Act was further amended in January, 2000 to make DRTs stronger.

Despite these efforts DRTs failed to achieve success mainly due to lack of infrastructure, being inadequate

Non-Performing Assets (NPAs) have always been a matter of serious concern for Scheduled Commercial Banks (SCBs) in India. NPAs are those assets which do not generate any income for the banks. Of late, SCBS are witnessing surging NPAs driven by domestic economic slowdown and inefficiency of the banks to manage credit risk. This paper makes a modest attempt in elucidating the concept and causative factors of NPAs. Besides this, it explores the trends in gross and net NPAs during 2009-2013. This paper also takes an insight into the NPA management techniques and their performance during 2009-2013.

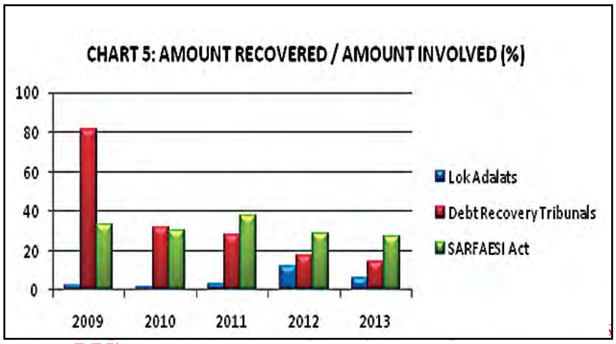
in number, understaffing, and frequent adjournment of cases.

(iii) Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002

This Act which is also known as Securitisation Act aids in recovery of NPAs without the intervention of the courts. Section 13(4) of this Act empowers the banks to take over the secured assets of the defaulting companies including the right to recover NPAs by selling those assets or by transfer by way of lease. Under this Act, Reserve Bank of India has also formulated specific plan to form Assets Reconstruction Companies for taking over the NPAs of the banks.

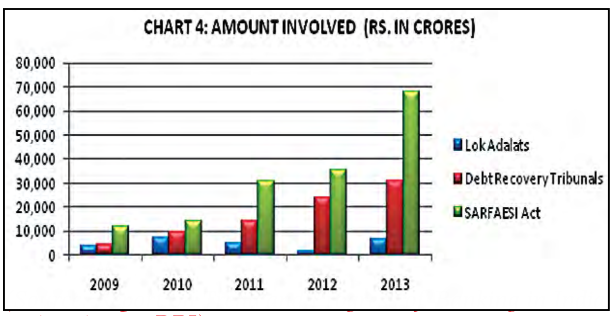
B. Trends in Recovery of NPAs

This section aims at highlighting the trends of recovery of NPAs via three major mechanisms (i.e. Lok Adalats, DRTs and SARFAESI Act) discussed above. It has been tried to examine the total amount involved in the cases referred to these schemes to understand their acceptability (Chart 4). Throughout the study period 2009-2013, SARFAESI Act secures the highest position in terms of the amount involved. It shows a clear escalating trend and starting from Rs. 12,067 crores in 2009, it reaches Rs. 68,100 crores in 2013. Hence, it can be inferred that the acceptability of this mechanism has been increasing over the years. Though DRTs also show an increasing trend but it is much less than the Securitisation Act in each of the years. The amount involved in DRTs is found to be Rs. 4,130 crores in 2009 which steps up and reaches to Rs. 31,000 crores in 2013. From the chart it is prudent that Lok Adalats lack to be an acceptable scheme of recovery as the amount involved is much less as compared to the others. The amount involved in these in 2013 stands at Rs. 6,600 crores whereas that of Securitisation Act is Rs. 68,100 crores and that of DRTs is Rs. 31,000 crores. Moreover, the chart shows a fluctuating trend for the same over the years.



issues, RBI)

In order to examine the efficiency of the recovery mechanisms, the ratio of amount recovered to amount involved (in percentage) during the years 2009-2013 has been considered (Chart 5). The ratio depicts a very poor result for all the three. DRTs show a declining trend whereas SARFAESI Act and Lok Adalats show a fluctuating trend. The amount recovered to amount involved (%) for Lok Adalats, DRTs and SARFAESI Act in 2013 stands at 6.10%, 14% and 27.10% respectively. SARFAESI Act has fared well than the others in years 2011, 2012 and 2013. However, the low percentages reveal that the recovery mechanisms lack efficiency and have much to develop.



various issues, RBI)

Conclusion

Mounting NPAs remain to be a major concern for the SCBs. NPAs impinge on the liquidity, profitability and goodwill of the banks and thus jeopardize the economy. RBI has taken several measures from time to time to improve the financial health of the banks but still it has failed to achieve excellence in this regard. Though, it can't be denied that it is next to impossible to eliminate NPAs still the endeavor for mitigating the same should go on. The SCBs should not only avail the various measures available for resolution and recovery of NPAs but should also strengthen their credit appraisal and post loan sanctioning monitoring system to mitigate the problem of surging NPAs. This study shows that the methods of recovery of NPAs lack efficiency. The infrastructure for them should be more developed and proper monitoring should be made on their functioning by the regulatory authorities.

Eventually, it is expected that if the NPA management techniques are made more robust, the financial health of the banks will improve in the days to come. MA

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Form IV

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Sd/-

Dated: 10th February 2016

CMA P.V. Bhattad
Signature of Publisher

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DIRECT TAXES

Case Laws

- **Anonymous donation received by a charitable and religious trust without specific direction couldn't be taxed** - In this case it was held by the Delhi ITAT that where assessee trust was established for charitable and religious purposes and anonymous donation was received by it without any specific direction that such donation was for any university or other educational institutions or any hospital or other medical institutions run by assessee-trust, such donation could not be taxed by invoking provisions of section 115BBC- *ITO* v. *Satyug Darshan Trust* [2016] 65 taxmann.com 15 (Delhi - Trib.)
- **Co. whose directors were facing charges of fraud couldn't be accepted as comparable for TP study** - Financial results of a company were not reliable if its directors were facing charges of fraud. Thus, such company could not be accepted as valid comparable - *Lubrizol Advanced Materials India (P.) Ltd.* v. *Dy. CIT* [2015] 64 taxmann.com 135 (Ahmedabad - Trib.)
- **Payment of buy-back premium is deductible if buy-back is made to settle dispute between shareholders**- Assessee-Company was owned by two brothers and due to some differences between them, CLB directed the company to acquire 34 per cent of shareholding of one of warring group and cancel same.

  Company claimed deduction of premium on buy-back of shares paid to warring group of shareholder. However, Assessing Officer disallowed the claim of the company and held expenditure to be of capital nature.

  It was held by the High Court that buy-back is made to settle dispute amongst shareholder and to enable smooth running of business and, therefore, premium paid on buy-back of shares is a deductible expenditure.

Statutes

- **@IncomeTaxIndia is now on twitter** - The official Twitter account of the Income Tax Department is opened with the handle @IncomeTaxIndia. Initially, the content published by the Twitter account will consist of press releases and any dissemination of information in the form of advertisements, etc. A dedicated email address socialmedia@incometax.gov.in has been created for the same - OFFICE MEMORANDUM F. NO. PUB - 1, DATED 4-1-2016
- **Govt. amended rules relating to PAN and AIR** - The Government has amended the rules relating to Permanent Account Number (PAN) and statement of financial transaction and reportable account (previously called as 'Annual Information Return').

  As per the amended rules, quoting of PAN has been made mandatory for all sales and purchases of goods and services where the payment exceeds Rs. 2 lakh. Further, the monetary limits for quoting of PAN have been raised from Rs. 5 lakh to Rs. 10 lakh for sale or purchase of immovable property, and from Rs. 25,000 to Rs.50,000 in the case of hotel or restaurant bills.

  Now the thresholds for reporting of transaction to tax authorities have been revised. One of the key change relates to reporting of cash deposit in bank account. Earlier there was reporting requirement if cash deposits in saving bank account aggregates to Rs. 10 lakhs or more in any account of a person maintaining with that bank. But now there is reporting requirement if cash deposits aggregates to Rs. 10 lakhs or more in a FY, in one or more accounts of a person - NOTIFICATION NO. SO 3545(E) [95/2015 (F.NO.142/28/2012-(SO)TPL)], DATED 30-12-2015

INDIRECT TAXES

Case Laws

- **Penalty levied on co. as its directors tried to evade service tax with help of internal auditors** - Where internal auditor of company perpetrated fraud by booking 'service tax due' as income/commission in books of account and it was found that directors of company were aware thereof, company was liable to evasion penalty for consequent non-payment of service tax - *ITL Tours & Travels (P.) Ltd.* v. *Commissioner of Service Tax, Mumbai* [2016] 65 taxmann.com 25 (Mumbai - CESTAT)
- **Goods used for execution of work contract entitled for CST registration even if not transferred to contractee** - Where assessee, a works contractor, applied for inclusion of construction equipment, plant, machinery and tools used in process of execution of works contract in certificate of registration under Central Sales Tax Act, said items were eligible for inclusion - *Nagarjuna Construction Co. Ltd.* v. *Assistant Commissioner of Commercial Taxes* [2015] 64 taxmann.com 323 (Calcutta)
- **No interest on belated refund even if it was wrongly credited by deptt. to Consumer Welfare Fund** - Department sanctioned refund on 2-6-2008 but same was credited to Consumer Welfare Fund owing to unjust enrichment. On appeal, Tribunal held that unjust enrichment principle was inapplicable. Consequently, department granted refund to assessee with interest computed up to date of sanction of refund claim. Assessee demanded interest on such refund up to the date of granting of refund.

  It was held by the CESTAT that revenue cannot be held liable to pay interest beyond date of sanction of refund- *Purnima Advertising Agency (P.) Ltd.* v. *Commissioner of Service Tax, Ahmedabad* [2016] 65 taxmann.com 56 (Ahmedabad - CESTAT)
- **Issuance of false certificate by CA doesn't attract any penalty under Excise: HC** - Issuance of false certificate by a Chartered Accountant in relation to huge cash found with manufacturer, may attract penalty for money laundering or giving false evidence; however, same cannot attract penalty under rule 26 or 27 of Central Excise Rules, 2002 - *Commissioner, Central Excise, Lucknow* v. *V.K. Tulsian* [2015] 64 taxmann.com 377 (Allahabad)
- **Two manufacturing units can't be treated as single unit for SSI exemption even if common facilities are used** - Saron and Jagat were availing SSI-exemption separately. They were sharing store room, electricity connection, telephone, computer, accountant, sales-billing, etc. and department denied SSI exemption. It was held that mere sharing of certain facilities by two assessees cannot lead to holding one unit as dummy of another, where both assessees are having full manufacturing facilities. Therefore, SSI exemption can't be denied - *Commissioner of Central Excise* v. *Saron Mechanical Works* [2015] 64 taxmann.com 375 (Punjab & Haryana)

Changing face of HR in globalised India

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There is a significant paradigm shift in post globalisation arena in Human Resources Functions as a whole. It holds true in more or less majority of Indian incorporations irrespective of size, nature of business, except few who perished over a period of time.

Globalisation has now become integral part of Indian economy and it is surging ahead as more and more merger, acquisition, disinvestment of Govt. sector companies like IOCL/ONGC etc.

Due to all these strategic moves and resultant complexity of business, it has thrown a major challenge to align HR functions to get synchronized with changed business scenario that can reap optimum results as well as to maintain operational excellence. Thus face of HR ought to change, now it can't be treated as staff function but itis much more capable to go beyond that and is ready to play a crucial role as a strategic business partner like other functions.

But two questions remain still unanswered "what are the challenges?" or "how to cope up with these?" Let us find out the answers of these queries from an angle of HR professionals of 21st century with strategic mind-set.

1. Work Force Diversity: World has now turned into 'Global Village', wherein movement of manpower within and outside the country is seems to be quite natural particularly in booming IT/BPO sector. Though in other industry also follows the same path. More and more foreign nationals with specialised knowhow are being hired to work in India (we called them as EXPAT). Workforce diversity we have seen in the following areas.

- Movement of workforce within the country
- Increase in number Gen Y (youngsters) in workforce.
- EXPATs in Indian operations
- Changing of Gender mix ratio

HR professional must play a significant role, by developing robust but employee friendly HR policy without any gender biasness. Also competitive compensation package which has clarity as well as performance driven, needless to mention for EXPAT separate policy on compensation needs to be rolled out.

2. Attracting talents- A challenge: Technological progress particularly last decade is mesmerising. Automation drastically changing most of the operations and make redundant some more. Attracting new talents with desired technical knowledge has poised a big challenge for HR professionals. Problem is more acute for the organisations having conservative compensation package.

To overcome above situations, today's organisations are hiring fresh Trainees from Engineering College or B Schools and upgrade their knowledge through proper training. Such hiring are still less expensive than hiring a lateral recruits with sky high expectations. Also HR has to play a very crucial role make them effectively engaged and due amenities to be provided.

3. Talent Development – A challenge: Talent development is one of the key areas where HR has to play a crucial role. As demand for technically competent personnel increases, we are observing quality of human capital is fallen short of industry standard.

Hence, to make these new entrants industry ready, requisite technical inputs needs to be provided at the very initial stage of their employment.

In organisation like L&T, we spend a substantial part of our training budget to develop fresh Graduate and Diploma Engineers to make them accustomed with L&T practices. Job rotation is one of the exercise through which fresh engineering graduates can get a fair idea and knowledge of other functions and activities.

It is one of the major responsibilities of HR to develop pool of talents and if technological advancement requires, de-train and re-train the manpower in order to make them industry ready to accept the challenge generating from technological changes. Not only this, HR plays a pivotal role in developing a pool of future leaders, who can at any point of time, is ready to accept business challenges.

4. Talent Engagement: Another area of paramount importance is effective engagement of work force. Perhaps it is one of the most important parameter for achieving operational excellence and effectiveness of any organisation.

Today's workforce value their work in different way -not just pay hike or promotion only but work should have a positive life experience something more creative. Most of the times we found that line managers treat it as a threat and keep on trying to engage them with little or no results. HR needs to play a vital role by critically reviewing their needs, at the same time work extensively with leadership and line management team to empower them with the skills as well as awareness they will need to harness energy, creativity and intelligence to be the part of engaged workforce. It is imperative for every organisation to change its age old mind set and need to recognise the trend towards individualisation of employee's need and HR has to review and segregate such population for tailor made policies and overall employment proposition to maximise engagement. HR is suggested to play role of an agent to formalise the following areas for enhanced talent engagement.

- Defining talent with Organisational expectations. Organisation at the very beginning must define it's perception about talent and also expectation from a particular position as both of them varies company to company.
- Developing a strong Employer Brand by practising and nurturing company culture and treatment towards employees, working environment so on and so forth.
- Clarity of purpose for which an employee is hired and how/where he/she will be progressed to fulfil their dream.
- Formalising dialogues with employees with a tenacity to listen and understand the needs and grievances. Only formal communication will not serve this purpose.
- Constant endeavour to nurture and hone skill set of the employee based on their competence and functions to make them ready for next level leadership positions.
- Reviewing and revisit the effectiveness of talent engagement process from time to time.

It is imperative for every organisation to change its age old mind set and need to recognise the trend towards individualisation of employee's need and HR has to review and segregate such population for tailor made policies and overall employment proposition to maximise engagement. HR is suggested to play role of an agent to formalise the following areas for enhanced talent engagement.

5. *Talent Retention – A challenge*: Due to rapid and huge influx of Gen Y in workforce, we have observed a sea change in workplace ethos. Loyalty towards organisation is now becoming a myth. Gone those days, when an employee dreamt to get retire from a company. Today's' generation believes in challenging assignment and continuous development with proper work life balance with a good pay package. Any of these three factors get disturbed, they will not hesitate to leave, be it a branded company or good pay master.

Today's' business accepts human as its capital and HR can play a vital role to retain such technically sound assets from draining out. It can play the following role to retain talents.

- Effectively designed and well implemented employee engagement initiatives.
- Implementation good HR practices with transparency and mutual trusts.
- Effectively monitored and continuously enriched training and capability process
- Understandable compensation policy with special emphasis on take home pay.

6. *Performance Management System*: The overall impact of Performance Management System on the human resources remained to be crucial for their sustenance be the system perceived as best or worst.

Therefore, it is needless to mention that a sound performance management system can create a visible change though PMS is remained to be a much debated issue irrespective of any industry. However, as an HR professional we believe that in following areas HR can contribute to ensure a performance driven culture. PMS should have clarity with a strong feedback sessions in which exact areas wherein a job holder is fallen short needs mutual discussion. Most of the time in these two areas it has been criticized and result is quite obvious i.e. dissatisfaction, low morale and results in attrition.

Our nation is on its way towards globalisation and its impact towards our socio-economical life is enormous. Therefore, HR has to play a role of a change agent by proactively predict such changes much before its actual occurrence and initiate above discussed steps (though not exhaustive one) to convert those challenges into fresh opportunities for our capable work force. MA

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The Test of Leadership

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In my last article 'A leader's journey from ordinary to extraordinary,' I had emphasised on Karna's imperfections which resulted in him not being acknowledged as a great leader. He failed because of his abject submission to Duryodhana's countless mistakes. He became ethically corrupt. In my current article, let me try and reflect on another essential shade of Leadership - Compassion and Empathy – a must-have for all inspiring leaders today.

Whether it is an organisation or an individual, everyone has to pass through a process of evolution – much like the graduation from seasoned grapes in a vineyard to a matured and rich blend of wine. How well you mature leaves a lasting impression on your customers. Transformation is today's mantra. In order to remain relevant and also ahead in the race, today's leaders have to adapt and embrace

> *As we study the leadership styles, especially in large business organisations, we come across leaders who are mostly transactional. They motivate their subordinates through a mechanism of give and take. For securing improved bottom lines for the organisation, subordinates are expected to deliver higher returns.*

this worldly phenomenon, otherwise they will perish. Improvising and improving are the rules of the game.

As we study the leadership styles, especially in large business organisations, we come across leaders who are mostly transactional. They motivate their subordinates through a mechanism of give and take. For securing improved bottom lines for the organisation, subordinates are expected to deliver higher returns. Higher productivity, improved efficiency, implementation of cost effective methods and establishing superior relationship among clients and customers are linked to Key Result Areas (KRAs) and Key Performance Indices (KPIs) of individuals. Acknowledging the enhanced performance of subordinates, managers usually provide higher incentives. At times they offer hefty increments and in some very exceptional cases place the superior performers in accelerated career progression path. This scheme serves as a win-win opportunity. On the one hand the organisations turn healthier, whereas on the other hand employees derive higher rewards, lead a superior life style and continue to remain as key contributors. Thus both the organisation and its employees keep advancing in the cherished upward direction.

However, the above technique (give and take) becomes counter-productive, especially when accomplishment of team goals (and not individual performance) is the need of the hour. In such a set-up, the individual's brilliant performance followed by higher rewards only to these superior performers, works as a deterrent to achieving the organisation's goal. Yes, initially everyone tries to challenge his or her own limits – a kind of positive stress, which promises impressive results. However, in due course, the team gradually loses its focus and its competitive sharpness. The bell curve approach of rewarding employees takes the group to a kind of disarray. Fierce competition among team members often results in trust deficit, confusion, conflicting mind-set and ego related issues. Each member, instead of remaining supportive to the other, drags him (or her) down, and as a result, the unity amongst team members gets destroyed. The work atmosphere turns gloomy. The group, which till yesterday seemed to be well oiled and lubricated, suddenly seems disjointed. Cracks in relationships get exposed. Though the organisation believes it has implemented a superior performance appraisal system, its overall progress stagnates.

A very important and delicate point seems to get lost in the above reward system. The position in a rowing event is not determined by a few extra-ordinary, efficient and talented rowers in the group. For any team to excel and win races, the leader needs to focus on improving the rowing skills of relatively weak performers. Just branding them as inferior and depriving them of their reward will have a negative effect. Upgrading skills of sluggish performers and continuously improving the cohesiveness among team members are as important as keeping the efficient performers motivated for superior contribution.

On the contrary, a more compassionate yet successful approach to leadership can be seen among mothers, who according to me are unarguably the best leaders in the world. Have we ever come across mothers differentiating among her children? Does she apply the principle of carrot and stick among her able and not so able offspring? Does she ever practice or encourage the blame game mind set in the family? Yes, at times she too punishes her children which might seem like discrimination. But remember, the purpose there is to discipline the children. To help them inculcate good habits. Certainly not to deprive them of their incentive based on some relative performance yardstick. For example, when she emphasizes honesty among her children, she never discriminates between varying degrees of dishonesty. Deliverables vis-a-vis rewards or punishments are made very clear to the children. Either the child is right and he is entitled for the reward or he is wrong and faces the stick. The mother makes sure that there is no damage to the emotional health of her children. Thus it is high time that we, as leaders, weigh every move of ours and analyse their impact on human psyche.

I am sure everyone will agree that all mothers are inspiring and spirited individuals. A mother hardly subscribes to a transactional style of leadership. She does not persuade her children to over perform just by highlighting their personal aspirations. She does not believe in rewarding her kids only when individual goals are attained. On the contrary, understanding the strengths and weaknesses of each of her children enables her to set different targets for different individuals. She guides everyone to think big, yet keeps them happy and firmly united. She remains a binding force to the family. She is absolutely precise in her unique model - Compassion and Empathy. She encourages her children to surpass past records. In return, she expects absolutely nothing. Nothing is more satisfying to her than to see the children blossom to their full potential. Even in total failure hugs and kisses from mother act as a calming reassurance to her children. Children once again start believing in themselves. They get re-energized and make much more determined and focused attempts next time.

I am reminded of the childhood days of Thomas Alva Edison. Though Edison was a sickly child, he was very curious throughout his life. Because of his sicknesses he started going to school very late, roughly when he was about eight years old. Initially, he attended a private school. He was very restless and did not perform well there. He disliked the rote teaching methods and the lack of flexibility. When the teachers declared that he was a slow child, his mother took him out of the school and began teaching him at home. And we all know what a prolific impact Edison had on the human civilization through his innumerable innovations. The electric bulb was one such revolutionary creation. By the time he passed away in 1931, he had 1093 US patents in his name. What an inspiration that lady must have been in Edison's life. In spite of his disabilities his mother spotted the genius in him and inspired Edison to excel. No words of praise can describe his mother's contribution. Simply put, belief and empathy of a leader redefined.

Another striking difference in approach is in how various leaders face their subordinates during resource constraints. What happens when even after an excellent performance from individuals, promises for rewards cannot be met? Sad but true, in all such events flimsy excuses are offered. The so called transactional leaders simply hold higher management responsible for their own breach of contract. During the feedback session with subordinates the leader, either puts the blame on the economic condition or holds the bell curve model responsible for his inability to fulfil promises. To such leaders a perfect ten by more than one individual is impossible. Subordinates are made to believe that in some way or the other, one has to be necessarily inferior. Don't you find the rationalization baffling? In fact, such timid explanations can be compared to something like assuring full payment to the service provider on receipt of services but imposing some kind of penalty based on fictitious and non-existent clause when the actual services are rendered. Do such leaders really have alternative explanations while facing aggrieved subordinates? To be honest, these leaders lack the courage in facing the uncomfortable situation that they might have created knowingly or unknowingly. Unfortunately a group which does not gel well or where the credibility of the leader is in doubt cannot be expected to raise its level of performance. The team functions merely as an association of individuals devoid of definitive direction and purpose.

On the contrary, a thoughtful leader will never motivate his subordinates through artificial promises of rewards. Being a wise person, he will possibly take a leaf out of Srimad Bhagavad Gita. Encourage his folks to strive for excellence. Inspire them to dive deep inside and bring out their authentic desires to reality. Make them feel worthy of themselves. Motivate them to keep the flag of their performance flying high. The leader creates an environment where each subordinate tries to surpass preceding accomplishments. Competition here is not with others but with self. As a leader, he is conscious that if right things are done right, sooner or later financial rewards are bound to flow. To put it differently, in his style of leadership there is a sweet fragrance of positivity. Fellow feelings, sharing and caring, keeping the hope alive even at all odds and being cent percent committed are the key ingredients to his style of leadership. To this lively and energetic leader, there is absolutely no scope for remorse and dejection. "Karmanye Vadhikaraste Ma Phaleshu Kada Chana." He will keep on engaging his team members to put their best foot forward, always and every time. Encourage subordinates to have belief in their abilities and conquer fear - to try and fail rather than to give up before trying. To him committed efforts are far more important than failures. The leader is confident that if subordinates channelize their efforts with right purpose, honesty and sincerity, sooner or later they are bound to succeed. This positive vibe thereby spirals down to each and every member in the team and brings immense happiness and success in whatever they do.

In corporate houses too, such leaders create fascinating results. A unique blend of cooperative and not unreasonably competitive workforce, helpful and not self-centric individuals, targeting collective advancement and not personal growth of extra-ordinary performers, augurs greater success to any organisation, much like the way our two legs perform. Each leg knows that with every step taken forward, the position will change. Nothing in this world is permanent - not even our failures, personal shortcomings, sorrows or grief. What really matters in life is to get up after every failure. As a group, be prepared to face new challenges as and when they come. As Henry Ford aptly said, "Coming together is beginning, keeping together is progress and working together is success." Each employee, to be a successful and confident individual, needs to continue his support to his co-workers, especially during their trying times.

A leader must introspect. Be prepared to ask a few straightforward questions. What is his current orientation? Has he realized his potential as a leader? Does he have the resilience to remain focused when conditions are not so conducive? Does he walk the talk? Does he lead by example? Does he assign tasks in an objective way based on the individual's capabilities? Is he transparent enough in his assessments? Does he celebrate his success as success of the team and take the blemishes on himself when his group falters? Is he ready to sacrifice his personal gains for the team? In a nutshell, does he bear resemblance to a caring, compassionate, loving mother? The sooner a leader aligns his persona to that of an affectionate mother, the earlier he would be in charge of his actions and the better would be the work environment. At that time, both the leader and the subordinates would have a purposeful, happy co-existence. Every change will be seen as an opportunity and not merely as an obstacle.

The simple mantra – in all ups and downs remain decisively united. Any vibrant group will believe that it is always better to remain as collaborators than to be branded as fierce competitors. Always remember the golden saying, "United we stand, divided we fall." MA

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स्मार्ट सिटीत कॉस्ट अकाउंट महत्त्वाचे

दी इन्स्टिट्यूट ऑफ कॉस्ट अकाउंटंट ऑफ इंडियाचे मत

सकाळ वृत्तसेवा

नागपूर, ता. २५ : स्मार्ट सिटी प्रकल्पासाठी वेगवेगळ्या स्तरावरून निधीची तरतूद केली जाणार आहे. मात्र त्याची अंमलबजावणी स्थानिक स्तरावर होणार आहे. त्यामुळे या प्रकल्पाच्या अंमलबजावणीत कॉस्ट अकाउंटंटची भूमिका अतिशय महत्त्वाची राहील, असा सूर वक्त्यांनी व्यक्त केला.

'कॉफी विथ सकाळ' या उपक्रमात दी इन्स्टिट्यूट ऑफ कॉस्ट अकाउंटंट ऑफ इंडियाच्या नागपूर शाखेचे ए. आर. सहस्त्रबुद्धे, श्रीराम महांकालीवार, पी. व्ही. भड्ड, श्रीहरी चावा, अरुणकुमार आणि अनिल वर्मा सहभागी झाले होते. श्रीराम महांकालीवार म्हणाले, स्मार्ट सिटीची कोणतीही व्याख्या नाही. वेगळ्या गोष्टी वेगवेगळ्या लोकांसाठी हा प्रमुख कन्सेप्ट आहे. या प्रकल्पासाठी केंद्र राज्य आणि स्थानिक संस्था निधी उभारणार आहे. अशा स्थितीत निधीच्या प्रभावी वापरासाठी या प्रकल्पात कॉस्ट अकाउंटंटची भूमिका महत्त्वाची राहणार आहे. याअंतर्गत कोणताही प्रकल्प सुरू झाल्यानंतर त्याच्या यशस्वी दीर्घ अंमलबजावणीच्या दृष्टीने नियोजनाची आवश्यकता राहील. ती जबाबदारी कॉस्ट अकाउंटंट लीलया पेलवतील, असा विश्वासही त्यांनी व्यक्त केला.

पी. व्ही. भड्ड म्हणाले, स्मार्ट सिटीसाठी सामाजिक आणि तांत्रिक सहकार्य सरकारचे राहणार आहे. मात्र, स्थानिक स्तरावर त्याची अंमलबजावणी होणार आहे. त्यामुळे प्रकल्पाच्या आर्थिकदृष्ट्या प्रभावी व काटेकोर अंमलबजावणीत कॉस्ट अकाउंटंटची भूमिका महत्त्वाची आहे. त्याला संधी मिळाल्यास अनेक समस्या आपोआपच निकाली निघण्यास मदत होईल. श्रीहरी चावा म्हणाले, स्पर्धा मूल्य कमी ठेवण्यासाठी धोरणाची गरज असते. असे धोरण असेल तरच स्मार्ट सिटी बनेल आणि भविष्यात टिकेल. प्रकल्पाची दीर्घकालीन यशापयशाची खात्री केल्यानंतरच गुंतवणूकदार गुंतवणुकीला तयार होतील. स्पर्धा मूल्य ही निरंतर चालणारी प्रक्रिया आहे. जी काम करण्याची पद्धत, उत्पादन आणि प्रक्रियेला एकाच वेळी प्रभावित करते. सर्वांत शेवटी लाभार्थ्यांनाच त्याचा फायदा होतो. ए. आ. सहस्त्रबुद्धे म्हणाले, प्रकल्प लांबल्यास अकारण प्रकल्पाच्या किमतीत वाढ होते. अशावेळी कास्ट मॉनिटर आणि मॅनेज करण्याची गरज असते. कॉस्ट अकाउंटंट ही दोन्ही कामे यशस्वीरीत्या पार पाडू शकतो. तो या दोन्ही प्रक्रियेवर लक्ष ठेवू शकतो. किंमत आणि वेळेच्या धर्तीवर तो प्रकल्पाच्या जुन्या किमतीशी आजच्या किमतीची सांगड घालू शकतो. तुलना करू शकतो, असा विश्वासही त्यांनी व्यक्त केला. यामुळे प्रकल्पाची किंमत स्थिर ठेवण्यास कॉस्ट अकाउंटंटची भूमिका अतिशय महत्त्वाची आहे. अरुण कुमार म्हणाले, आलेल्या निधीचा योग्य वापर होतो किंवा नाही यावर लक्ष ठेवण्यासाठी स्मार्ट सिटीच्या रेग्युलेटिंग बॉडीमध्ये कॉस्ट अकाउंटंटची नितांत गरज आहे, अशी असे मत मांडले.

नागपूर : 'कॉफी विथ सकाळ' उपक्रमात सहभागी ए. आर. सहस्त्रबुद्धे, श्रीराम महांकालीवार, पी. व्ही. भड्ड, श्रीहरी चावा, अरुणकुमार आणि अनिल वर्मा.

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IFRS 16 Leases

Much waited new Accounting Standard on leasing transaction finally released by IASB on last 13th January, 2016. This standard is resultant, after a series of debates, arguments and explanations for over six years since 2009 across the world. By this Balance Sheet of almost all business houses will change significantly in terms of shape and size, particularly those having higher number of leasing transaction as a Lessee. Airlines, Retailers and Travelling / Transport industries are much venerable to this new standard. On the day of releasing the standard, it was estimated that about USD 3 trillion (2014 data) off Balance Sheet items will be brought back to on Balance Sheet, when the standard will come into effect from 1st January, 2019. Economic world (business houses, rating agencies and bankers) have welcomed this move and expected much usefulness about the report while assessing and comparing a business or industry.The new standard facilitates to compare those assets acquired through borrowed fund against the lease assets in the same entity or others. Since this standard brings significant changes in recognition, measurement, accounting and disclosure in Lessee's book, IASB released a comprehensive document called 'Effect Analysis' before releasing of IFRS 16 useful to the readers and users.

Main purpose of this standard was to assess and bring transparency about the leased liabilities and corresponding assets of a business house (lessee), who enters into different leased based irrevocable firm agreements. Under IAS 17, the lease transactions categorized under either financial lease or operating

IFRS 16(Leases) is issued by IASB is applicable with effect from 1st January, 2019. The new standard is issued to address, how off** balance sheet **lease items bring backto the balance sheet and stop guesswork about to know actual leased assets and corresponding liabilities to the investor and other user of the financial report.It has brought changes about definition of lease (as contract) and a complete setup of new accounting model, substantially different than the current one in many ways.IFRS 16 also able to facilitate capital allocation and fair investment decision making to all the stakeholders. Business world welcome this move and expect a long lasting impact on making more qualitative economic decisions.

lease and all future leased liabilities categorized under operating lease kept out of Balance Sheet as notes to accounts. Consequently, it is difficult for an investor or assessor to know actual lease liability, which is in practice overstatement of liability. IFRS 16 essentially eliminate sale and lease back transaction as off balance sheet. The new standard will stop the guesswork and brings transparency while calculating leases assets and liabilities.

Main features

It is obvious to list out significant changes and features of the new standard, different than the present IAS 17 and related interpretations.

i. IFRS 16 abolished concept of lease categorization, called Finance Lease and Operating Lease, instead all leases will be treated like Finance Lease (as per IAS 17) in the books of lessee.

ii. Future payment of lease agreements will be capitalized (in the books of Lessee) at their net present value, called Leased assets or Right of Use assets along with other assets of the entity. Corresponding liability called Leased Liability also to be recognized, representing all future payments. Thus all off Balance Sheet notes to accounts till now will form part of Balance Sheet.

iii. Present value of only those leased liabilities will be considered, where payment is unavoidable and fixed. Any variable or uncertain future payments are not to be considered.

iv. Lease payment (amount spent by the lessee to the lessor) will have two components, depreciation of leased assets and interest expenses on leased liabilities to be recorded in the entity's Income Statement and actual cash outflow will be settled against leased liabilities under Balance Sheet.

v. The new standard will be applicable only when the Lease agreement period exceeds 12 months or more and lease payment is substantial. Like small lease rental payment for furniture, office equipment etc. is not forming part of this standard.

vi. Service contract is not forming part of IFRS 16 and not required to bring in to the balance sheet. If an agreement has component of both element service and l ease, IFRS 16 applies to lease component only.

vii. The lessor's books continue to recognize the leased assets in accordance with IAS 17 with certain enhanced disclosures.

a) All component of lease income to be disclosed separately in accordance with IFRS 15 (revenue from contract with customer).

b) Disclosure and explanation about, how the lessor manages risk involved in residual value of assets.

c) Separate information about different class of operating leased assets.

viii. The new Standard replaces,

a) IAS 17, Leases,

b) IFRIC 4, Determining whether an Arrangement contains a Lease,

c) SIC 15, Operating Lease – Incentives and

d) SIC 27, Evaluating substance of Transactions, involving Legal form of Lease

ix. IFRS 16 is applicable from 1st January, 2019. Early application is permitted, as long as IFRS 15 also applies.

Impact of IFRS 16

Most significant changes are its 'accounting model' in the books of lessee.All we aware about Pre Payment of Rent/ Lease and amortization of Rent/ Lease expenses over the period of agreement, will become stuffs of past. This lease payment will be adjusted against future financial liabilities created into the Balance Sheet by the Lessee under the agreement.

As a professional it isprudent to understand whole conceptual framework, changes in accounting& measurement and changes of different ratios of Income Statement, Balance Sheet and Cash flow Statement by applying IFRS 16.

Let us closely look at an example, where an Entity A, inter into an agreement for five year effective 1st January, 2019 and hired equipment with yearly lease payment schedule stated below. All the payments are made at the end of the period. At the end of five years, the equipment will be returned back to the lessor.

The lease payment schedule (INR 000)

Year 1	Year 2	Year 3	Year 4	Year 5
2000	2500	3000	3500	4000

Accounting in the Book of Lessee

Under current (IAS 17) accounting standard, above example is categorized under 'operating lease' and accordingly at the time of making lease payment, transaction will be recorded as:

Settlement of Lease Payment under *IAS 17*	Y1	Y2	Y3	Y4	Y5	Total
Lease Expenses (Operating Expenses) *Dr.*	2,000	2,500	3,000	3,500	4,000	15,000
Cash /Bank *Cr.*	2,000	2,500	3,000	3,500	4,000	15,000

Settlement of Lease Payment under *IFRS 16*	Y1	Y2	Y3	Y4	Y5	Total
Lease Liabilities *Dr.*	1,361	1,929	2,526	3,152	3,810	12,777
Interest Expenses on Balancing lease liabilities *Dr.*	639	571	474	348	190	2,223
Cash /Bank *Cr.*	2,000	2,500	3,000	3,500	4,000	15,000

Interest calculation methodology stated below.

From above, it appears, lease expenses treated as operating expenses forming part of EBIDTA and no impact on balance sheet under IAS17, while IFRS 16 makes a partial settlement of financial lease liabilities and interest expenses impacting both income statement and balance sheet. At the end of first year closing, a note explained that the entity has future lease liability for 13,000 (amount pertains to year 2 to year 5). This amount called 'off Balance sheet' item, since the amount not recorded or recognized by the lessee and 13,000 disappears from the Balance sheet under IAS 17.

Also, present value of the future liability opens a guesswork for user of the financial statement is cause of concern and real liability and corresponding assets remain unknown.To overcome this deficiency, the new standard (IFRS 16) steps in. Under this, lessee will measure and record leased assets and liabilities by applying Net Present Value (NPV) on a reasonable and logical discount factor based on current market scenario.

In the above example, if discount rate taken as 5%, NPV will be 12,777. Accordingly, at the time of entering into the agreements, lessee will recognize leases assets and liabilities in its book by passing following journal.

Dr. Right of Use (Lease) Asset 12,777
Cr. Lease Liabilities 12,777
(Asset and liabilities created based on present value of lease payments @5% discount)

Impact of above in the financial statement in next five years vis a vis if compared with existing standard (IAS17), the resultant income statement would be as follows. Certain figure of interest adjusted during Y5 to equalize.

Standard Applies	Item of Expenses	Y1	Y2	Y3	Y4	Y5	Total
IAS 17	Operating Expenses	2,000	2,500	3,000	3,500	4,000	15,000
IFRS 16	Depreciation	2,555	2,555	2,555	2,555	2,555	12,777
	Interest	639	571	474	348	190	2,223
	Total Expenses charged to P&L	3,194	3,126	3,030	2,904	2,746	15,000
Difference	**Changes in the Net Profit / Equity**	**1,194**	**626**	**30**	**(596)**	**(1,254)**	**-**

IFRS 16, it impacted EBITDA, net profit and related operational ratios, as compared to IAS 17 into the Income Statement, where Balancesheet significantly changes due to creation of assets andfinancial liabilities.Cash flow statement changed by 'cash generated from operation activities' changes to financial activities to the extent amount charged to interest. Since leverage ratio changes, bank's covenant will also get changes significantly. In due course, banks will alter their covenant parameter or suitably adjust the financial data to measure the covenant.

Applying IFRS 16

IASB expects more transparent accounting and assessment. At the same time, business house, required to do much while applying the new standard, this includes and not limited to changes internal system process, educate to staff and cost involve in transformation. The lessee should have look at the impact on tax liabilities, borrowing cost and meeting leverage ratios.Though Lessor's books continue to be the same as of now, IFRS 16 expect much discloser, which may requires internal system transform etc.Since it is applicable from 2019, accordingly the entities should have to make the corresponding changes in 2018 and opening equities of 2018 if it differs significantly from the present one. MA

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ROLE OF CMAs IN AGRICULTURAL INNOVATION AND SUSTAINABILITY

Agricultural Entrepreneurship

Mass employment generation is possible with the emergence of Agricultural Entrepreneurship. Developing entrepreneurs in agriculture will solve burning problems like reducing the burden of agriculture, generating employment opportunities for rural youth, control migration from rural to urban areas, increasing national income, support industrial development in rural areas, reduce the pressure on urban cities etc. A major stumbling block for many farmers to expand production or diversify into new high value enterprises is lack of access to finance. Agro- Entrepreneurs who are starting new enterprises often face difficulty in raising investment capital. The CMAs with their professional expertise can negotiate with banks and other agencies in order to get the assistance they need to establish their new enterprise.

Women Entrepreneurship

Women entrepreneurship is beneficial for women in rural areas as it enables them to add to the family income while taking care of their own home and livestock centered task. Entrepreneurship development among rural women helps to enhance their personal capabilities and increase decision-making status in the family and society as a whole. In this context, the financial institutions should come forward and encourage women entrepreneurship by providing them micro-credit assistance at low rate of interest to reduce the cost structures and for their economic freedom. Further, the SHG is a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes. It is an organized set up to provide microcredit to the rural women on the strength of the group savings without insisting on any collateral security for the purpose of encouraging them to enter into entrepreneurial activities. A huge amount of fund is being mobilized through these SHGs. Thus CMAs can help out in proper auditing of accounts on regular basis to provide the transparency and accountability among the members. SHG Audit is an effective medium as SHGs enable women to grow their savings and to access the credit which banks are increasingly willing to lend to rural poor for their socio-economic empowerment.

Agro- Tourism

Many Indian farmers are currently involved in or considering the use of agro-tourism as a means of diversifying their farm operations. The full growth potential for agro-tourism can only be achieved if strategies to address their challenges are developed and implemented. The main challenge for agro-tourism operators is accessing funds provided by financial institutions. The CMAs with their professional expertise can negotiate with the financial institutions in order to get the assistance they need. Again, travelers visiting farms are also concerned with getting good value for their money. Consequently, it is important to strive for the highest product and/or service quality that can be delivered on a consistent basis. The CMAs can apply Total Quality Management strategy for quality service and suggest suitable pricing mechanism strategy subject to the quality standard for profit maximization of the farmers.

Organic Farming

Organic farming is a modern technique of crop production which is used by the farmers to improvise the crop yields and cultivation method using the available natural resources without harming the people and the environment. But again, there are certain disadvantages like high price of organic products and therefore common people cannot afford it and the cost of labor charges is high when compared to traditional farming charges. In this regard, the CMAs can advice suitable pricing strategies for enhancing marketability of the organic products and also apply Cost Management techniques for cost control and cost reduction to increase productivity and consumerism.

Public-Private Partnership to ensure Food Security

Indian farmers are vulnerable to adverse weather and environmental conditions that spell disaster for their produce. In fact, in a country where farmer suicides are common, such interventions can actually save lives. PPPs can help the agricultural sector deal with weather shocks and enable farmers to de-risk themselves through insurance, etc., can emerge as a crucial helping hand. Hence, CMAs can suggest suitable strategies to initiate the public-private interest, benchmark governance methodologies, technology, check allocation and apportionment of funds, carry out Risk Mapping and Resource Mapping techniques to encourage Public-Private Partnership.

Building effective Co-operatives:

Main aim of the cooperative is to get the poor and indebted farmers out of poverty and out from the clutches of money lenders. Cooperatives are now playing a very significant role in framing the socio-economic development of our country. Cooperatives provide credit to the farmers, the most needed thing in the farming. Apart from this, cooperatives help farmers by providing top quality fertilizers, seeds, insecticides, pesticides etc at reasonable price. Farmers also get marketing, warehousing facility and transportation support from the cooperatives. But some Co-operative sectors lack in the required funds, mismanagement, manipulation, restricted coverage, lack of awareness, etc. The CMAs can keep a track on allocation and apportionment of fund allotted to the farmers. They can lend a hand to the cooperatives in maintaining accounts and records with regular audits for closer supervision and follow-up to eradicate manipulation and embezzlement of cash.

Agricultural Value Chain Development

In agriculture, value chains have always been in existence in the sense that farms carried out production and the final consumer accessed the produce, with the produce itself traversing through several channels and players. The existence of several middlemen, absence of information about other links in the chain and inability to invest in improving the performance in almost every part of the chain led to inefficiencies and lower incomes especially in the lower end of the chain. In this regard, the CMAs can apply Value Chain Management technique for minimizing resources and accessing value at each chain level, resulting in optimal process integration, decreased inventories, quality produce and enhanced customer satisfaction.

Roles and Responsilibilities of the Auditor under Companies Act 2013

CMA A. B. Nawal
Chairman
Taxation Committee
Institute of Cost
Accountants of India

Companies Act 2013 has been enacted on 30th August 2013 and earlier **98 Sections** were made effective from **12th September 2013** and now around **185 Sections** are made effective from **1st April 2014.** Moreover, numbers of rules have also been notified and therefore it is important to get updated on the same.

Chapter X read with Section 139 to Section 148 deals with provisions relating to Audit & Auditors as given below:

- Section 139 – Appointment of auditors
- Section 140 - Removal, resignation of auditor and giving of special notice
- Section 141 - Eligibility, Qualifications and disqualifications of auditors
- Section 142 – Remuneration of auditors
- Section 143 - Powers and duties of auditors and auditing standards
- Section 144 - Auditor not to render certain services
- Section 145 - Auditor to sign audit reports, etc.
- Section 146 - Auditors to attend general meeting
- Section 147 – Punishment for contravention
- Section 148 – Central Government to specify audit of items of cost in respect of certain companies.

Section 143 deals with "**Powers & duties of auditors and Auditing Standards**" of auditors and therefore it needs to be carefully examined. Provisions of Section 143 are reproduced below:

(1) Every auditor of a company shall have a right of access at all times to the books of account and vouchers of the company, whether kept at the registered office of the company or at any other place and shall be entitled to require from the officers of the company such information and explanation as he may consider necessary for the performance of his duties as auditor and amongst other matters inquire into the following matters, namely:—

a. whether loans and advances made by the company on the basis of security have been properly secured and whether the terms on which they have been made are prejudicial to the interests of the company or its members;

b. whether transactions of the company which are represented merely by book entries are prejudicial to the interests of the company;

c. where the company not being an investment company or a banking company, whether so much of the assets of the company as consist of shares, debentures and other securities have been sold at a price less than that at which they were purchased by the company;

d. whether loans and advances made by the company have been shown as deposits;

e. whether personal expenses have been charged to revenue account;

f. where it is stated in the books and documents of the company that any shares have been allotted for cash, whether cash has actually been received in respect of such allotment, and if no cash has actually been so received, whether the position as stated in the account books and the balance sheet is correct, regular and not misleading:

Provided that the auditor of a company which is a holding company shall also have the right of access to the records of all its subsidiaries in so far as it relates to the consolidation of its financial statements with that of its subsidiaries.

(2) The auditor shall make a report to the members of the company on the accounts examined by him and on every financial statements which are required by or under this Act to be laid before the company in general meeting and the report shall after taking into account the provisions of this Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of this Act or any rules made thereunder or under any order made under sub-section (11) and to the best of his information and knowledge, the said accounts, financial statements give a true and fair view of the state of the company's affairs as at the end of its financial year and profit or loss and cash flow for the year and such other matters as may be prescribed.

(3) The auditor's report shall also state :

a. whether he has sought and obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose of his audit and if not, the details thereof and the effect of such information on the financial statements;

b. whether, in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of those books and proper returns adequate for the purposes of his audit have been received from branches not visited by him;

c. whether the report on the accounts of any branch office of the company audited under sub-section (8) by a person other than the company's auditor has been sent to him under the proviso to that sub-section and the manner in which he has dealt with it in preparing his report;

d. whether the company's balance sheet and profit and loss account dealt with in the report are in agreement with the books of account and returns;

e. whether, in his opinion, the financial statements comply with the accounting standards;

f. the observations or comments of the auditors on financial transactions or matters which have any adverse effect on the functioning of the company;

g. whether any director is disqualified from being appointed as a director under sub-section (2) of section 164;

h. any qualification, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith;

i. whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls;

j. such other matters as may be prescribed.

(4) Where any of the matters required to be included in the audit report under this section is answered in the negative or with a qualification, the report shall state the reasons therefor.

(5) In the case of a Government company, the Comptroller and Auditor-General of India shall appoint the auditor under sub-section (5) or sub-section (7) of section 139 and direct such auditor the manner in which the accounts of the Government company are required to be audited and thereupon the auditor so appointed shall submit a copy of the audit report to the Comptroller and Auditor-General of India which, among other things, include the directions, if any, issued by the Comptroller and Auditor-General of India, the action taken thereon and its impact on the accounts and financial statement of the company.

(6) The Comptroller and Auditor-General of India shall within sixty days from the date of receipt of the audit report under sub-section (5) have a right to:

a. conduct a supplementary audit of the financial statement of the company by such person or persons as he may authorized in this behalf; and for the purposes of such audit, require information or additional information to be furnished to any person or persons, so authorized, on such matters, by such person or persons, and in such form, as the Comptroller and Auditor-General of India may direct; and

b. comment upon or supplement such audit report: Provided that any comments given by the Comptroller and Auditor-General of India upon, or supplement to, the audit report shall be sent by the company to every person entitled to copies of audited financial statements under sub section (1) of section 136 and also be placed before the annual general meeting of the company at the same time and in the same manner as the audit report.

(7) Without prejudice to the provisions of this Chapter, the Comptroller and Auditor- General of India may, in case of any company covered under sub-section (5) or sub-section (7) of section 139, if he considers necessary, by an order, cause test audit to be conducted of the accounts of such company and the provisions of section 19A of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to the report of such test audit.

(8) Where a company has a branch office, the accounts of that office shall be audited either by the auditor appointed for the company (herein referred to as the company's auditor) under this Act or by any other person qualified for appointment as an auditor of the company under this Act and appointed as such under section 139, or where the branch office is situated in a country outside India, the accounts of the branch office shall be audited either by the company's auditor or by an accountant or by any other person duly qualified to act asan auditor of the accounts of the branch office in accordance with the laws of that country and the duties and powers of the company's auditor with reference to the audit of the branch and the branch auditor, if any, shall be such as may be prescribed:

Provided that the branch auditor shall prepare a report on the accounts of the branch examined by him and send it to the auditor of the company who shall deal with it in his report in such manner as he considers necessary.

(9) Every auditor shall comply with the auditing standards.

(10) The Central Government may prescribe the standards of auditing or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority:

Provided that until any auditing standards are notified, any standard or standards of auditing specified by the Institute of Chartered Accountants of India shall be deemed to be the auditing standards.

(11) The Central Government may, in consultation with the National Financial Reporting Authority, by general or special order, direct, in respect of such class or description of companies, as may be specified in the order, that the auditor's report shall also include a statement on such matters as may be specified therein.

(12) 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 involving fraud is being or has been committed against the company by officers or employees of the company, he shall immediately report the matter to the Central Government within such time and in such manner as may be prescribed.

(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.

(14) The provisions of this section shall mutatis mutandis apply to -

a. the cost accountant in practice conducting cost audit under section 148; or

b. the company secretary in practice conducting secretarial audit under section 204.

(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.

Moreover, provisions of Section 147 (2) stipulates that, If an auditor of a company contravenes any of the provisions of section 139,section 143, section 144 or section 145, the auditor shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees:

Provided that if an auditor has contravened such provisions knowingly or willfully with the intention to deceive the company or its shareholders or creditors or tax authorities, he shall be punishable with imprisonment for a term which may extend to one year and with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees.

Each Auditor have to comply with the auditing standards and Cost Accountant have to comply with Cost Auditing Standards and Company Secretary needs to comply with secretarial standards. Otherwise, provisions of Section 143(15) read with Section 147(2) will be applicable.

In view of the same, it is important to understand such standards. The comparison of relevant auditing standards is given below:

S.No.	IAASB	ICAI	ICAI-CMA
1	ISA 300, Planning an Audit of Financial Statements	SA 300 (Revised), Planning an Audit of Financial Statements	CAS-101, Planning an Audit of Cost Statement – effective 11.09.2015
2	ISA 230, Audit Documentation	SA 230 (Revised), Audit Documentation	CAS-102, Cost Audit Documentation – effective 11.09.2015
3	ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing	SA 200 (Revised), Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing	CAS-103, Overall Objectives of the Independent Cost Auditor and the Conduct of an Audit in Accordance with Standards on Auditing – effective 11.09.2015
4	ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment	SA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment	CAS-104, Knowledge of Business, its Processes and Business Environment – effective 11.09.2015
5	ISA 210, Agreeing the Terms of Audit Engagements	SA 210 (Revised), Agreeing the Terms of Audit Engagements	SCA-105 Finalized by the Board, approved by the Council and sent to MCA for approval
6	ISA 530, Audit Sampling	SA 530 (Revised), Audit Sampling	SCA-106 Finalized by the Board, approved by the Council and sent to MCA for approval
7	ISA 500, Audit Evidence ISA 501, Audit Evidence-Specific Considerations for Selected Items	SA 500 (Revised), Audit Evidence SA 501 (Revised), Audit Evidence—Specific Considerations for Selected Items	Approved by Board in 23rd meeting held on 10.12.2015; sent to Council for approval
8	ISA 320, Materiality in Planning and Performing an Audit	SA 320 (Revised), Materiality in Planning and Performing an Audit	Approved by Board in 23rd meeting held on 10.12.2015; sent to Council for approval

S.No.	IAASB	ICAI	ICAI-CMA
9	ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	SA 240 (Revised), The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	Approved by Board in 21st meeting dated 5/6.10.2015; ED issued on 16.11.2015; Being placed before Board in 24th meeting to be held on 24.12.2015
10	ISA 450, Evaluation of Misstatements Identified during the Audit	SA 450, Evaluation of Misstatements Identified During the Audit	Approved by Board in 22nd meeting dated 6.11.2015; ED issued on 27.11.2015; to be placed in 25th meeting
11	ISA 580, Written Representations	SA 580 (Revised), Written Representations	Approved by Board in 22nd meeting dated 6.11.2015; ED issued on 27.11.2015; to be placed in 25th meeting
12	ISA 610, Using the Work of Internal Auditors	SA 610 (Revised), Using The Work of Internal Auditors	Approved by Board in 23rd meeting held on 10.12.2015; ED being issued.
13	ISA 620, Using the Work of an Auditor's Expert	SA 620 (Revised), Using the Work of an Auditor's Expert	Approved by Board in 23rd meeting held on 10.12.2015; ED being issued.
14	ISA 260, Communication with Those Charged with Governance ISA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	SA 260 (Revised), Communication with Those Charged with Governance SA 265, Communicating Deficiencies in Internal Control to Those Charged With Governance and Management	Under preparation
15	ISA 520, Analytical Procedures	SA 520 (Revised), Analytical Procedures	Under preparation
16	ISA 330, The Auditor's Responses to Assessed Risks	WSA 330, The Auditor's Responses to Assessed Risks	Under preparation
17	ISA 600, Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)	SA 600 (AAS 10), Using the Work of Another Auditor	Under preparation
18	ISA 550, Related Parties	SA 550 (Revised), Related Parties	Under preparation
19	ISA 250, Consideration of Laws and Regulations in an Audit of Financial Statements	SA 250 (Revised), Consideration of Laws and Regulations in an Audit of Financial Statements	Under preparation
20	ISA 402, Audit Considerations Relating to an Entity Using a Service Organization	SA 402 (Revised), Audit Considerations Relating to an Entity Using a Service Organization	Under preparation
21	ISA 505, External Confirmations	SA 505 (Revised), External Confirmations	Under preparation
22	ISA 700, Forming an Opinion and Reporting on Financial Statements ISA 705, Modifications to the Opinion in the Independent Auditor's Report	SA 700 (Revised), Forming an Opinion and Reporting on Financial Statements SA 705, Modifications to the Opinion in the Independent Auditor's Report	Under preparation
23	ISA 720, The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements	SA 720,The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements	Under preparation
24	ISA 560, Subsequent Events	SA 560 (Revised), Subsequent Events	Under preparation
25	ISA 800, Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks	SA 800, Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks	Under preparation
26	ISA 710, Comparative Information-Corresponding Figures and Comparative Financial Statements	SA 710 (Revised), Comparative Information—Corresponding Figures and Comparative Financial Statements	Under preparation
27	International Standard on Quality Control (ISQC) 1, Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements	SQC 1, Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements	Guidance Manual for Audit Quality, prepared by the Quality Review Board (QRB); Audit Standard to be issued
28	ISA 510, Initial Audit Engagements-Opening Balances	SA 510 (Revised), Initial Audit Engagements – Opening Balances	Not relevant
29	ISA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	SA 540 (Revised), Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	Not relevant
30	ISA 570, Going Concern	SA 570 (Revised), Going Concern	Not relevant

S.No.	IAASB	ICAI	ICAI-CMA
31	ISA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	SA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	Not Relevant
32	ISA 805, Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement	SA 805, Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement	Not relevant
33	ISA 810, Engagements to Report on Summary Financial Statements	SA 810, Engagements to Report on Summary Financial Statements	Not relevant

It means, auditors / cost auditors have to maintain audit trends and such documents / records as prescribed in respective auditing standards.

Further, it is important to note the meaning of Fraud defined under :

Indian Penal Code, 1860

1.3 Indian Penal Code, which is the mother law concerning frauds has, as such, not defined the term 'fraud'. However, it has defined other related terms such as 'wrongful gain', 'wrongful loss', 'dishonestly', 'fraudulently', and 'reason to believe'. These are as under:

Section 23 "Wrongful gain"

"**Wrongful gain**" is gain by unlawful means of property which the person gaining is not legally entitled.

"**Wrongful loss**" is the loss by unlawful means of property to which the person losing it is legally entitled.

Gaining wrongfully, losing wrongfully- A person is said to gain wrongfully when suchperson retains wrongfully, as well as when such person acquires wrongfully. A person is said to lose wrongfully when such person is wrongfully kept out of any property as well as when such person is wrongfully deprived of property.

Section 24 "Dishonestly"- Whoever does anything with the intention of causing wrongful gain to one person or wrongful loss to another person, is said to do that thing "dishonestly".

Section 25 "Fraudulently" - A person is said to do a thing fraudulently if he does that thing with intent to defraud but not otherwise.

Section 26 "Reason to believe"- A person is said to have "reason to believe" a thing, if he has sufficient cause to believe that thing but not otherwise.

Indian Contract Act, 1872 – Section 17 states as follows

1.4 **"Fraud"** means and includes any of the following acts committed by a party to a contract, or with his connivance, or by his agents, with intent to deceive another party thereto his agent, or to induce him to enter into the contract;

- the suggestion as a fact, of that which is not true, by one who does not believe it to be true;
- the active concealment of a fact by one having knowledge or belief of the fact;
- a promise made without any intention of performing it;
- any other act fitted to deceive;
- any such act or omission as the law specially declares to be fraudulent.

Explanation—Mere silence as to facts likely to affect the willingness of a person to enter into a contract is not fraud, unless the circumstances of the case are such that, regard being had to them, it is the duty of the person keeping silence to speak, or unless his silence, is, in itself, equivalent to speech.

Reserve Bank of India

1.5 RBI had, per se, not defined the term 'fraud' in its guidelines on Frauds. A definition of fraud was, however, suggested in the context of electronic banking in the Report of RBI Working Group on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds, which reads as under:-

"'A deliberate act of omission or commission by any person, carried out in the course of a banking transaction or in the books of accounts maintained manually or under computer system in banks, resulting into wrongful gain to any person for a temporary period or otherwise, with or without any monetary loss to the bank."

The Insurance Fraud Monitoring Framework

1.6 In the context of insurance business, Insurance Regulatory and Development Authority (IRDA)has defined fraud as:

"an act or omission intended to gain dishonest or unlawful advantage for a party committing the fraud or for other related parties."

The Companies Act, 2013

1.7 With reference to the provisions for punishment for fraud, Section 447 of the Act has explained the terms fraud, wrongful gain and wrongful loss as under:

"**fraud**" in relation to affairs of a company or anybody corporate, includes any act, omission, concealment of 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;

"**wrongful gain**" means the gain by unlawful means of property to which the person gaining is not legally entitled;

"**wrongful loss**" means the loss by unlawful means of property to which the person losing is legally entitled.

1.8 The above definition of fraud is so broad that it conceivably includes any act committed by anyone with wrongful intent.

1.9 Section 447 provides punishment for fraud, as below:

Criminal Liability (Imprisonment)–Minimum of6 months (3 years in case public interest is involved) and Maximum of 10 years

Civil Liability (Fine/Penalty)–Minimum amount equivalent to the amount involved in the fraud and Maximum upto 3 times of the amount involved in fraud. Further, the penalty is non-compoundable

In other words, the definition of fraud is not restricted to fraud committed by employee to the Management but it also includes any act, omission, concealment of 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."

When the definition of "Fraud" is so large then it becomes imperative to read the proviso to Section 147(2), which clearly mentioned that :

Quote :

Provisions to Section 147 (2) clearly mentions that

Provided that if an auditor has contravened such provisions knowingly or willfully with the intention to deceive the company or its shareholders or creditors or tax authorities, he shall be punishable with imprisonment for a term which may extend to one year and with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees.

Each Auditor have to comply with the auditing standards and Cost Accountant have to comply with Cost Auditing Standards and Company Secretary needs to comply with secretarial standards. Otherwise, provisions of Section 143(15) read with Section 147(2) will be applicable.

Un-Quote :

Rule 13 of the Companies (Audit and Auditors) Rules, 2014

2.6 The Central Government, through the Ministry of Corporate Affairs, vide GSR 246(E) dated 31.03.2014, has notified the Companies (Audit and Auditors) Rules, 2014.

Rule 13 of the said Rules relates to reporting of frauds by auditor. Further, Ministry of Corporate Affairs, vide G.S.R. 972(E) dated 14.12.2015 has amended the Companies (Audit and Auditors) Rules, 2014 and completely substituted Rule 13 in the Companies (Audit and Auditors) Amendment Rules, 2015. The amended version of Rule 13 is reproduced below:

"**13. Reporting of frauds by auditor and other matters.-**

(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 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

(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, email 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.";

2.7 The significant provisions made in the aforesaid rules that, mutatis mutandis, apply to cost auditor and secretarial auditor performing audit under section 148 and 204 respectively, are summarized as under. Detailed interpretation and applicability of these provisions, in different circumstances, is made in the subsequent chapters.

Each fraud involving amount of rupees one crore or above is required to be reported to the Central Government.

Each fraud involving amount less than rupees one crore is required to be reported to the Board or the Audit Committee, as the case may be.

All frauds reported to the Board or the Audit Committee is required to be disclosed in the Board's Report.

Maximum time to make a report to the Central Government is sixty two days [2+45+15] of the auditor's knowledge of the fraud.

First reporting is immediate but not later than two days of the auditor's knowledge of fraud.

Board or the Audit Committee is required to reply or make observations to the auditor within forty-five days.

The auditor is required to forward his report to the Central Government within fifteen days of receipt of reply or observations of the Board or Audit Committee.

In case no reply or observations are received from the Board or Audit Committee within forty-five days, the auditor is required to forward his report to the Central Government.

The report is required to be sent to the Secretary, Ministry of Corporate Affairs.

Key points to be noted are:

The report must be in the specified Form ADT-4;

It must be on the letter-head of the auditor containing postal address, email address and contact number;

It must be signed by the auditor with his seal and Membership Number;

It must be sent in a sealed cover;

It must be sent by Registered Post with Acknowledgement Due or by Speed post; and

Each such communication must be followed by an e-mail in confirmation.

In the context of cost accounting, Fraud & Misconduct, together fall into the following categories of risk that can undermine public trust and damage a company's reputation for integrity:

Fraudulent Cost Reporting(e.g. overstatement of cost of goods sold, last minute adjustment that significantly affect cost results, missing inventory or physical assets of significant magnitude)

Misappropriation of assets (e.g. embezzlement, payroll fraud, theft, procurement fraud, counterfeiting, wrong product mix)

Revenue or assets gained by fraudulent or illegal acts (e.g. over-billing customer, deceptive sales practices, accelerated revenue, bogus revenue)

Cost accounting policies that appear to be at variance with industry norms

Tolerance of violation of the company's Code of Conduct

Other misconduct (e.g. conflicts of interest, denial of access to records, facilities, certain employee, customer / vendor or other from whom cost audit evidence might be sought)

Even wrongly certifying Indirect Tax reconciliation that tax payable, tax paid , tax collected is the same and thereafter subsequently detected by any revenue authorities of evasion of duties and agreed by the company, may also get classified under the heading of "Fraud" provided proper care has not been taken.

Not furnishing the reasons for difference between the turnover as per financial accounts and as per excise & / or service tax turnover.

The cost auditor has got more responsibility than that of auditors under Companies Act 2013, since auditors are not certifying tax payable, tax paid and tax collected, as also are not required to give the reconciliation between the turnover as per financial account and turnover as per excise / service tax. MA

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It was expected priorities of the nation will be given importance over the political priorities but unfortunately we have seen how democratic process has been mis-utilized. It is surprising 40 to 50 MPs of Upper House of Indian National Congress have totally stalled the progress and hope of GST to be implemented w.e.f. 1.04.2016 has been vanished.

It is stated that "Man Proposes & God Disposes". In India each citizen is eagerly waiting for simplified Tax Reform, which will attract investment and also create an employment opportunity through Make in India movement. Mission Make in India will never successful until following mantras have not been adopted and become the part of system / culture of the Nation:

a. Cost Competitiveness
b. Tax Reforms
c. Ease of doing business
d. Digital India

Contributed by
Taxation Committee
Institute of Cost Accountants of India

It was expected priorities of the nation will be given importance over the political priorities but unfortunately we have seen how democratic process has been mis-utilized. It is surprising 40 to 50 MPs of Upper House of Indian National Congress have totally stalled the progress and hope of GST to be implemented w.e.f. 1.04.2016 has been vanished. In spite of the facts economist claim and implementation of GST will improve the GDP by 1.5% to 2%, still different issues have taken the priorities over the national priorities.

Meanwhile, Model GST Law which is under discussion was leaked through hosting the same on website of UP Government and immediately it was declared by Mrs. Rashmi Verma - Special Secretary, Department of Revenue that the report, which has been put on website of UP Govt. is not official report but thereafter number of changes have taken place in the series of discussion with

State and Central Govt. officials. In spite of the said fact, it is felt to discuss the important point of the said report and represent Govt Officials w.r.t. difficulties which will be faced by the Trade and Industries and thereafter an attempt has been made to discuss important features.

1. Draft GST Law (CGST, SGST & IGST Law) will have number of similar provisions which was prevailing either in Central Excise Act 1944 & rules made thereunder, Finance Act 1994 & Rules made thereunder for Service Tax and State VAT Acts. In addition to that some provisions of Customs Act 1962 & Rules made thereunder have also been imported in the Draft Law and therefore Draft GST Law is not "Old Wine in the New Bottle" but it is the "Blend of Old & New Wine" or if some of the provisions remains as it is, it can be considered as "Cocktail" and will have the "Kick" to the Trade & Industries.
2. Fortunately, "Meaning of Supply" has been provided in Sec 3 of the said Law, which is the foundation of GST Law. Earlier self-supply of goods and services without consideration were included in the Schedule I of the said Law, but it is understood that the same has been taken it out otherwise it might have created lot of negative impact on Trade & Industries.
3. Time & Place of Supply has been given and it seems that person who are dealing in Goods & Services on "PAN India Basis" they will have to obtain registration in each State, otherwise there may be a cascading effect of the taxes.
4. Valuation of goods or services without consideration will be the challenge, since parallel provisions of Customs Act 1962 and Rules made thereunder has been incorporated in the Draft GST Law.
5. Fortunately, consensus is emerging for not introducing 1% additional tax for Inter-State supply of goods & services irrespective of for consideration or without consideration. Hope, this should prevail, since it is against the principle of GST.
6. Draft Business Process Reports on Registration, Payment, Refund & Returns has been put on the public domain and recommendations made by public are under discussion and hope these will be incorporated in Model GST.
7. Blacklisting provisions of the Tax Payer will be real hardship, since trigger for blacklisting, which has been given in Business Process Reports are normal anomalies of trade & industries and hence such harsh provisions needs to be deleted.
8. Existing exclusions in the definition of Input & Input Services of Cenvat Credit Rules 2004 has been retained, which will be hurdle for not having the cascading effect of taxes.
9. Existing provisions of offences, penalties, prosecutions and recoveries of Central Excise Act has been retained in the Model GST Law which will cause un-necessary harassment to the trade & industries.
10. Transitional provisions for carry forward of existing balances of taxes i.e. credit is welcome provision. However, deemed credit provisions on stock in absence of duty paying documents will be required.

MISCELLANEOUS STATUTES

CUSTOMS

Notifications

Tariff:

- Exemption on Machinery, equipment, instruments, fittings, devices, scientific apparatus, components, spares, tools, accessories, computer hardware, computer software, technical know-how (in the form of documents and drawings in the printed media), castings, forgings, pipings, tubings, raw materials and consumables required for the purpose of ATVP, Ministry of Defense as provided in Notification No. 39/1996 Cus dated 23rd July 1996 has been extended for further period. Previously exemption was available till 31st December 2015 only.

[Notification No. 56/2015-Cus dated 11th December -2015]

- Duty rate for following goods imported from Japan has been changed as below,

84082020 - Engines having cylinder capacity exceeding 250CC : 5.94 %

870840 - Gear Boxes and Parts thereof : 8.13%

[Notification No. 57/2015-Cus dated 14th December -2015]

- Duty rates for goods imported& originating from ASEAN Countries have been changed for specified goods.[Notification No. 58/2015-Cus dated 30th December -2015]

- Duty rates for goods imported & originating from Malaysia have been changed for specified goods.

[Notification No. 59/2015-Cus dated 30th December -2015]

- Duty rates for Goods imported from Korea RP has been changed for specified goods

[Notification No. 60/2015-Cus dated 30th December -2015]

- Duty rate of 5% imposed on item 'Iron ore pellets' with chapter heading 2601 12 10 which earlier exempted vide Notification No.27/2011 dated 1st Mar 2011.

[Notification No. 1/2016-Cus dated 4th Jan 2016]

- Exemption has been granted to the imported items of Chapter 84 or any other heading having description as Goods Specified in List 13 required in connection with petroleum operations undertaken under specified contracts under the Marginal Field Policy (MFP).

[Notification No.2/2016-Cus dated 6th Jan 2016]

Non-Tariff:

- Village Janoli-Bhagola, Tehsil Palwal has been recognized as Customs Port Unloading of imported goods and loading of export goods.
- Powarkheda, District Hoshangabad has been recognized as Customs Port Unloading of imported goods and loading of export goods.
- Pantnagar, District Udham Singh Nagar, Uttarakhand has been recognized as Customs Port Unloading of imported goods and loading of export goods.

[Notification No. 137/2015-Cus (NT) dated 7th December -2015] & [Notification No. 145/ 2015-Cus(NT) dated 18th December -2015] & [Notification No. 148/2015-Cus (NT) dated 29th December -2015] respectively.

- Now CMA's are also entitled for obtaining license under Customs Broker Licensing Regulations 2013.

[Notification No. 1/2016-Cus dated 4th Jan 2016]

- Tariff Value of following Imported goods have been further amended as given below:

Sr. No.	Chapter/ heading/ sub-heading / tariff item	Description of goods	Tariff value US $ (Per Metric Tonne)
(1)	(2)	(3)	(4)
1	1511 10 00	Crude Palm Oil	557
2	1511 90 10	RBD Palm Oil	581
3	1511 90 90	Others - Palm Oil	569
4	1511 10 00	Crude Palmolein	595
5	1511 90 20	RBD Palmolein	598
6	1511 90 90	Others -Palmolein	597
7	1507 10 00	Crude Soya bean Oil	733
8	7404 00 22	Brass Scrap (all grades)	2904
9	1207 91 00	Poppy seeds	2722

Sl.No.	Chapter/ heading/ sub-heading/tariff item	Description of goods	Tariff value (US $)
(1)	(2)	(3)	(4)
1	71 or 98	Gold, in any form, in respect of which the benefit of entries at serial number 321and 323 of the Notification No. 12/2012-Customs dated 17.03.2012 is availed	345 per 10 grams
2	71 or 98	Silver, in any form, in respect of which the benefit of entries at serial number 322 and 324 of the Notification No. 12/2012-Customs dated 17.03.2012 is availed	452 per kilogram

Sl.No.	Chapter/ heading/ sub-heading/tariff item	Description of goods	Tariff value (US $ Per Metric Tons)
(1)	(2)	(3)	(4)
1	80280	Areca nuts	2558

[Notification No. 150/2015-Cus (NT) dated 31th December 2015]

Anti-Dumping Duty:

- Definitive Anti-Dumping duty is imposed on Melamine Tableware and Kitchenware products originating in, or exported from People's Republic of China, Thailand and Vietnam. It shall remain in force from 4th December 2015 to 3rd December 2020, unless revoked earlier.

[Notification No. 55/2015-Customs (ADD) dated 4th December -2015]

- Definitive Anti-Dumping duty is imposed on Phthalic Anhydride originating in, or exported from Japan and Russia. It shall remain in force from 4th December 2015 to 3rd December 2020, unless revoked earlier.

[Notification No. 56/ 2015-Customs (ADD) dated 4th December -2015]

- Definitive Anti-Dumping duty is re-imposed on all kinds of plastic processing or injection moulding machines, also known as injection presses used for processing or moulding of plastic materials, having clamping force not less than 40 tonnes and not more than 1000 tonnes, originating in or exported from, People's Republic of China. It shall remain in force from4th December 2015 to 3rd December 2020, unless revoked earlier.

[Notification No. 57/ 2015-Customs (ADD) dated 4thDecember -2015]

- Definitive Anti-Dumping duty is imposed on Methylene Chloride" also known as Dichloromethane originating in, or exported from, People's Republic of China and Russia. It shall remain in force from 8th December 2015 to 7th May 2016, unless revoked earlier.

[Notification No. 58/2015-Customs (ADD) dated 8th December -2015]

- Definitive Anti-Dumping duty is imposed on Gliclazide originating in or exported from, People's Republic of China. It shall remain in force from 8th December 2015 to 7th December 2020, unless revoked earlier.

[Notification No. 59/2015-Customs (ADD) dated 8thDecember -2015]

- Definitive Anti-Dumping duty is imposed on Purified Terephthalic Acid including its variants "Medium Quality Terephthalic Acid and Qualified Terephthalic Acid, originating in or exported from, People's Republic of China, Iran, Indonesia, Malaysia and Taiwan. It shall remain in force from 10th December 2015 to 9th May 2016, unless revoked earlier.

[Notification No. 60/2015-Customs (ADD) dated 10th December -2015]

- Definitive Anti-Dumping duty is imposed on Cold Rolled Flat Products of Stainless Steel originating in, or exported from,People's Republic of China, Korea, European Union, South Africa, Taiwan (Chinese Taipei), Thailand and United States of America (USA). It shall remain in force from 11th December 2015 to 10th December 2020, unless revoked earlier.

[Notification No. 61/2015-Customs (ADD) dated 11th December -2015]

- Definitive Anti-Dumping duty is imposed on Albendazole originating in or exported from, People's Republic of China, Korea, European Union, South Africa, Taiwan (Chinese Taipei), Thailand and United States of America (USA). It shall remain in force from 11th December 2015 to 10th December 2020, unless revoked earlier.

[Notification No. 62/2015-Customs (ADD) dated 14thDecember -2015]

Safeguards Duty:

- No new Notifications.

Circulars:

- The board has revised instruction on cases investigated by DRI which shall be assigned to Additional Director General (Adjudication),DRI as below:

(i) Cases involving duty of Rs. 5 Crores and above;
(ii) Group of cases on identical issues involving aggregate duty of Rs. 5 crore and more;
(iii) Cases involving seizure value of Rs 25 Crore or more;
(iv) Cases involving wrong availment of export incentives where the export incentives wrongly availed is Rs 5 Crore or more;
(v) Group of case on identical issues involving wrong availment of export incentives aggregating to Rs 5

Crore or more;
(vi) Cases of overvaluation of import where overvaluation is Rs 25 Crore or more; and
(vii) DRI case pending with erstwhile Commissioner (Adjudication).

[Circular No. 30/2015 dated 4th December -2015]

Instructions:

- Monetary limits for filing appeals by the Department before CESTAT/High Courts and Supreme court has been revised as below,

S.No.	Appellate Forum	Monetary Limit	Earlier
1	CESTAT	Rs. 10,00,000/-	Rs. 5,00,000/-
2	HIGH COURTS	Rs. 15,00,000/-	Rs. 10,00,000/-
3	SUPREME COURT	Rs. 25,00,000/-	Rs. 25,00,000/-

Further it is also instructed that adverse judgment related to classification & refunds issues which are of legal and/ or recurring nature should be contested irrespective of the amount involved.

[Instruction No.F.No. 390/Misc./163/2010 dated 17/12/2015]

- It has been instructed to form the committee of Principal Chief Commissioners/Chief

commissioner for withdrawal of cases pending before High Court / CESTAT on the basis of earlier Supreme Court's decision on the identical matters. *[Instruction No.F.No. 390/Misc./163/ 2010 dated 17/12/2015]*

CENTRAL EXCISE:

Notifications:

Tariff:

- Excise duty on Petrol increased by 37 paise per litre and on diesel by Rs.2 per litre from 1st Jan 2015. *[Notification No. 01/2016-CE,dated 1st Jan 2016]*

Non-Tariff:

- Due date for payment of excise duty for the month of November is extended to 20th Nov for an assessees in the State of Tamil Nadu and the Union Territory of Puducherry (except Yanam and Mahe).

[Notification No. 25/2015-CE(N.T.),dated 9th Dec 2015; Notification No.26/2015-CE(N.T.), dated 18th Dec 2015]

Circulars:

- The new units or units undertaking located in North Eastern States having substantial expansion after 01.12.2014 and upto the cut-off date of 31.03.2017 shall continue to be eligible for excise duty exemption under notification no. 20/2007-CE dated 25.04.2007 subject to the conditions specified thereunder .This is in line with earlier circular issued for units located in Himachal Pradesh and Utterakhand.

[Circular No.1012/19/2015-CX, dated 2nd Dec 2015]

Instructions:

- Tariff Conference of Central Excise was held in Chandigarh on 28th& 29th Oct 2015 to discuss various issues parting to various contentious issues in the matters pertaining to Excise, CENVAT Credit, Duty structure, etc. Noted at various Commissionerates across India. The conference concluded with view and line of action

by the department. The minuets of this conference was released for the benefit of tread and industry. Some of the issues discussed as under;

Retention of Sales Tax Collected from Customers and Inclusion thereof in Transaction Value

Fixation of special rate representing the actual value addition under Area based Exemption Scheme

Reversal of Credit on Common Input Services

Balance of Education cess and secondary and Higher Education cess lying in the Cenvat Credit account

Whether the benefit of Rule 5of Cenvat Credit Rules, 2004, can be extended to clearances made to 100% EOUs (deemed exports)

Reversal of Cenvat Credit in respect of Service tax paid on Input Services

Admissibility of Cenvat Credit on Service Tax Paid on Sales Agency Commission Service

Rebate of Duties Paid on Raw Materials & Services Used in Manufacture of Exempted Goods

No penalty for non-filing of NIL return

[Instruction No.F.No.96/85/2015-CX.I, dated 7th Dec 2015]

- Monetary limits for filing appeals by the Department before CESTAT/High Courts and Supreme Court in Customs Excise & Service Tax matters. These limits will applicable to all pending appeals in High Courts/CSTAT.

The monetary limits are as for filing appeals are follows;

S.No	Appellate Forum	Monetary Limit	Earlier Limit
1	CESTAT	Rs.10,00,000/-	Rs.5,00,000/-
2	HIGH COURTS	Rs.15,00,000/-	Rs.10,00,000/-
3	SUPREME COURT	Rs.25,00,000/-	Rs.25,00,000/-

[Instruction No.F.No.390/Misc./163/2010-JC, dated 17th Dec 2015, F.No.390/Mics./163/ 2010-JC, dated 1st Jan 2016]

Instruction has been issued for withdrawal of cases pending before HC/CESTAT on the basis of earlier Supreme Court's decision on the identical matters.

[Instruction No.F.No.390/Misc./67/2014-JC, dated 18th Dec 2015]

- In view of alarming increase in the number of orders passed by CESTAT/Courts imposing penalty on departmental officers/department, all Principal Chief Commissioners / Chief Commissioners should sensitize the adjudicating authorities about the issue of imposition of costs by the Tribunals due to poor quality of the adjudications.

[F. No.390/CESTAT/69/2014-JC, dated 22nd Dec 2015]

LBT:

- No new notification.

SERVICE TAX

Notifications:

- The Due date for payment of service tax for an assessee in the State of Tamil Nadu for the month of November 2015 has been extended to the 20th day of December, 2015. Further the same provision was extended to Pondicherry, since Pondicherry to along with Tamil Nadu has suffered due to flood.

[Notification No. 26/2015-ST, Dated 9th December 2015, Notification No. 27/2015-ST, Dated 18th December 2015]

Circular:

- Field formation was of the view that job work charges received by apparel exporters from third party are amounting to supply of manpower and not job work amounting to manufacture. Circular has been issued differentiating what constitutes job work amounting to manufacture and manpower supply. Accordingly, field formation has been instructed to review agreement/contract so as to decide whether the transaction is falls under manpower supply or job work.

[Circular No.190/9/2015 Service Tax Dated 15th December 2015]

FOREIGN TRADE POLICY

Notifications:

- There is no requirement for recommendation from DCGA for import of reconditioned/Second Hand Aircraft parts w.e.f. 16th December 2015.

[Notification No.27/2015-20 dated 16th December 2015]

- M/s. HRD Diamond Institute Private Limited, Mumbai, Maharashtra, India is added as agency permitted to import duty free diamonds for certification/grading and subsequent re-export, subject to conditions mentioned in paragraph 4.75 of Handbook of Procedures 2015-20 and other applicable provisions of the law in this regard.

[Notification No.28/2015-20 dated 16th December 2015]

- Minimum Export Price has been removed for Onions. All varieties of onions can be exported without any Minimum Export Price (MEP).

[Notification No.29/2015-20 dated 24th December 2015]

Circulars:

- Since there was downfall in Export for some sectors, regional officers are requested to consider &re-fix the Annual Average Export Obligation for the year 2014-15 in case of EPCG Holders for EO fulfillment.

[Policy Circular No. 4/2015-20 dated the 16th December 2015]

Public Notices:

- Shipping bills where declaration of intent 'Y' has not been marked and 'N' has been ticked inadvertently in the 'reward item box' while filing shipping bills in Customs for exports made between 01.06.2015 to 30.09.2015, will also be considered for claiming the benefit subject to following procedure as per Public Notice.

[Public Notice No. 47/2015-20 dated the 8th December 2015]

- SION Norms for All Types Steel Truck Radial Tyres (Tube Type) at Sr. No. A1663, has been changed.

[Public Notice No. 49/2015-20 dated the 17th December 2015]

- Due to duplication of country "Panama" in Group B & C in MEIS schedule, "Panama" has been deleted from Country Group-C of Table 1 of Appendix 3B-MEIS Schedule with effect from 01.04.2015.

[Public Notice No.51/2015-20 dated the 28th December2015]

Trade Notices:

- It has been clarified that Indian Kabuli chickpeas is eligible under Focus Product Scheme.(2009-2014).All RAs are advised to allow FPS benefit on export of Indian Kabuli chickpeas under the above description and dispose-off all pending applications accordingly.

[Trade Notice No. 10/ 2015 dated the 10th December 2015]

INCOME TAX:

Circular:

- The CBDT has, through this circular, provided the rates for deduction of income-tax from the payment of income chargeable under the head "Salaries" during the financial year 2015-16 and explained certain provisions of the Income-tax Act, 1961 and Income-tax Rules, 1962. *[Circular no. 20/2015 dated 2nd December 2015]*

- Appeals/SLPs shall not be filed in cases where the tax effect does not exceed the monetary limits given hereunder:-

Sr. No.	Appeals in Income-tax matters	Monetary Limit (in Rs)
1	Before Appellate Tribunal	10,00,000/-
2	Before High Court	20,00,000/-
3	Before Supreme Court	25,00,000/-

[Circular no. 21/2015 dated 10th December 2015]

- Interest on FDR's, made in the name of the Registrar General of the court or the depositor of the fund on the directions of the court, will not be subject to TDS till the matter is decided by the Court. However, once the court decides the ownership of the money lying in the fixed deposit, the provisions of section 194A will apply to the recipient of the income. *[Circular no. 23/2015 dated 28th December 2015]Notifications:*

Simplified procedure for form no. 15G & 15H has been notified by CBDT wherein the same can be obtained electronically. *[Notification no. 04/ 2015 dated 1st December 2015]*

CBDT relaxes conditions for furnishing of Form 15CA & Form 15CB No Form 15CA and 15CB will be required to be furnished by an individual for remittance which do not requiring RBI approval under its Liberalised Remittance Scheme (LRS).

Further the list of payments of specified nature mentioned in Rule 37 BB which do not require submission of Forms 15CA and 15CB has been expanded from 28 to 33 including payments for imports. Following are the five new exempt payment types :-1. Advance payment against imports

Payment towards imports-settlement of invoice
Imports by diplomatic missions
Intermediary trade
Imports below Rs. 5,00,000-(For use by ECD offices)

A CA certificate in Form No. 15CB will be required to be furnished only in respect of such payments made to non-residents which are chargeable to tax and the amount of payment during the year exceeds Rs. 5 lakhs.

Prescribed form No. 15CC for Quarterly statement to be furnished by an authorised dealer in respect of foreign remittances made by him.

The amended Rules will become applicable from 01.04.2016. *[Notification no. 93/2015 dated 16th December 2015]*

- Revised rules & forms related to quoting of PAN for various transactions have been issued which are effective from 01/01/2016. The detailed list of transaction can be viewed from the below given notification. *[Notification no. 95/2015 dated 30th December 2015]*

Sl.No.	Nature of transaction	Value of transaction
1.	Sale or purchase of a motor vehicle or vehicle, as defined in clause (28) of section 2 of the Motor Vehicles Act, 1988 (59 of 1988) which requires registration by a registering authority under Chapter IV of that Act, other than two wheeled vehicles.	All such transactions.
2.	Opening an account [other than a time-deposit referred to at Sl. No.12 and a Basic Savings Bank Deposit Account] with a banking company or a cooperative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act).	All such transactions.
3.	Making an application to any banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act) or to any other company or institution, for issue of a credit or debit card.	All such transactions.
4.	Opening of a demat account with a depository, participant, custodian of securities or any other person registered under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992).	All such transactions.
5.	Payment to a hotel or restaurant against a bill or bills at any one time.	Payment in cash of an amount exceeding fifty thousand rupees.

Sl.No.	Nature of transaction	Value of transaction
6.	Payment in connection with travel to any foreign country or payment for purchase of any foreign currency at any one time.	Payment in cash of an amount exceeding fifty thousand rupees.
7.	Payment to a Mutual Fund for purchase of its units.	Amount exceeding fifty thousand rupees.
8.	Payment to a company or an institution for acquiring debentures or bonds issued by it.	Amount exceeding fifty thousand rupees.
9.	Payment to the Reserve Bank of India, constituted under section 3 of the Reserve Bank of India Act, 1934 (2 of 1934) for acquiring bonds issued by it.	Amount exceeding fifty thousand rupees.
10.	Deposit with a banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act).	Deposits in cash exceeding fifty thousand rupees during any one day.
11.	Cheques from a banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act).	Payment in cash for an amount exceeding fifty thousand rupees during any one day.
12.	A time deposit with, (i) a banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act); (ii) a Post Office; (iii) a Nidhi referred to in section 406 of the Companies Act, 2013 (18 of 2013); or (iv) a non-banking financial company which holds a certificate of registration under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934), to hold or accept deposit from public.	Amount exceeding fifty thousand rupees or aggregating to more than five lakh rupees during a financial year.
13.	Payment for one or more pre-paid payment instruments, as defined in the policy guidelines for issuance and operation of pre-paid payment instruments issued by Reserve Bank of India under section 18 of the Payment and Settlement Systems Act, 2007 (51 of 2007), to a banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act) or to any other company or institution.	Payment in cash or by way of a bank draft amount aggregating to more than fifty thousand rupees in a financial year.
14.	Payment as life insurance premium to an insurer as defined in clause (9) of section 2 of the Insurance Act, 1938 (4 of 1938).	Amount aggregating to more than fifty thousand rupees in a financial year.
15.	A contract for sale or purchase of securities (other than shares) as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956).	Amount exceeding one lakh rupees per transaction.
16.	Sale or purchase, by any person, of shares of a company not listed in a recognised stock exchange.	Amount exceeding one lakh rupees per transaction.
17.	Sale or purchase of any immovable property.	Amount exceeding ten lakh rupees or valued by stamp valuation authority referred to in section 50C of the Act at an amount exceeding ten lakh rupees.
18.	Sale or purchase, by any person, of goods or services of any nature other than those specified at Sl. No. 1 to 17 of this Table, if any.	Amount exceeding two lakh rupees per transaction:

VAT

Trade Circular:

- Digitally signed Registration certificate is available to the dealers to whom registration certificates have been granted on or after 22nd December 2015.

Irrespective of the above facility, copy of registration certificate will also be mailed to the applicant. *[Circular 19 T 2015 dated 21st December 2015]*

SEZ

No new Notifications.**COMPANY LAW**

Notifications:

- Now according to provisions of Companies (Audit and Auditors) Amendment Rules, 2015-

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.

The details as given in notification have to be followed.2. 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.

Accordingly e-Form ADT-1 and ADT-4 has been substituted. ***[Notification No. G.S.R 972 (E) dated 14th Dec 2015]***

- The aforesaid provisions w.r.t. reporting of frauds by an auditor vide amended rules and Section 134 & 177 will be effective from 14th Dec 2015.

[Notification No. S.O. 3388/(E) dated 14th Dec 2015]

- New Rule 6A stating provisions w.r.t. Omnibus approval for related party transactions on annual basis has been inserted vide Companies (Meetings of Board and its Powers) Rules, 2014.

[Notification No. G.S.R (E) dated 14th Dec 2015]

Circulars:

- Further Relaxation of additional fees and extension of last date of Annual Filing of the Form following forms granted to the state of Tamilnadu& Union Territory of Puduchery.

Annual Return - Form MGT-7: Original due date: 60 days from the date of AGM. Revised due date:30th Jan 2016

Financial Statement (Non XBRL) - Form AOC-4: Original due date: 30 days from the date of AGM. Revised due date: 30th Jan 2016.

Consolidated Financial Statements - Form AOC (CFS) Revised due date: 30th Jan 2016.

Financial Statement (XBRL) - Form AOC-4 XBRL: Original due date: 30 days from the date of AGM. Revised due date: 30th Jan 2016

[General Circular No.16/2015 dated 30th Dec 2015]

FEMA/RBI

Notifications

- No new Notifications

Circulars :

Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit:

As per DBR.Dir.BC.No.62/04.02.001/2015-16, the Government of India has announced the Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit to eligible exporters, effective from April 1, 2015.

Procedure for passing on the benefit of interest equalisation to exporters:

For the period April 1, 2015 to November 30, 2015, banks shall identify eligible exporters as per the Government of India scheme and credit their accounts with the eligible amount of interest equalisation.

From December 2015 onwards, banks shall reduce the interest rate charged to the eligible exporters. Separate guidelines on interest rates on advances under interest equalization schemes are provided by Government of India to the banks.

The interest equalisation benefit will be available from the date of disbursement up to the date of repayment or up to the date and beyond which the outstanding export credit becomes overdue. However, the interest equalisation will be available to the eligible exporters only during the period the scheme is in force.

Procedure for claiming reimbursement of interest equalisation benefit already passed on to eligible exporters:

From Devember-15 onwards, the sector-wise consolidated monthly reimbursement claim for interest equalization, should be submitted in original within 15 days from the end of the respective month, with bank's seal and signed by authorised person, in the prescribed format.

The claims should be accompanied by an External Auditor's Certificate (with stamp and membership number) certifying that the claim for interest equalisation in Rupees for the specified month-end has been verified and found to be strictly in accordance with the provisions of the Government scheme enclosed with the circular DBR.Dir. BC.No.62/ 04.02.001/2015-16 dated December 4, 2015.

The reimbursement of interest equalisation claim will be made as and when the funds are received from

Government of India.

[RBI/2015-16/259, DBR.Dir.BC.No.62/04.02.001/2015-16]

Guidelines on trading of Currency Futures and Exchange Traded Currency Options in Recognized Stock Exchanges - Introduction of Cross-Currency Futures and Exchange Traded Option Contracts:

As per A.P. (DIR Series) circular No. 147 and circular no. 148, persons resident in India and persons resident outside India viz., foreign portfolio investors (FPIs) are permitted to participate in currency futures and exchange-traded currency options market in India. But these participants, i.e., residents and eligible nonresident market participants were permitted to trade only in USD/INR, EUR/INR, GBP/INR and JPY/INR currency futures contracts and USD/INR currency option contract in recognized stock exchanges.

It has now been decided by the RBI to permit the recognized stock exchanges to offer cross-currency futures contracts and exchange traded option contracts in the currency pairs of EUR/USD, GBP/USD and USD/JPY.

Recognized stock exchanges are also permitted to offer exchange-traded currency option contracts in EUR/INR, GBP/INR and JPY/INR in addition to the existing USD/INR option contract, with immediate effect.

Market participants are allowed to take positions in the cross-currency futures and exchange traded cross-currency option contracts without having underlying exposure, but positions are subject to the limits, as prescribed by the exchanges.

The existing position limits of USD 15 million for USD/INR contracts and USD 5 million for non USD/INR contracts both together and per exchange for residents and FPIs without having underlying exposure, shall remain unchanged.

All other conditions remain unchanged.

[RBI/2015-16/267 A.P. (DIR Series) Circular No. 35 December 10, 2015]

Extension of Credit Facilities to Overseas Step-down Subsidiaries of Indian Corporates:

As per circular DBOD.IBD.BC.No.96/23.37.001/2006-07, banks in India were permitted to extend funded and/or non-funded credit facilities to step-down subsidiaries of the overseas subsidiaries of Indian companies that may not be wholly owned, subject to certain conditions.

Banks may now extend funded and/or non-funded credit facilities to the step-down subsidiaries of Indian companies including to those beyond the first level, to finance the projects undertaken abroad by them.

The immediate overseas subsidiary of the Indian company must be directly controlled by the Indian parent company through any of the modes of control recognised under the Indian Accounting Standards. In addition, the Indian parent company must directly hold a minimum 51% of its shareholding.

All the step-down subsidiaries, including the intermediate ones, must be wholly owned subsidiary of the immediate parent company or its entire shares shall be jointly held by the immediate parent company and the Indian parent company and / or its wholly owned subsidiary. The immediate parent should, wholly or jointly with Indian parent company and / or its wholly owned subsidiary, have control over the step-down subsidiary.

The banks shall make additional provision of 2% (in addition to country risk provision that is applicable to all overseas exposures) against standard assets representing all exposures to the step-down subsidiaries, to cover the additional risk arising from complexity in the structure, location of different intermediary entities in different jurisdictions exposing the Indian company, and hence the bank, to greater political and regulatory risk.

[RBI/2015-16/279 DBR.IBD.BC.No.68/23.37.001/2015-16]

CBEC Notified Exchange Rate for Conversion of Foreign Currency w. e. f, 18th December 2015 *[Notification No.144/2015-Customs (N.T), Dated 17th December 2015]* - Schedule I and Schedule II

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Eastern India Regional Council

Bhubaneswar Chapter of Cost Accountants

On January 8, 2016 the Chapter organized one career awareness programme in association with the department of commerce, Bhadrak Autonomous College, through conducting students seminar based on the theme 'Contemporary Issues In Accounting' & 'Career Counselling Programme'. Prof. P.K. Swain, Principal, Bhadrak Autonomous College, CMA Dr Rabindra Kumar Sahu, Reader in Commerce, Bhadrak Autonomous College were among the members present in the programme. CMA Damodar Mishra, Chairman, Students Training, Placement and Publicity Committee & one of the Alumni of the said college addressed about the profession, Institute & activities of the Chapter. CMA Shiba Prasad Padhi, Chairman, EIRC & CMA Niranjan Mishra, Council Member & Chairman, RCS & Chapter Coordination Committee of the Institute delivered their motivational address to become a Cost and Management Accountant and detailed on the career prospects. They also pointed out about the importance of Cost Accounting, Cost Accounting Standards and Cost Auditing Standards. CMA Bibhuti Bhusan Nayak, Chairman of the chapter also highlighted about the profession, the facilities available at the chapter etc. CMA Srikanta Kumar Sahoo, Past Chairman, EIRC & one of the Alumni of the College also motivated the students for pursuing the course and delivered briefly about the IND AS and its Implication and challenges.

Rajpur Chapter of Cost Accountants

The Chapter organized 'Annual CMA Members Meet-2015' on the theme 'CMAs in India - present & prospect'. A good number of members participated in the meet. The discussions covered many aspects viz inclusion of Cost Accountants under the definition of Accountant, when and where the word appears in any law or statute etc. A section of members also suggested that Council should take a measure so that the practising jobs received by HQ from government or other agencies should be shared with members.

Ranchi Chapter of Cost Accountants

The Chapter organized a workshop on 'Cost Audit' on November 1, 2015 where CMA Kunal Banerjee, past president of the Institute was the key note speaker and he discussed the details of Cost Records and Reports Rules'2014 and XBRL. CMA A. D. Wadhwa, past chairman, EIRC, CMA S.K. Singh, Chairman of the chapter and CMA R.K. Agarwal, Vice Chairman of the chapter were other eminent dignitaries attending the workshop.

Northern India Regional Council

On November 21, 2015 NIRC organized 'Faculty Meet' at CMA Bhawan, New Delhi. CMA SK Bhatt, Chairman, CMA Ravi Kr Sahni, Vice Chairman, CMA Rajendra Singh Bhati, RCM, and CMA Navneet Kr Jain, RCM, NIRC welcomed the faculties in the meet and the faculties gave their views and valuable suggestions for the improvement of the quality of coaching classes and students. On the same day newly renovated NIRC committee room was inaugurated by CMA Gobind Ram Kejriwal, Father of Shri Arvind Kejriwal, CM, Delhi along with CMA P.V Bhattad, President, and CMA Sanjay Gupta, Council Member of the Institute. The region organized a seminar on 'Internal Audit by CMAs – A Real Value Addition To Business' on November 22, 2015. CMA Sushil Yadav, keynote speaker, Sr. Dy. GM (Rites Ltd) shared his knowledge and experience on the above theme.

On December 18, 2015 the region organized a one day seminar on the theme 'Make in India-Role of CMAs' to support the vision of our hon'ble prime minister Shri Narendra Modi at Vigyan Bhawan, New Delhi. Hon'ble Chief Guest Shri Santosh Kumar Gangwar, MoS, Textiles, Parliamentary Affairs, Water Resources and River Development & Ganga Rejuvenation addressed in brief on the concerned theme. The audience was also addressed by Chairman, BW and Exchange 4 media group and hon'ble member of Parliament, Shri PP Choudhary. There were two technical sessions in which CMA Ravi Kr Sahni, Vice Chairman NIRC, spoke about the role CMAs can play in Cyber Forensic Information Security, risk and auditing. CMA Neeraj Aarora, computer Forensic Expert & International Arbitrator, Shri Eish Taneja, Professor & Faculty, Fore school of Management, Shri Hemant Seigell, Director, Riskpro India and Shri RC Meena, Joint Secretary, MCA were the technical speakers for the session I and CMA Padmanabhan H, Council Member, Dr JD Sharma, Director, Indian Overseas Bank, Dr Narinder K Bhasin, Vice President, Axis Bank, Mr Sidhharth Mukherjee, CEO, MNC Advisory Services, Mr G C Gulati, former AGM, Indian Overseas Bank were among the members who handled the technical session II. Chairman of the session was CMA Manas Kumar Thakur, Vice President of the Institute. Dr Meraj Husain was the sole speaker for the motivational session. In the CEO/CFO Conclave CMA Pankaj Gupta, Vice Chancellor, Apeejay Stya University was the moderator and the eminent panelists included CMA Rajeev Mehrotra, CMD Rites Ltd, Dr Bimal Arora, Chairman, Centre for Responsible Business (CRB), CMA B.B Goyal, former Advisor Cost, MCA, Mr Viswa Ranjan Gupta, Director Finance, CWC, CMA R. C Gupta, Executive Director, GAIL, CMA Dr I Ashok and CMA Ashok B Nawal, Council Members of the Institute and the eminent professionals discussed on Zero Defect, GST, Cost Audit and its sustainability in light of Make in India. A cultural evening was followed after the brain storming sessions and the programme was highly appreciated by the members and delegates.

Jaipur Chapter of Cost Accountants

The Chapter conducted career awareness program on January 7, 2016 at Parishkar College of Global Excellence, Mansarovar, Jaipur. CMA Govind Sharma, Asstt. Professor in the college detailed introduction and importance of the CMA Course followed by audio visual presentation. CMA P.D. Agrawal, Director - Coaching explained the students about the course details including career prospects. CMA R.K. Bhandari, Chairman of the chapter and CMA Alok Kumar Gupta, Vice-Chairman of the chapter explained various opportunities available in practice as well as in employment after passing the CMA Course. Principal of the College, Dr. Alok Chaturvedi and Vice-Principal, Shri P.L. Sharma also addressed the students and persuaded them to join the CMA Course for their bright future.

Patiala Chapter of Cost Accountants

The Chapter organized a get together for the members to celebrate New Year and Lohri Festival on January 10, 2016. Chairman of the chapter also informed that the chapter will celebrate its silver jubilee this year. CMA U.K Panda, Director, Finance & Commercial, PSTCL along with CMA S.C. Arora, Director Finance, PSPCL were the Chief Guests of the occasion.

Southern India Regional Council

Cochin Chapter of Cost Accountants

The Chapter conducted four technical sessions to celebrate the Corporate Cost Management Week 2015. In the technical session I, CMA Sankar P. Panicker, Practicing Cost Accountant delivered on 'Cost Management in Service Industry (Health Care)'. CA N. J. Thomas, Practicing Chartered Accountant delivered on 'Cost Management in MSMEs' during the one day seminar conducted by the chapter in the technical session II. Dr. Anilkumar G of Veda Vaidyasala, Elamakkara delivered on 'Maintaining Balance Between health and Work Life' during the one day seminar conducted by the Chapter in connection with Corporate Cost Management Week -2015 in the third technical session. CMA Sreekumar K. Professor, FISAT Business School deliberated on 'Achieving Business Excellence through Cost Management' during the one day seminar conducted by the chapter in the Technical Session – IV. On November 6, 2015 the chapter organized a programme on 'Bench Marking in the Tendering Process & Tender Evaluation' where CMA Babuji T. D., CFO, T. N. V. Steel Company Pvt Ltd, Chennai discussed on the theme. CMA Santhosh J Poovattil, AGM – Finance, CIAL, Nedumbassery deliberated on 'Regulatory Authorities in Indian Infrastructure Sector' during an evening programme conducted by the Chapter on December 12, 2015. The staff members and students of the chapter took pledge on Rashtriya Ekatha Diwas. Chapter director CMA Varughese Nainan read the Preamble to the

Constitution of India during the Constitution day Celebration at the chapter on November 26, 2015. Shri Abhilash Pankajakshan, Head-Private Banking & Strategy, Finomis Wealth Solutions LLP delivering talk on 'Understanding Mutual Funds and Wealth Management Techniques' during an evening seminar conducted by the chapter on January 22, 2016. A press meet was conducted at Ernakulam Press Club, Cochin wherein a good number of representatives of print and electronic media attended the meet.

Hyderabad Chapter of Cost Accountants

On December 18, 2015 a programme on Look at CMA was held at CMA Bhavan and CMA D. Zitendra Rao, Chairman-SC for members in Practice of SIRC was the resource person in the programme. On December 20, 2015 a motivation talk on Power of 'I' was conducted by Dr. Ravikanth, Practicing Dentistry held at CMA Bhavan. On December 19, 2015 a study circle meet on 'Moving towards GST' was held at CMA Bhavan. Resource person CMA AC. Gangaiah, practitioner, viewed various case studies regarding works contracts and CMA Mallikarjuna Gupta Bhogavalli, another resource person explained the basics of GST in the meet. On December 22, 2015 an evening seminar was held on 'Mandatory Application of Cost Accounting Standards & Cost Auditing Standards' organized by CMA Balwinder Singh, Council Member and Chairman, Cost Accounting Standards Committee of the Institute and he gave an overview of all the mandatory cost accounting standards and the application of cost auditing standards. The seminar was followed by 'Members Meet' with CMA K. Sanyasi Rao, Chairman, SIRC and Council Members CMA Dr. P.V.S. Jagan Mohan Rao, CMA

H. Padmanabhan, CMA S. Paparao, CMA P. Raju Iyer & CMA I. Ashok and RCMs. Various career counseling programmes had been held on different dates of December 2015 at different colleges of Hyderabad in which CMA Dr. R. Chandra Sekhar, Chairman – Students' services Subcommittee conducted some of the programmes. On December 25, 2015, an evening session was held on the theme 'Income Computation Disclosure Standards(ICDS)' at CMA Bhawan where CA Sistla Venkateswarlu, Director-Direct Taxation of Deloitte Haskins & Sells LLP, Hyderabad was the resource person.

Trivandrum Chapter of Cost Accountants

The Chapter conducted a Professional Development programme on December 29, 2015 on the theme 'Cost Management in Manufacturing Organisations' handled by CMA B.V Subramaniam, Practising Cost Accountant and CMA Joseph Louis, secretary of the chapter presided over the programme.

Bangalore Chapter of Cost Accountants

The Chapter conducted one day seminar on 'Goods & Services Tax' on December 19, 2015. Shri Ritvik Pandey, IAS, Commissioner of Commercial Taxes, Govt. of Karnataka, the Chief Guest inaugurated the seminar and gave an outline of the proposed new legislation and stressed up on the need for speedy implementation of the proposed law. Shri N C Dinesh, Sr. Vice President of FKCCI also addressed on the relevance of GST and Mr. D. P Nagendra Kumar, IRS, Addl. Director General – Central Excise and Service Tax, Govt. of India, deliberated on the 'Latest Developments in GST'. Dr. B.V. Murali Krishna, Joint Commissioner of Commercial Taxes, Govt. of Karnataka, explained 'IT Challenges & Preparedness for GST' and CMA Ashok B. Nawal, Chairman - Taxation Committee of the Institute elaborated on 'Redefining Strategies & Adopting Business to GST Regime'. Dr. M.P. Ravi Prasad, Joint Commissioner of Commercial Taxes, Govt. of Karnataka, Shri Pramod Jain, Vice President & Head of Taxation, Flipcart and CMA T.S. Ravi, DGM – Finance, Zuari Cements discussed 'GST – Impact & Analysis'. CS H N Dattari, Chairman, Bengaluru Chapter of ICSI also participated in the seminar. Council Members of the Institute CMA Raju Iyer, CMA Dr Jagan Mohan Rao, SIRC members, CMA Y.H. Anegundi, CMA Suresh R. Gunjalli and CMA Suryanarayana, CMA Sreepada H.R., Treasurer, CMA Raveendranath Kaushik, Chairman, Professional development Committee of the Chapter, CMA Geetha Madhavan, Chairperson of the chapter, CMA Abhijeet Jain, secretary of the chapter and CMA Girish K., Vice Chairman of the chapter were among the members present in the seminar.

Visakhapatnam Chapter of Cost Accountants

The Chapter organized a Professional Development Program to celebrate Corporate Laws Week based on 'The Role of Independent Directors' on January 23, 2016 at chapter's premises. CA DH. N.K. Venkata Rao was the speaker and explained on the subject in details. CMA T. Harinarayana proposed vote of thanks. CMA C.S. Sundara Murthy, CMA V.J. Gupta and other members participated in the program.

Western India Regional Council

A refresher course on 'Indirect Taxation and gearing for GST' had been organised by the region during December 18 to 20, 2015 at WIRC, Mumbai. CMA H R Garg, Additional Director, DRI delivered his inaugural speech at the programme. CMA P.V. Bhattad, president of the Institute distributed certificates to participants. CMA Kailash Gandhi, Chairman, Professional Development Committee WIRC, CMA V.S. Datey, Faculty, CMA Debasish Mitra, Chairman WIRC, Mr. Prasant Kumar, Additional Commissioner, Service Tax I – Mumbai, CMA Pradip H Desai, Vice Chairman WIRC, CMA Ashok Nawal, Chairman, Taxation Committee of the Institute, Mr. B.V. Borhade, Jt. Commissioner, Sales Tax, Maharashtra were among other eminent dignitaries present in the programme.

The region conducted various programs covering different subject for members in Practice and in Service on the details viz. Investing in Indian Equity Market -

The Effect of Compounding, XBRL Taxonomy and Cost Auditing Standards , GST Awareness Workshop, Leadership Qualities in Financial Management, Handling of Large size enterprise in SAP, Investor Awareness programs (in association with MCA). Professional Development Committee, WIRC supported all the initiatives taken by central council viz 15 days orientation program, campus placement, members in industry fortnight, indirect taxes refreshers course and gearing for GST, etc. Large number of members participated in the programs and Continued Education Programs (CEPs). The region successfully conducted the GST Awareness workshop at IMC, inaugurated by Shri Sudhir Shrivastava, IAS, Addl. Chief Secretary, Finance, Government of Maharashtra.

Surat South Gujarat Chapter of Cost Accountants

Career counseling programmes had been organized at various schools in Surat conducted by the chapter during December 2015. CMA Manubhai K. Desai, Chairman of the chapter coordinated the drive along with CMA Kenish Mehta & CMA Nanty Shah, sub-committee members of the chapter, CMA Jaimin Sheth, student member of the Managing Committee, and Mrs. Mita Desai, staff of the chapter. On December 23, 2015 a CEP on 'MIS and Accounting' had been organized by the chapter at its office. CMA Amish Parmar, a member of the chapter, felicitated the faculty and CMA Dipali Lakdawala, a practicing cost accountant discussed comprehensively on the theme.

Ahmedabad Chapter of Cost Accountants

On December 26, 2015 the chapter organized inauguration function of oral coaching classes and felicitated meritorious students of CMA examination at its premises. Chief Guest, CMA R B Kothari, Chairman of Training and Placement Committee advised the students to understand the topic and subject from applicability or implementation point of view. CMA Manish Analkat, Secretary of the chapter presented vote of thanks. On January 9, 2016, the chapter organized a full day seminar on 'Goods and Service Tax' inaugurated by Smt. Shalini Agarwal, IAS, Additional Commissioner (Commercial Tax), the Chief Guest who emphasized the necessity for Goods and Service Tax which has the potential for improving GDP and provide better business atmosphere. CMA D S Mahajani deliberated presentation in the 1st Technical session on 'Over View and understanding GST'. In the Technical Session 2, Mr. Shreeram Kaza, GM (Taxation) at Alembic Pharmaceuticals, Vadodara narrated on 'Business Process Report and Place of Supply', in the Technical Session 3, CMA B F Modi discussed on 'Business Process Report – Returns', in the Technical Session 4, Shri Monish Bhalla, Director – Easy Tax / O / Legal Services India Pvt. Ltd, Ahmedabad briefed on 'Preparedness on GST'. The sessions were highly inter-active and there was active participation by CMAs and delegates from UGVCL, Alembic Pharmaceuticals, Ingersolrend, Zydus Healthcare Ltd, NDDB, Intas Pharmaceuticals Ltd and Investis Corporate Communication Ltd.

Quality Review Board Meeting Snapshots

Chairman and Members of Quality Review Board of the Institute being felicitated before commencement of the 23rd Meeting of QRB in Kolkata office on 25.01.2016
Seen L-R: CMA Narendra Kumar Bhola, Member QRB; CMA Kaushik Banerjee, Secretary ICAI; Ms. Yashodhara Ray Chaudhuri, Member QRB; CMA R S Sharma, Chairman QRB; CMA Kunal Banerjee, Member QRB; CMA V Kalyanaraman, Member QRB; CMA Avijit Goswami, Council Member and CMA A S Bagchi, Secretary QRB

23rd Meeting of Quality Review Board in progress in Kolkata office on 25.01.2016
Seen L-R: CMA Narendra Kumar Bhola, Member QRB; Ms Yashodhara Ray Chaudhuri, Member QRB; CMA R S Sharma, Chairman QRB; CMA Arup S Bagchi, Secretary QRB; CMA V Kalyanaraman, Member QRB and CMA Kunal Banerjee, Member QRB.

Calcutta Stock Exchange Investor Protection Fund

One Week Faculty Development Programme for
Professionals and Academicians on

BUSINESS AND FINANCIAL MARKET ANALYSIS

Jointly Organized by:

The Institute of Cost Accountants of India

University of Calcutta - Calcutta Stock Exchange Centre of Excellence in Financial Markets (CUCSE-CEFM)

University of Calcutta

Duration: 22 – 28 February 2016
Venue: EIRC, CMA Bhawan,
84, Harish Mukherjee Road, Kolkata – 700 025

This programme is intended mainly for the Faculty Members, Professionals and Research Scholars working in the domains of Management, Commerce, Economics, Social Sciences, Environmental Sciences and other related fields.

Please mail us for registration and further query at: research@icmai.in / cu.ashis@gmail.com
Last date of receiving application: 15 February 2016

The Institute of Cost Accountants of India

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Research Bulletin is a Quarterly Publication of the Institute. The next issue will be published in April, 2016*.

Guidelines to submit full Paper

- Soft Copy of the full paper should be submitted in double space, 12 font size, Times New Roman, keeping a margin of 1 inch in four sides, MS Word.
- Each paper should be preferably within 5000 words including all.
- An abstract of not more than 150 words should be attached.
- The cover page should contain the title of the paper, author's name, designation, official address, contact phone numbers, e-mail address.

Theme Topic:

Contemporary Issues in Securities Markets

Papers are invited on the following sub-topics, but not limited to:

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- REITS
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- Financial Planning and Wealth Management
- Portfolio Management with Special Reference to Mutual Fund
- Exchange Traded Funds
- Comparative Analysis of Equity & Derivative Markets
- Credit Rating
- SME Financing through Capital Markets
- Role of SEBI in Capital Markets
- Risk–Return Relationship in the Stock Market
- Stock Market Volatility
- Commodity Hedging and Risk Management
- Arbitrage Trading
- Valuation Models

Papers must be received **within 1st March, 2016** in the following email id:
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