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FOREIGN TRADE POLICY OF INDIA

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

www.icmai.in

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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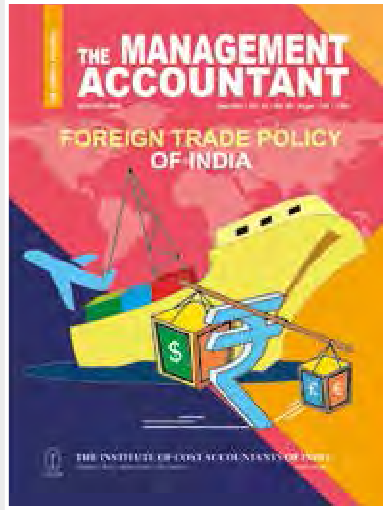
Contents

MAY 2018

INSIDE

COVER STORY



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EDITORIAL

Greetings!!!

Foreign Trade Policy helps in increasing the *revenue of a nation* by improving on the exports, which in turn assist in developing the Balance of Payment position. The policy lays the guidelines to help the trader's trade efficiently and make the maximum. India is presently known as major contributors in the global economic landscape. India's vibrant trade policies accompanied by series of reform measures and inherent economic strengths have attributed to position itself in the global economy as one of the most sought after destinations for foreign investments. Further, continuous technological and infrastructural developments being carried out throughout the country augur well for the tremendous growth in trade and other economic sectors in the years to come.

India has always stood for an open, equitable, predictable, non-discriminatory and rule based international trading system. Regional Trading Arrangements, from India's point of view, should be 'building blocks' towards achieving the overall objective of trade liberalisation and should complement the multilateral trading system. With the establishment of World Trade Organisation, the real journey of global trade commenced which provided all the countries and their citizens to access transparent world market without any discrimination. The global trade has been substantially contributed by the innovations in science and technology particularly in communications and transportation system. This trend has necessitated import and export of commodities. India is the fastest growing economy in the world and has become a vital part to have a watch on trade performance of both, domestic as well as international markets. The **GST** implementation would change the business structure of India and would also bring some significant changes on the impact of international trade of goods and services.

India's Foreign Trade Policy also known as Export Import Policy (EXIM) in general, aims at developing export potential, improving export performance, encouraging foreign trade and creating favourable balance of payments position. Foreign Trade Policy or EXIM Policy is a set of guidelines and instructions established by the Directorate General of Foreign Trade in matters related to the import and export of goods in India. The main objectives of the EXIM Policy are to accelerate the economy from low level of economic activities to the high level by making it a globally oriented vibrant economy and to derive maximum benefits from expanding global market opportunities.

Exports during February 2018 have exhibited positive growth of 4.48 percent in dollar terms vis-à-vis February 2017. Exports have been on a positive trajectory since August 2016 to February 2018 with a dip of 1.1% in the month of October 2017. In Rupee terms, exports were valued at Rs 166305.72 crore in February 2018 as compared to Rs 165855.64 crore during February 2017 registering a rise of 0.27 per cent.

With an aim to make India a significant partner in global trade by 2020, the Foreign Trade Policy 2015-20 provides a framework for increasing exports of goods and services as well as generation of employment and increasing value addition in the economy. The focus of the Government is to support both the manufacturing and service sectors, with a special emphasis on improving the 'Ease of Doing Business'. The new foreign trade policy clearly indicates a swing towards rationalization and simplification of procedure which is a welcome move. The Policy also seeks to provide a stable and sustainable environment for export of goods and services and also has been formulated to promote 'Make in India' and 'Digital India' initiatives of the Government of India.

This issue presents a good number of articles on the cover story theme 'Foreign Trade Policy of India' 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.

THE JOURNAL FOR CMAs

THE MANAGEMENT ACCOUNTANT

-: PAPERS INVITED :-

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

June 2018

Theme: **Blockchain Technology – A Game Changer in Accounting**

Subtopics

- Blockchain – Introduction & Concept
- Blockchain - the future of accountancy
- Blockchain – an opportunity for accountants
- Will Blockchain render accountants irrelevant?
- Blockchain - impact on auditing
- Blockchain Accounting - misconceptions & challenges

July 2018

Theme: **Indian Railways - CMAs as Game Changer**

Subtopics

- Vision & Plans
- Cost Management
- Tariff Mechanism
- Security Systems & Risk Management
- Non-tariff Sources for increasing Revenue
- Sustainable Growth
- Govt Initiatives
- Role of CMAs

August 2018

Theme: **Doubling Farmers' Income-Strategies and Prospects**

Subtopics

- Technology and Innovations
- Sustainability indicators
- Cost Accounting techniques in Agriculture
- Appropriate Price Mechanism
- Risk Management in Agriculture
- Challenges and the way forward
- Govt Initiatives and Policies
- Role of CMAs

September 2018

Theme: **Professional Scepticism**

Subtopics

- Definitions and Views of Professional Scepticism
- Auditor Objectivity and Scepticism
- Proper applications and techniques
- Preferred Scepticism Skills
- Barriers to scepticism
- Challenges and the way forward
- Global Opportunities
- Role of CMAs

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

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

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PRESIDENT'S COMMUNIQUÉ

CMA SANJAY GUPTA
President
The Institute of Cost Accountants of India

My Dear Professional Colleague,

If your actions inspire others to dream more, learn more, do more and become more, you are a leader. I not only subscribe to these words of wisdom by former American President John Quincy Adams personally but also endorse the same for all of you collectively. It is with this frame of mind that I have put our professional 'Leadership and Influence' high on my agenda for this year while marching towards new frontiers. The need of the hour is to hold the element of 'Leadership and Influence' very high while exploring new professional horizons and paradigms with our time-tested tradition of professional excellence, ethics and integrity in the service to our nation.

Peter F. Drucker says: Management is doing things right; leadership is doing the right things. While we know how to do the things right with dedication and integrity, we also need to be in leadership roles in order to do things right in the best interest of national and world economy.

Upcoming Conventions/Programs:

1. National CMA Practitioners' Convention 2018

The Institute is organising National CMA Practitioners' Convention (NCPC) 2018, on the theme "Emerging Professional Avenues: Capacity Building of CMAs" **on 19th & 20th May 2018 at Vadodara, Gujarat**. Eminent panelists, having expert knowledge of the emerging professional topics, will be sharing their experiences and guiding the participants to upgrade themselves in delivering their best to the stakeholders. I urge you to attend the event and get benefitted by deliberations on important professional matters.

2. 15th National Awards for Excellence in Cost Management-2017

It gives me immense pleasure to invite companies to participate in 15th National Awards for Excellence in Cost Management-2017. For facilitating participation, a Questionnaire is to be filled (available at *http://icmai.in/icmai/award.php*) and send along with the annual reports for the years 2016-17 and 2015-16 either through email to ecma@icmai.in or hard copy by post so as to reach us **latest by May 10, 2018**. There are total 9 categories in Manufacturing Sector based on annual turnover and divided into Public and Private Sector. Service Sector awards have been categorised according to sectoral classification i.e. Banking, Financial Services and Insurance (BFSI), Transportation and Logistics, Power Distribution and Transmission, Information Technology & Telecommunication, Retail and E-commerce, Hospitality &Tourism, Healthcare, Infrastructure and Construction Services, and Consulting and others. Further, Unit(s) of a company can also participate.

3. National Students Convocation

The Institute is organising its National Students Convocation - 2018 **on 22nd June, 2018 at Kolkata**. Eminent dignitaries are expected to grace the occasion from various Universities, CMDs from PSUs/Corporate besides other eminent personalities including academicians, corporate people, newly qualified CMAs and students of the Institute cutting across the length and breadth of the country.

PRESIDENT'S COMMUNIQUÉ

4. SAFA Events in New Delhi

The Institute will be hosting 53rd SAFA Board, SAFA Committee Meetings and SAFA Conference on 27, 28 & 29 June, 2018 at New Delhi.

5. International Conference at New Delhi

The Institute will be organising International Conference on June 28 & 29, 2018 at New Delhi. The details of the same will be shared in Due Course of time. I request all to participate in large numbers.

3rd KSCC (Kerala State Cost Convention)

Southern India Regional Council (SIRC) and Cochin Chapter of the Institute of Cost Accountants of India jointly organized 3rd KSCC (Kerala State Cost Convention) 2018 on the theme 'Scaling up of Businesses, CMAs as Key Enablers' at Cochin on 26th April, 2018. I was invited as a Chief Guest of the Convention. CMA H. Padmanabhan, Vice President and CMA (Dr.) PVS Jagan Mohan Rao, CCM and Vice President, SAFA, also graced the occasion.

Directorate of Studies (Training, Placement & Counselling)

I am happy to share that CMA Campus Placement Drive for December 2017 term qualified CMAs is being conducted successfully across India. Already Mumbai, Chennai and Delhi Campus have been completed with grand success and Kolkata Campus is due in the first week of May 2018. I wish all the qualified CMAs a sparkling professional career.

International Affairs Department: Meeting with President And CEO Of CFA Institute

I along with CMA (Dr.) I Ashok, Chairman - International Affairs & Sustainability Committee met with Mr. Paul Smith, President and CEO and Mr. Nick Pollard, Managing Director, Asia Pacific of CFA Institute on 13th April, 2018 at Delhi Office of the Institute and discussed about possibilities of mutual recognition of the professional qualifications and professional development programmes offered by each Institute.

Champion Services Sectors

Ministry of Corporate Affairs called the 2nd meeting on the Action Plan on Champion Services Sectors forwarded by Department of Commerce to the Ministry. The Institute worked out a comprehensive strategy for achieving the vision 2022 in respect of accounting and finance sector and the same was presented in the meeting. CMA Ravi Kr. Sahni, Regional Council Member- NIRC along with other representatives from the Institute attended a review meeting on the Action Plan for Champion Services Sectors on 25th April, 2018 at Ministry of Commerce, Delhi and a Presentation on the same by the Institute was also given at Ministry of Corporate Affairs.

Membership Department

A gentle reminder to all members that membership fee has fallen due on 1st April 2018 for the current financial year, the status of which can be checked and paid online by logging into the 'members online system' available on the Institute's website.

Members holding Certificate of Practice who are running short on the stipulated CEP credit hours may kindly note that the Council of the Institute has decided to grant an extension upto 30th June 2018 to complete the requirement of CEP credit hours for renewal of CoP for the current year (2018-19).

Professional Development and CPD Committee

I sincerely appreciate our Regional Councils and Chapters for organizing more than 26 programs, seminars and discussions during the month of April, 2016 on the topics of professional relevance and importance for the members such as, Insolvency and Bankruptcy Code 2016, GST & Foreign Trade Policy - Recent Amendment & Implications, Costing in Construction Project Management from Concept to Commissioning, Buyback of Shares, Indian Accounting Standard, Workshop on matters under jurisdiction of NCLT & NCLAT, Cost Audit in Integrated Steel Plant and so on.

The Institute was associated with ASSOCHAM for a conference on "Changing Pattern of Services Industry Opportunities and Challenges" on 5th April, 2018 and associated with PHD Chamber of Commerce & Industry for workshops on "E-Way Bill Mechanism, Composition Scheme, Mixed Supply and Job Work Transaction under GST" and "Valuation of Goods & Services Basis/Inclusions & Exclusions; Analysis of Valuation Rules with Practical Case Studies" on 13th April, 2018 and 27th April, 2018 respectively. I hope our members will be immensely benefited with these programmes.

Representation with Government, PSUs, Banks and Other Organizations:

I am happy to share with you that Securities and Exchange Board of India in its recent circular no. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018 on "Strengthening the Guidelines and Raising Industry standards for RTA, Issuer Companies and Banker to an Issue" included Cost and Management Accountants to carry out internal audit on annual basis of RTAs.

CII National Conference on Resolving Insolvency in India – Progress and Way Forward

The Institute associated as an Institutional Partner with Confederation of Indian Industry (CII) for organizing National Conference on Resolving Insolvency in India – Progress & Way Forward to be held on 4th April, 2018 at New Delhi being organized in partnership with Ministry of Corporate Affairs and Insolvency and Bankruptcy Board of India. I was invited to address at the Inaugural session of the Conference.

Shri Injeti Srinivas, IAS, Secretary, Ministry of Corporate Affairs graced the occasion as the Chief Guest and Dr. M S Sahoo, Chairperson, Insolvency and Bankruptcy Board of India as the Guest of Honour of the Conference.

2018 Dubai Global Convention

Institute of Directors organised 2018 Dubai Global Convention- the 28th World Congress on Business Excellence & Innovation, from 17-18 April 2018, at Dubai wherein the Institute was the "Associate Partner". I was invited to address at the Convention as a speaker of Plenary Session on 'Competitive Strategy in Pursuit of World Class Excellence' on 18th April 2018.

Taxation Committee

The department has successfully submitted **Response to questionnaire to CBDT on New Direct Tax Laws.** Suggestions have also been submitted by the department to the GST Council **on Simplification of GST Returns**. The **1st Batch of Certificate Course on GST (Offline mode)** has been launched successfully in seventeen locations in two phases. **Online Classes on Certificate Course on GST** have also been launched for the benefits of learners in rural and far-fetched areas. Admission for **2nd Batch of Certificate Course on GST in both Offline and Online mode has been opened**. The course would benefit members, non-members and students. There would be a special discount for corporate who enrol bulk students.

Trade/Industry- State Chamber of Commerce and group of Ministers formed by the GST council

CMA Niranjan Mishra, Chairman, Taxation Committee along with CMA (Dr.) Sanjay Bhargave, Former Central Council Member attended a consultation meeting on "GST Return Filing- Issues and Challenges called by GST Council with representatives of trade/industry and State Chamber of Commerce on 17th April, 2018 at Vigyan Bhawan, New Delhi.

Institute has also submitted its Suggestions/Comments on the Models suggested by GST Council for simplification of GST Returns on 24th April, 2018 to the Group of Ministers formed by the GST Council.

Inclusion of Cost Accountants for providing Certification for GST liability on Existing Works Contracts of Indian Railways

I am happy to inform you that the name of Cost Accountants have been included to certify work sheet of tax liability before GST and after GST to be submitted by contractors on existing Works Contract under the Ministry of Railways, Government of India.

By the time you will be reading this, you must already be celebrating Spring and May Day. Let me congratulate all of you on that, which is celebrated on 1st May every year by many nations to honour labour, and by many others to welcome the Spring season that brings bright sun and happy sky to us. Seasons change for good of all. Likewise, we too should keep changing in tune with times for the good of our society and nation at large. In fact, I would like you to be 'persons of all seasons' and 'leaders of change'. Let's imbibe the spirit of a professionally relevant saying: A leader is one who knows the way, goes the way, and shows the way.

With warm regards,

CMA Sanjay Gupta

1st May, 2018

ICAI-CMA SNAPSHOTS

CMA Sanjay Gupta, President of the Institute welcomes Mr. Paul Smith, President and CEO of CFA Institute on 13th April, 2018 at CMA Bhavan, New Delhi.

CMA Dr. I. Ashok, Chairman, International Affairs & Sustainability Committee welcomes Mr. Nick Pollard, Managing Director, Asia Pacific of CFA Institute on 13th April, 2018 at CMA Bhavan, New Delhi.

CMA Sanjay Gupta, President of the Institute during a discussion with Mr. Paul Smith, President and CEO and Mr. Nick Pollard, Managing Director, Asia Pacific of CFA Institute on 13th April, 2018 at CMA Bhavan, New Delhi.

Glimpses of CII National Conference on 'Resolving Insolvency in India – Progress and Way Forward' organised in partnership with MCA and IBBI on 4 April, 2018 at New Delhi.

Glimpses of 2018 Dubai Global Convention- the 28th World Congress on Business Excellence & Innovation organised by Institute of Directors (IOD) on 17-18 April 2018 at Dubai

Glimpses of 3rd Kerala State Cost Convention on 'Scaling up of Businesses – CMAs as Key Enablers' jointly organized by the SIRC and Cochin Chapter of the Institute on 26th April, 2018 at Cochin

ICAI-CMA SNAPSHOTS

CMA H Padmanabhan, Vice President of the Institute addressing on 'Investment on Health - Serve Society Safely' accompanied by CMA P Raju Iyer, Council Member and social workers at Chennai

CMA H Padmanabhan Vice President of the Institute and CMA P Raju Iyer, Council Member in Blood Donation Camp organised by SIRC

CMA S Rajaratnam, Renowned Tax Guru honoured by CMA Niranjan Mishra, Chairman Taxation Committee, CMA P Raju Iyer Council Member and CMA H Padmanabhan, Vice President during the Round Table discussion held in Chennai

Vice President of the Institute, CMA H Padmanabhan along with CMA Suresh R Gunjjali Vice Chairman SIRC and a few aspirants at the Campus Placement program organized by the Institute at Chennai

INFLUENCE OF ECONOMIC INDICATORS ON FOREIGN RESERVE CURRENCIES EXCHANGE RATE OF INDIA

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A Currency is the most precise use of the word refers to money or cash in any form. The authentic use or transmission act as the medium of exchange, especially revolving banknotes and coins. An additional general definition is that a currency may be a system of cash (monetary units) in common use, particularly in a nation. Major currencies like U.S. dollar, British pounds, Euros and Japanese Yen which play a significant role in the open market are overviewed for the study in terms of Indian rupee. The Indian rupee is predominantly depended on the activity of market forces and the authority body RBI trades actively in the currency market to sustain and maintain low volatility in managing the exchange rate. When rupee appreciates, it makes imports cheaper and exports expensive. The importers would pay less for the goods which increases their profit margin. Similarly, the depreciation of the INR makes exports cheaper and imports expensive. The depreciation makes Indian goods and services cheaper which increases demand and generates higher revenue. The advent of the floating exchange rate regime since the early 1970s has heightened the interest of MNCs in developing techniques and strategies for foreign exchange exposure management. The purpose of this study is to include all macro-economic indicators to identify the factors that affect the Foreign Reserve currency exchange rate in terms Rupee value and create significant model for the factors to control the Forex rate.

The Indian Rupee is launching its foot print in global market, which can be characterized by the fact of Foreign Reserve currencies to Indian Rupee. The increase in the Forex Reserve, aids well for a strong foreign exchange along with other economic factors such as Export, Import, Foreign investment inflow, Inflation, Gold price, Crude oil price and Stock market indices so on. The various initiatives taken by the government recently to attract more foreign capital through various investments assist to achieve a stabilized exchange rate in India. In this context, the research focuses to find and evaluate the various Economic factors affecting the exchange rate and model the factors using Descriptive analysis, Stationarity test and Pair-wise Granger Causality.

Review of Literature

Thilak Venkatesan and M.S. Ponnamma (2017)[1] analyzed the relationship between exchange rate and macroeconomic variable. They also developed a model to predict and forecast the exchange rate during the period of 2000 to 2015. Augmented dickey-filler test analyzed the stationarity of the variables like US dollar, Euro, Yen, Pound sterling, inflation, Forex reserve, GDP, money supply, oil price, interest rate, export and import at five percent level. Jarque-Bera statistics proved that data were normally distributed. Similarly the Granger Causality analysis tested the pair-wise cause of unidirectional and bidirectional influences respectively to the exchange rates.

Pradip Kumar Mitra (2017)[2] illustrated that the exchange rate volatility spillover causes any effect on the returns of Indian Stock Market. The GARCH was applied for the volatility exchange rates whereas co integration measured the relationship between the exchange rates returns (USD-INR, EURO-INR, GBP-INR and YEN-INR) and the Indian Stock Market indices (SENSEX and NIFTY). There was a long term relationship existed between the foreign exchange market and the Indian stock market and indicated that volatility spillover exists bi-directionally.

Varsha Ingalhalli, Poornima.B.G and Y.V.Reddy (2016)3 studied the causal relationship among the Gold, Oil, Exchange rate and Stock market. Positive correlation implies that variables move up and down in the same direction and other variable moves in the opposite direction. There was a high correlation between the gold and oil. Granger causality measured the causes of the past values and current values of the gold price, oil prices and stock price index. It revealed that exchange rate acted as the contributor to the price fluctuations and changes affect the economic environment.

Statement of the Problem

The developing country like India faces many hindrances while doing trading and investing in the International market. During the financial crisis period the Indian economy was experienced a downturn. Industrial growth faltering, inflation doubles the level, foreign exchange reserves are depleting and the rupee was depreciated. The tenacious depreciation in rupee is one of the major concern of foreign currency market in India. Depreciation of rupee in the Currency market prompts import of crude oil, gold and import duty getting to be costlier which is a stress for India vice-versa fluctuations in the economic factors influence the exchange rate. By declining the value of the Indian currency due to the fluctuations in the commodity and stock markets makes the pressure to the Indian traders and investors. So it is pertinent to evaluate the performance of the exchange rate in the dynamic economic environment.

Objectives of the Study

The paper aims at the following objectives:

1. To analyze the Exchange rates of Foreign Reserve currencies in terms Indian rupee and select Economic indicators of Indian economy.

2. To identify the cause and effect between select Economic indicators and Foreign Reserve Currencies Exchange rates in terms of Indian Currency.

Hypotheses of the Study

1. **H_{01}:** The Foreign Reserve Currencies Exchange rate in terms of Indian rupee is normally distributed.

2. H_{02}: There is no stationarity in Economic Indicators and Foreign Reserve Currencies Exchange rate in terms of Indian rupee.

3. H_{03}: There is no cause and effect between Economic Indicators and Exchange rates of Foreign Reserve Currencies Exchange rate in terms of Indian rupee.

Methodology

This research has been carried out in order to investigate the U.S. Dollar, Pound Sterling, Euro and Yen exchange rates referred by RBI and there are many Economic Indicators listed in India which influence exchange rates to take part in the role of Forex market, in a very complex way. This is one of the fundamental economic factors influencing the exchange rate. Some of these factors include Export, Import, Inflation rate, Gold price, Crude oil price, Foreign Exchange Reserves, Foreign Investment Inflow, and Nifty and Sensex index. So the study adopted the purposive sampling technique because the foreign currencies selected for the research which act as the reserve currency of the world. The research is based on secondary data; RBI report has been compiled for the analysis over the period of nine years – eight months of monthly time series data. i.e. January 2008 to August 2017. To analyze the result, the descriptive statistics is used to check the normality; ADF (Augmented Dickey filler) unit root test to analyze the Stationarity and to determine the cause and effect Granger causality is used.

Results and Discussions

Table - 1

Descriptive Statistics from January 2008 to August 2017

Summary of Statistics	Mean	Median	Std.Dev	Skewness	Kurtosis	Jarque-Bera
USD/INR	55.6	54.54	8.74	-0.01	1.55	10.17
EUR/INR	70.14	69.86	6.85	0.41	2.70	3.68
GBP/INR	85.12	83.28	10.56	0.21	1.79	8.00
JPY/INR	56.24	55.82	7.27	-0.46	3.44	5.05
EXP	1128.70	1358.14	366.79	-0.41	1.86	9.48
IMP	1843.54	2026.99	504.30	-0.54	1.98	10.59
GP	23947.99	26848.40	6416.34	-0.69	1.95	14.46
COP	77.52	80.98	24.51	-0.06	1.96	5.29
FXR	17355.91	16060.44	4399.19	0.51	1.78	12.25
FII	3669.57	3016.50	4752.17	0.69	13.23	575.39
INFL	123.47	116.00	15.02	0.83	2.47	14.82
NIFTY	6250.73	5796.48	1738.17	0.19	2.22	3.61
SENSEX	20670.44	19351.86	5604.03	0.10	2.22	3.07

Source: Complied and Calculated ** Significant at 5% level*

The above Table observed the average for USD/INR which is at 55.6. The average for others currencies and factors i.e EUR/INR , GBP/INR, JPY/INR, Export, Import, Gold price, Crude oil price, Foreign Exchange Reserve, Foreign Investment Inflow, Inflation rate , Nifty index and Sensex index are 70.14, 85.12, 56.24, 1128.70, 1843.54, 23947.99, 77.52, 17355.91, 3669.57, 123.47, 6250.73 and 20670.44 respectively.

Jarque-Bera values of USD/INR (10.17), GBP/INR (8.00), Export (9.48), Import (10.59), Gold price (14.46), Crude oil price (5.29), Foreign exchange reserve (12.25), and Inflation (14.82) show that variables are not normally distributed; hence, the (H_0) hypothesis is rejected. JPY/INR (5.05), Foreign investment inflow (5.75.39), Nifty index (3.61), Sensex index (3.07) are normally distributed. So the (H_0) hypothesis is accepted.

Table - 2

AUGMENTED DICKEY –Fuller Test for Exchange Rates and Economic Indicators from January 2008 to August 2017

Variables	Level		First difference	
	T-Statistics	*Prob	T-Statistics	*Prob
USD/INR	-2.430	0.362	-8.091	0.0000*
EUR/INR	-2.256	0.454	-9.192	0.0000*
GBP/INR	-1.098	0.924	-8.736	0.0000*
JPY/INR	-2.636	0.266	-8.724	0.0000*
EXP	-1.124	0.919	-7.037	0.0000*
IMP	-2.343	0.408	-13.932	0.0000*
GP	-1.289	0.885	-10.514	0.0000*
COP	-1.737	0.728	-7.487	0.0000*
FXR	-2.296795	0.4320	-10.42152	0.0000*
FII	-8.486291	0.0000*	-----	------
INFL	-2.149081	0.5128	-8.312197	0.0000*
NIFTY	-3.228767	0.0841	-8.061970	0.0000*
SENSEX	-3.131087	0.1042	-8.098130	0.0000*

Source: Complied and Calculated ** Significant at 5% level*

The above Table 2 describes the results of the Unit root test applied to determine the order of integration among the time series data. According to the test Foreign Investment Inflow (FII) is stationary at level which is the degree of integration appears as I (0). The variables Exchange rates of US dollar, Euro, Pound sterling, Japanese Yen against Indian Rupees, Export, Import, Foreign exchange reserve, Gold price, Crude oil price, Inflation rate, Nifty returns and Sensex returns become stationary when its first difference was taken. That is, the degree of integration of this series is I (1).

PAIRWISE GRANGER CAUSALITY

Table - 3

Pairwise Granger Causality Test Results for US Dollar Exchange Rate interms of Indian Rupee and Economic Indicators for the period of January 2008 to August 2017

VARIABLES	PAIR WISE HYPOTHESIS	PROB*	DECISION	TYPES OF CAUSALITY
DEXP	DEXP does not Granger Cause DUSD	0.030*	Reject H0	Uni-directional Causality
	DUSD does not Granger Cause DEXP	0.416	DNR H0	

VARIABLES	PAIR WISE HYPOTHESIS	PROB*	DECISION	TYPES OF CAUSALITY
DIMP	DIMP does not Granger Cause DUSD	0.521	DNR H0	No Causality
	DUSD does not Granger Cause DIMP	0.412	DNR H0	
DGP	DGP does not Granger Cause DUSD	0.354	DNR H0	No Causality
	DUSD does not Granger Cause DGP	0.640	DNR H0	
DCOP	DCOP does not Granger Cause DUSD	0.662	DNR H0	No Causality
	DUSD does not Granger Cause DCOP	0.642	DNR H0	
DINF	DINF does not Granger Cause DUSD	0.139	DNR H0	No Causality
	DUSD does not Granger Cause DINF	0.904		
DFII	DFII does not Granger Cause DUSD	0.616	DNR H0	No Causality
	DUSD does not Granger Cause DFII	0.083	DNR H0	
DFXR	DFXR does not Granger Cause DUSD	0.000*	Reject H0	Bi-directional Causality
	DUSD does not Granger Cause DFXR	0.017*	Reject H0	
DNI	DNI does not Granger Cause DUSD	0.667	DNR H0	No Causality
	DUSD does not Granger Cause DNI	0.392	DNR H0	
DSI	DSI does not Granger Cause DUSD	0.507	DNR H0	No Causality
	DUSD does not Granger Cause DSI	0.408	DNR H0	

Source: Complied and calculated ** Significant at 5% level*

DNR H_0 – Do not Reject Null Hypothesis
(Number of Observations 116)

The result of the Granger Causality test indicates that there exists a relationship between Exchange rate of USD/INR and its influencing variables. However, it is observed that, the p-value of Import, Gold price, Crude oil price, Foreign Investment Inflow, Inflation, Nifty and Sensex index are greater than 5 per cent (> 0.05) significant level. Hence, the null hypotheses are accepted indicating that no causality exists between Exchange rate of US dollar and its influencing variables. The null hypothesis is rejected for the variable Export because the significance level is less than 5 per cent (< 0.05) indicating that the above said variable has uni-directional causality with USD. The variable Foreign Exchange Reserve has bi-directional causality with exchange rate of USD.

Table 4

Pair-Wise Granger Causality Test Results for Euro Exchange Rate Interms of Indian Rupee and Economic Indicators for the Period of January 2008 to August 2017

VARIABLES	PAIR WISE HYPOTHESIS	PROB*	DECISION	TYPES OF CAUSALITY
DEXP	DEXP does not Granger Cause DEUR	0.240	DNR H0	Uni-directional Causality
	DEUR does not Granger Cause DEXP	0.008*	Reject H0	
DIMP	DIMP does not Granger Cause DEUR	0.527	DNR H0	No Causality
	DEUR does not Granger Cause DIMP	0.225	DNR H0	
DGP	DGP does not Granger Cause DEUR	0.203	DNR H0	No Causality
	DEUR does not Granger Cause DGP	0.141	DNR H0	
DCOP	DCOP does not Granger Cause DEUR	0.020*	Reject H0	Uni-directional Causality
	DEUR does not Granger Cause DCOP	0.118	DNR H0	
DINF	DINF does not Granger Cause DEUR	0.962	DNR H0	No Causality
	DEUR does not Granger Cause DINF	0.284	DNR H0	
DFII	DFII does not Granger Cause DEUR	0.889	DNR H0	No Causality
	DEUR does not Granger Cause DFII	0.056	DNR H0	
DFXR	DFXR does not Granger Cause DEUR	0.000*	Reject H0	Uni-directional Causality
	DEUR does not Granger Cause DFXR	0.057	DNR H0	
DNI	DNI does not Granger Cause DEUR	0.148	DNR H0	No Causality
	DEUR does not Granger Cause DNI	0.587	DNR H0	
DSI	DSI does not Granger Cause DEUR	0.110	DNR H0	No Causality
	DEUR does not Granger Cause DSI	0.449	DNR H0	

Source: Complied and calculated ** Significant at 5% level*

DNR H_0 – Do not Reject Null Hypothesis
(Number of Observations 116)

The result of the Granger Causality test indicates that there exists a relationship between Exchange rate of EUR/INR and its influencing variables. However, it is observed from the table that, the p-value of Import, Gold price, Inflation, Foreign Investment Inflow, Nifty and Sensex index are greater than 5 per cent (> 0.05) significant level. Hence the null hypotheses are accepted indicating that no causality exists between Exchange rate of Euro and its influencing variables. Therefore, the null hypotheses are rejected for these variables because the significance level is less than 5 per cent (< 0.05) indicating that Export, Crude oil price and Foreign Exchange Reserve are having uni-directional relationship. So, there is a causality that exists between the Euro currency and influencing variables of Export, Crude oil price and Foreign Exchange Reserve.

Table - 5

Pairwise Granger Causality Test Results for Pound Sterling Exchange Rate Interms of Indian Rupee and Economic Indicators for the Period of January 2008 to August 2017

VARIABLES	PAIR WISE HYPOTHESIS	PROB*	DECISION	TYPES OF CAUSALITY
DEXP	DEXP does not Granger Cause DGBP	0.328	DNR H0	No Causality
	DGBP does not Granger Cause DEXP	0.066	DNR H0	
DIMP	DIMP does not Granger Cause DGBP	0.233	DNR H0	Uni-directional Causality
	DGBP does not Granger Cause DIMP	0.014	Reject H0	
DGP	DGP does not Granger Cause DEURO	0.203	DNR H0	No Causality
	DEURO does not Granger Cause DGP	0.142	DNR H0	
DCOP	DCOP does not Granger Cause DGBP	0.000	Reject H0	Uni-directional Causality
	DGBP does not Granger Cause DCOP	0.509	DNR H0	
DINF	DINF does not Granger Cause DGBP	0.962	DNR H0	No Causality
	DGBP does not Granger Cause DINF	0.284	DNR H0	
DFII	DFII does not Granger Cause DGBP	0.684	DNR H0	No Causality
	DGBP does not Granger Cause DFII	0.068	DNR H0	
DFXR	DFXR does not Granger Cause DGBP	0.006	Reject H0	Uni-directional Causality
	DGBP does not Granger Cause DFXR	0.162	DNR H0	
DNI	DNI does not Granger Cause DGBP	0.015	Reject H0	Uni-directional Causality
	DGBP does not Granger Cause DNI	0.155	DNR H0	
DSI	DSI does not Granger Cause DGBP	0.009	Reject H0	Uni-directional Causality
	DGBP does not Granger Cause DSI	0.102	DNR H0	

Source: Complied and calculated ** Significant at 5% level*

DNR H_0 – Do not Reject Null Hypothesis
(Number of Observations 116)

The result of the Granger Causality test indicates that there exists a relationship between Exchange rate of GBP/INR and its influencing variables. However, it is observed that the p-value of Export, Gold price, Inflation, Foreign Investment Inflow is greater than 5 per cent (> 0.05) significant level. Hence the null hypotheses are accepted indicating that no causality exists between Exchange rate of Pound sterling and its influencing variables. Therefore, the null hypotheses are rejected for the variables Nifty index, Sensex index, Import, Crude oil price, and Foreign Exchange Reserve because the significance level is less than 5 per cent (< 0.05) indicating that there exists uni-directional relationship.

Table - 6

Pairwise Granger Causality Test Results for Japanese Yen Exchange Rate Interms of Indian Rupee and Economic Indicators for the Period of January 2008 to August 2017

VARIABLES	PAIR WISE HYPOTHESIS	PROB*	DECISION	TYPES OF CAUSALITY
DEXP	DEXP does not Granger Cause DJPY	0.173	DNR H0	No Causality
	DJPY does not Granger Cause DEXP	0.479	DNR H0	
DIMP	DIMP does not Granger Cause DJPY	0.529	DNR H0	
	DJPY does not Granger Cause DIMP	0.670	DNR H0	No Causality
DGP	DGP does not Granger Cause DJPY	0.152	DNR H0	Uni-directional Causality
	DJPY does not Granger Cause DGP	0.002	Reject H0	
DCOP	DCOP does not Granger Cause DJPY	0.244	DNR H0	No Causality
	DJPY does not Granger Cause DCOP	0.876	DNR H0	
DINF	DINF does not Granger Cause DJPY	0.141	DNR H0	No Causality
	DJPY does not Granger Cause DINF	0.633	DNR H0	
DFII	DINF does not Granger Cause DJPY	0.141	DNR H0	No Causality
	DJPY does not Granger Cause DINF	0.633	DNR H0	
DFXR	DFXR does not Granger Cause DJPY	0.008	Reject H0	Bi-directional Causality
	DJPY does not Granger Cause DFXR	0.016	Reject H0	
DNI	DNI does not Granger Cause DJPY	0.885	DNR H0	No Causality
	DJPY does not Granger Cause DNI	0.842	DNR H0	
DSI	DSI does not Granger Cause DJPY	0.918	DNR H0	No Causality
	DJPY does not Granger Cause DSI	0.821	DNR H0	

Source: Complied and calculated ** Significant at 5% level*

DNR H_0 – Do not Reject Null Hypothesis
(Number of Observations 116)

The result of the Granger Causality test indicates that there exists a relationship between Exchange rate of JPY/INR and its influencing variables. However, it is observed from the table that, the p-value of Crude oil price, Foreign Investment inflow, Inflation, Nifty index, Sensex index, Export and Import are greater than 5 per cent (> 0.05) significant level. Hence the null hypotheses are accepted indicating that no causality exists between Exchange rate of Japanese yen and its influencing variables. Therefore, the null hypotheses are rejected for these variables because the significance level is less than 5 per cent (< 0.05) indicating that the uni-directional causality exists between Japanese Yen and Gold price. In the case of Foreign Exchange Reserve shows the Bi-direction effect.

Conclusion

The foreign exchange market in India has undergone substantial changes over last decade. It is imperative by the excessive volatility of Indian rupee causing its depreciation against major dominating currencies in International market. The study reveals that fundamental Economic indicators like Export, Import, Gold Price, Crude oil price, Foreign Investment Inflow, Foreign Exchange Reserve are potential sources of exchange rate volatility. As Exchange rate stabilization plays a vital role in the monetary system, the regulatory authority of India has to realize the Economic indicators which affect the exchange rate volatility for the achievements of exchange rate stability policy and decision makers in India should design and develop set of monetary policies and exchange rate policies to retain the exchange stabilization and strengthen the financial system. MA

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CHAIRMAN'S MESSAGE

Greetings!!!

Life is a continuous learning process and the Journal and Publications department aspires to imbibe wisdom and human values across its various stakeholders through creation and dissemination of knowledge in pursuit of excellence in professional development arena.

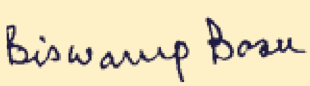
We feel extreme pleasure to announce that the printed copies of the monthly journal *'The Management Accountant'* would resume to be circulated to all the members of the Institute from May 2018. We are exceedingly hopeful that the Journal, now enlisted in the approved Journal list of the UGC, would maintain the high standards and quality and set am international benchmark to fulfil the expectations of the readers.

We welcome your valuable suggestions and constructive feedback for its overall growth and development.

Kindly allow me to express my heartfelt thanks and gratitude for your continued support.

With Warm Regards

CMA Biswarup Basu



Chairman
Journal & Publications Committee

DEADLOCK AT 11TH WTO MINISTERIAL CONFERENCE

Emerging Trends in Global Trade Scenario in 2017

It is heartening to note that global trade in goods is continued growing. The indicator, a composite showed the positive trends. The indicator has seven components and six out of seven components have witnessed increasing trend. The only segment which has recorded a declined from 103.3 in 2016 to 94.1 in 2017. This is being attributed to the weakening of the users' sentiments.

Silver lining

It is pertinent to note here that the present recovery of 2017 is being expected during the first quarter of 2018 as there are indications that world trade may have strong exports orders; strong air freight, and container shipping etc. across the world which means that the global trade witness in slowdown in the moment of goods worldwide. The most dominant segment of WTO index is container port throughput at 104.3, the highest among all seven indicators of index. This is the largest score since the publication of Index by the WTO.

According to the data and information released by the WTO, the global trade in goods will increase with a margin between 14. To 4. 4 per cent in the current year. The WTO has also forecasted a rise of nearly 3.2 per cent as against the estimated figure of 3.6 per cent in 2017.

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IMF Forecast

The International Monetary Fund (IMF) in September 2017 had projected the growth in global trade at 3.2 per cent an up gradation by 0.2 percentage point and 3.3 cent for the year 2018. The WTO will give its projection in regard to world trade for the year 2018 in April this year i.e. 2018.

It is believed that trade disputes and foreign trade frictions do not have much affect the overall world trade growth scenario. This is because these disputes and friction are with specific sector and the country. Accordingly, if one source of goods is kept restricted, importers do have an option to switch over to other available source for the same goods.

WTO's Ministerial Conferences

Since the beginning of 21st century, the survival of the WTO in general and its role for promoting multilateralism in particular has been facing many new issues and challenges. These issues and challenges are of formidable nature.

The 11th WTO Ministerial Conference was held at Buenos Aires the Capital of Argentina. It was being considered as a significant as the most critical issue on Food Security was the major bone of contention. Unfortunately, the four days negations under WTO regime collapsed and as a result, no Ministerial Declaration came out or pronounced.

The four day hectic parleys, lobbying and prolonged posturing, made out by the 164 member countries remained a myth and did not transform into reality. This is because there has been persisting impasse among the ministers to evolve a common base for resolving the most strategic issue of food security.

For developing nations, the collapse of the food security issue is a great disappointment. This was happened due to rigid attitude of the US as the permanent solution on food stockholding was not acceptable to the US. It is pertinent to point out here that one nation's out of 164 nations, opposition for agricultural reforms based upon the present WTO mandate and rules resulted into a complete deadlock in the negotiations.

A dejected WTO Director General pointed out that there is a lot of disappointment among the nations over the way the negotiations progressed. He further emphasised the need for 'soul-searching by the 164 countries for the sake of 800 million poor and undernourished people spreading across the world. He also rightly opined that "you do not get what you want, but you get what is possible". Similar sentiments were shown by the Chair of the 11th MC. According to him, "we fell short on various issues, but there is life after Buenos Aires and we need to find ways for removing the deadlock and move forward".

In Bali's Ministerial Conference, as an interim measure, the WTO members in December 2013,had agreed upon to put in place a mechanism popularly known as 'Peace Clause' and had also committed to negotiate an agreement for permanent solution at the 11th Ministerial Conference at Buenos Aires. As there is no agreement reached out at 11th MC, the 2013 'Peace Clause' has to be continued. Accordingly, the existing mandates and decisions has to ensure that efforts will continue by the members to work on the most critical issues namely-permanent solution public stockholding for food security, Agriculture Special Safeguard Mechanism, and agriculture domestic support.

The WTO was established with specific purpose and principle with much emphasis on democracy and transparency in its working and functioning. Even a small country who is the member of WTO has a say in the decision making process. This is the unique feature of the WTO.Since the inception or creation of WTO on 1 January, 1995 i.e. more than 17 years, 11 ministerial conference have been convened by the WTO for solving the major issues of concern in the area of international trade or promoting multilateral trading system for which the General Agreement on Tariffs and Trade (GATT) was transformed into World Trade Organization (WTO). It is most unfortunate, that nothing concrete solutions regarding global trade has been surfaced so far. Doha Development Round 2001 is still in doldrums. Instead of solving or implementing the decisions of DDR, the new issues which are not directly related to trade are being the part of negotiations. This is not fair and is also not in the interest of WTO.

Trade war between China and US

There has been a continuous trade war between China and the US. Recently, Chinese Government has out rightly rejected the allegations put forth by the US top trade officials that China is posing an "unprecedented" threat to the world trading system. On the other hand China has shown a keen interest in regard to bringing the desired improvement the existing multilateral trading system for which the WTO has come into shape. Further, Chinese government expressed readiness to improve the multilateral trade regime with WTO as its core.

According to US Trade Representative (USTR), the sheer scale of their planned efforts to develop and grow its economy, to extend huge subsidies, to bring up national champions, to force technology transfer, and to distort markets in China and across the world is the biggest threat to the global trading system. Further, he added that the threat of China's economic model could not be carry out under the existing world trading law and rules. Taking into consideration the USTR criticism, the Chinese counterpart opines that since the accession of China to WTO, the country has been fulfilling all obligations and also has made a significant contribution to the promotion of multilateral trading system.

China and USA bilateral trade amounted to US $ 567 billion, and accordingly, China has emerged out the biggest trade partner of the USA. The present US regime wants to cut down the existing trade deficit. The US wants bilateral trade with China instead of trading under the WTO trade regime. China and the US are two important members of the WTO. Whether their behaviour and approaches are appropriate WTO has a clear stipulation and both the countries also have clear judgements to each other and towards WTO.

China's Investment Issue

Substantial support to China's investment at the WTO meeting has raised a lot of concern to India. More than 50 countries had asked the WTO to have discussion on a world policy for investment facilitation at WTO meeting in Buenos Aires. It is undisputed fact that China's increasing clout, despite its late succession to WTO is now more visible than ever before. China is not pushing any negotiations or deliberations on e-commerce as aggressively as the EU at Buenos Aires. The most critical worry is not confined to the issues. The major concern is to discuss the future of WTO which many trade consultants believe may give upper hand to the US and EU and they could seek a discussion new emerging issues on e-commerce and Medium and Small Enterprises (MSEs) instead of keeping alive the Doha Development Round (DDR) which is lying abeyance for the last more than 16 years and more critical and strategic for developing and least developing countries. The US and EU are continuouslytrying to bring non-trade issues namely gender and environment under the WTO regime.

Food security Issue

Food security for developing economies is a major bone of contention in WTO negotiations. This is a matter of survival for 800 million hungry and under nourished people across the world. Hence, there is an immediate need for exploring a successful solution and resolution to this most critical issue. The developing economies do not envisage any negotiated outcome from 11th WTO Ministerial Conference which also does not include a permanent solution. The developing economies are insisting upon that the final agreement must be better than the one agreement which took place three years ago wherein so many conditions were put in respect of using minimum support price (MSP) policy. Unfortunately this was resisted by the Developed economies as these countries want to keep on procurement at 10 per cent of the value of output.

Inhuman act at Buenos Aires

The Director General has rightly observed and pointed out that there is a lot of disappointment on the part of WTO and developing economies in particular the way the MC 11 negotiations were progressed. It is high time that member countries must make soul-searching. In multilateral deliberations' parties don't get what they want, they get what is possible.

The 11th WTO Ministerial Conference at Buenos has collapsed and accordingly no agreement on food security was possible. As a result, after 4 days negotiations, there is no Ministerial Declaration. This is most unfortunate on the part of the member countries. This all indicates that none of the members is serious on the issue of poor and unnourished people world over. It is for the first time in the history of WTO Ministerial Conferences that India is not blamed for the deadlock on food security negotiations. The main reason for the collapse of the negotiations is the adamant attitude of the developed countries. The US is going back to its commitment along with other developed economies to explore a permanent solution to the public food stockpile issue which is not in the inertest of developing economies in general and India and China in particular.

Is it fair that one nation's (USA) strong opposition against agriculture reform based on present WTO mandates, rules and regulations resulted into a deadlock without any outcome on agriculture or even a work programme for the coming two year? However, Argentina's Minister pointed out that "we fell short on various issues, but there is a life after Buenos Aires and the members need to find ways for removing deadlock and move forward". In cooperation with the G-33 group, had pitched hard for permanent solution in respect of food security issue as it was very much significant in terms of large junk of people world over.

Face saving

It is most unfortunate that four days conference which comes to an end without a required Ministerial Declaration for any substantive result, did manage to make some feeble progress in regard to fisheries and e-commerce by agreeing upon the work programmes.

India and 11th MC at Buenos Aires

This is probably the first time in the recent history of Ministerial Conferences that India is not being blamed for the deadlock of WTO negotiations regime at Buenos Aires i.e. MC. India came to the conference with an open mind. Unfortunately, the issues did not move forward due to the adamant behaviour of the developed economies especially the US. The negotiations collapsed the US going back on its commitment with other economies particularly the EU to explore a permanent solution to the public food stockholding issue.

According to many trade and business analysts, India is not back to its country as villain. India is going back without losing any thing, but has gained a lot especially in terms of the goodwill of the developing and least developing countries.

India also pitched for Special Safeguard Mechanism, an instrument for developing nations to address of the issue of import surges and the price dips from highly subsidies available to the farmers in rich nations to agricultural goods. India argued that any permanent solution on public stockholding for food security must cover the present and future programmes of all the developing and least developing economies.

India strongly reiterated the need for concerted efforts and strategy on public stockholding issue as it is an significant instrumentality used in developing nations across the world wherein agriculture is dominantly rain-fed, to ensure two time meals a day to 800 million of people spreading all over the world.

What WTO should DO?

The WTO must include the emerging issues, if the same wants to be remained relevant in changing global scenario. The developing economies have decided to hold a conclave in India wherein the major players could attend it. In the upcoming mini MC in February 2018, the developing economies in general and India in particular would take up the issues which are the interest of the developing and least developing countries.

Mini-Ministerial in India

India is taking an initiative to break the deadlock of WTO negotiations. Accordingly, India is calling a mini-ministerial conference at Delhi in coming weeks. India is inviting both developed and developing economies for creating or bringing consensus on the issue which putting WTO in danger. The very purpose of this mini conference is explore new ways and means to revitalize the WTO was established in 1995 as the best organization for the promotion of multilateral trading system which is the sin-quo-non for promoting free trade among the members. The developing economies are of the view that the WTO is there to ensure predictable and transparent and rule making in the area of international trade. There is a possibility of 40 countries for participating the upcoming mini conference sometime in February 2018.

The mini-mini-ministerial conference would take place keeping in mind the backdrop of developed countries forming groupings to prepare the ground for pushing through the newly emerging issues namely-investment facilitation, rules for e-commerce; gender equality and reducing subsidies on fisheries.

As a matter of fact, India is continuously making concerted efforts in regard to agricultural issues which are of interest of developing and least developing countries. Accordingly, India has been raising voice in respect of bringing new issues particularly those issues that are not directly concerned to trade for negations. Let us see how far India will succeed in these efforts. The answer will be available on March 19-20 2018 when the mini-conference will be held.

Is there a need to reform WTO?

Recently, it was said by the Indian Commerce Minister that "the question is whether we should make WTO better or forget it. Organizations need reformation all the time". The reformation is sin-quo-non for the transformation of global economy. Trade is being considered as an "Engine of Growth" as it creates necessary jobs and accelerate the economic operations which are the need of the hour. The time and economic environment are changing across the world, there is an urgent need to bring out the required changes in the WTO structure and functions. MA

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Mid Term Review of Foreign Trade Policy 2015-2020 – Progression at Half Way Through

In economies like India, fiscal deficits are matter of concern and major reason among other economic challenges for such deficits is negative balance of payment due to negative balance of trade.

It is valid to note, in May 2016 the government of India set up a committee under chairmanship of Mr. N.K. Singh1 to review the FRBM Act2; which recommend that government should target a fiscal deficit of 3% of the GDP in years 2017-18, 18-19 and 19-20, cut it to 2.8% in 2020-21 and to 2.5% by 2023. But the economic survey 2017-183, which was tabled in the Parliament on January 29, 2018; mentioned that Central Government is confident of achieving fiscal deficit of 3.2% of GDP for 2017-18.

To overcome these challenges, various regulatory measures are presently in use. 'Foreign Trade Policy 2015-2020' (FTP)4 with following objectives (issued by office of Director General of Foreign Trade (DGFT)5, department of commerce, ministry of commerce and industry) is one among them;

- To double the export from the US$ 466 billion of 2013-14 (2% of total world export) to US$ 900 billion in 2019-20 (3.5% of total world export).
- As an effective instrument of economic growth with specific emphasis on MSME and labour intensive sectors.

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As part of review and control mechanism already prescribed, mid-term review of FTP was conducted and same was released on 5th December 20176. This was to assure achievement of above objective with further aim of Ease of doing business, Post – GST alignment, giving effect to India's ratification of WTO's trade facilitation agreement, expanding market, data analytics backed policy intervention and trade facilitation.

Major changes (chapter wise) prescribed in mid - term review, followed by some new initiatives for improving export competiveness are;

Chapter 2 – General Provisions Regarding Exports and Imports

1. Second hand capital goods have been allowed import for repair purposes without payment of duty

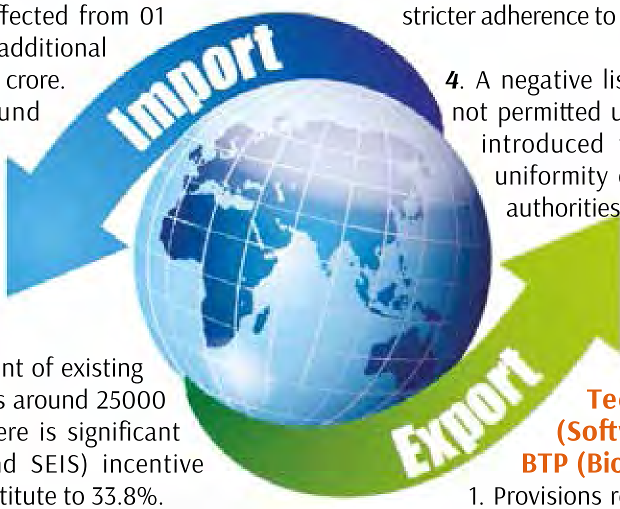
2. New provision for export of "restricted" goods which are however freely importable is being introduced, in order to develop the transhipment infrastructure

Chapter 3 – Exports From India Schemes

1. ***Merchandise Exports From India Scheme*** - Incentive increased by two percent for labour intensive MSME sectors such as leather (749 crores), agriculture (1354 crores), carpets, hand tools, handloom, handicrafts (921 crores), medical and scientific products (193 crores) and telecom equipment/ components (369 Crores) etc leading to additional annual incentive of Rs. 4,567 crore. This two percent is in addition to the previously announced increase of two percent [now total incentive is of 6 percent – 2 (original) + 2 (increase) + 2 (midterm review)] in MEIS incentives for Ready-made Garments and Made Ups in the labour intensive Textiles Sector with an additional annual incentive of Rs. 2,743 crore.

2. ***Service Exports From India Scheme*** - Incentive is also increased by two percent for certain class of services

including Hotel & Restaurant, Hospital, Educational services etc. for exports affected from 01 November 2017 leading to additional annual incentive of Rs. 1,140 crore. Benefit extended to ground handling services as part of Air Transport Services. Benefit restricted to specify payments which are approved by RBI as deemed foreign exchange payments.



3. It is worth to ***note,*** amount of existing incentive prior to review was around 25000 crores and after review there is significant increase in two (MEIS and SEIS) incentive schemes of 8450 crore, constitute to 33.8%.

4. Duty credit scrips issued under MEIS and SEIS now have validity of 24 months instead of 18 months.

Chapter 4 – Advance Authorization and other Duty Exemption Schemes

1. A trust based self declaration and self ratification scheme is also proposed to allow duty free inputs under duty exemption scheme for export production with a self declaration by Authorised Economic Operator (AEO). The scheme is not eligible for specified products like Bio-technology items, insecticides, etc.

2. The proposed scheme allows exporters to claim inputs on self declaration basis without the need to get the norms ratified by any inter-ministerial committee.

3. It is worth to note, more than 2000 exporters under the Two Star Export House and above status would be eligible to opt for this scheme

Chapter 5 – Export Promotion Capital Goods (EPCG) Scheme

1. Shifting of capital goods has been allowed from one unit to the other unit of the IEC holder without payment of duty.

2. Clubbing of two or more EPCG authorisations issued to same person have been allowed in respect of those authorisations also where export obligation (EO) period has expired. Reason being in case of Advance Authorisation Scheme has been allowed for authorisations even when EO period is over.

3. The fee for EO period extension has been increased for stricter adherence to time schedule for EO fulfilment.

4. A negative list of capital goods which are not permitted under EPCG Scheme has been introduced for the sake of clarity and uniformity of application in the regional authorities.

Chapter 6 – Schemes Related to EOU (Export Oriented Units) / EHTP (Electronic Hardware Technology Park) / STP (Software Technology Park) / BTP (Bio-Technology Park)

1. Provisions related to transfer from and to EOU/EHTP/STP/BTP units have been aligned with the provisions of Goods and Services Tax Act.

2. The EOU/EHTP/STP/BTP units can imports; procure from bonded warehouse located in domestic tariff area or from international exhibition held in India, without payment of customs duty (as provided under the Customs Tariff Act, 1975) and without payment of Integrated GST and Compensation Cess.

3. The restriction of 50% domestic tariff area sale (concessional or full duty) of export value (FOB basis) has been dispensed with.

New Initiatives for ease of doing business

1. GST related benefits

- To ease procurement by EOU from domestic tariff area units, refund of GST taxes paid on such supply from domestic tariff area to EOU shall be available to supplier (as provided under GST rules)

- Rate of GST on sale or transfer of duty credit scrips is also reduced to zero.

- Issue of gold availability for exporters has been resolved by allowing 'Specified Nominated Agencies' to import gold without payment of IGST.

- Merchant exporters can procure input from domestic supplier for export at concessional rate of 0.1%

2.Identifying new markets and new products

- Emphasis on identifying new markets with high potential (Africa specifically mentioned) or with project-export possibilities (Latin America and Caribbean region specifically mentioned).

- Additional support to be provided for Export Credit Guarantee Corporation (ECGC), so that ECGC can increase insurance cover to exporters specifically MSME who are exploring new or difficult markets.

- Identify new products for export (as 70% of items which India export, represent only 30% of total world exports). New agriculture export policy is also provided to promote the export of agricultural value added products.

3. Services Division in the DGFT –

Services Exports need a more nuanced approach for penetration into new markets and to examine EXIM policies and procedures

4. Procedural Aspects

- Single window under DGFT - Contact@DGFT service for complaint resolution has been activated on DGFT website for resolving all foreign trade related issues with status tracking facility supported by high level monitoring.

- 'National Committee on Trade Facilitation' (NCTF) has been constituted with objectives of Facilitating domestic co-ordination & Implementation of Trade Facilitation Agreement (TFA) provisions. NCFT is supported by steering committee (headed by commerce secretary and revenue secretary) and Four working group already constituted by such steering committee. NTFAP (national trade facilitation action plan) with 76 facilitation measures also drawn.

- As part of trade facilitation, professional team envisaged to support exporters on specific issues. To study the process of clearance at Indian ports and custom satiations, so that can be eased-up and mark-up to world class practices.

- Certain procedures are further simplified, like wise application for IEC (Import Export Code), PAN as IEC, Extension of export obligation period.

Infrastructural Aspects

- Logistics division to be established under department of commerce as coherent approach to overcome, challenges in attaining improved trade infrastructure through hand-holding with stakeholders. This will improve Logistics Performance Index (LPI) ranking of India

- A State-of-the-art trade analytics division has been set up in DGFT for data based policy actions. It will responsible for processing the trade information related to India's key export markets and suggest specific policy interventions.

- As part of trade facilitation, professional team envisaged to support exporters on specific issues. To study the process of clearance at Indian ports and custom satiations, so that can be eased-up and mark-up to world class practices. 24x7 custom clearance is target.

- Focus is still on capacity building, with more than 50000 entrepreneurs trained under 'niryat bandhu scheme' during last two to support start-up and make in India.

Final word of conclusion

Changed made in FTP are taken at welcome gesture by trade and industry, it seems positive sense progression at mid way. Commitment from regulatory and efforts of industry together can create big picture out this midterm review and improve the export statistic for country. It will resultantly, help central government to reduce fiscal deficit to target of 3% by 2019-20. MA

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ROLE OF EXPORT INSPECTION COUNCIL OF INDIA

To facilitate worldwide access for Indian exports through a credible and efficient inspection and certification system and earn global recognition as India's premier organization for certifying quality and safety to meet international norms.

-Vision of Export Inspection Council

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With the establishment of World Trade Organisation, the real journey of global trade commenced which provided all the countries and their citizens to access transparent world market without any discrimination. The global trade has been substantially contributed by the innovations in science and technology particularly in communications and transportation system. This trend has necessitated import and export of commodities. Import of commodities characterizes the value of commodities received from a place outside India. In export, the commodities are being offered to sell outside India. Export trade is very much helpful to the countries in earning foreign exchange as it advances the economic condition of the country. In the era of globalization and liberalization, the export trade has become a very lucrative business for business institutions also. Additionally, the Government of India has also taken various positive steps to incentivize exporters to promote Indian export. But at the same time, the Government of India is very conscious to maintain quality of commodities intended for export, taking into account the health, safety, and environmental considerations, which in turn will increase acceptability of the commodities in world market having the brand name of India. For this purpose, the Export Inspection Council is established by the Government of India under the provisions of the Export (Quality Control & Inspection) Act, 1963. The present paper unearths the legal provisions relating to composition, proceedings, powers and functions of EIC.

Export Inspection Council: Composition

The Export Inspection Council (EIC), the official export inspection and certification body of India, is constituted under section 3 of the Export (Quality Control & Inspection) Act, 1963 and is functioning under the Ministry of Commerce and Industry, Government of India. Pointing out the objective of this Act, Hon'ble Bombay High Court in Al Zubair Exporter v. Union of India & others, said that the Parliament has enacted the Export (Quality Control & Inspection) Act, 1963 'to provide for the sound development of export trade of India through quality control and inspection.' Thus, it is evident from the above that 'quality control and pre-shipment inspection' are two effective instruments through which export trade of India has to properly develop.

It is pertinent to note here that prior to the passing of the Export (Quality Control & Inspection) Act, there was no any such legislation dealing with the pre-shipment inspection and quality control of the commodities to be exported from India. In this respect, the Government of India appointed an ad hoc committee which recommended that full-fledged legislation should be undertaken covering all aspects of quality control in respect of export commodities. Accordingly, this Act was enacted being the Act No. 22 of 1963 and it came into force on 1st January 1964. In exercise of the powers conferred by section 17 of this Act, the Central Government has made the Export (Quality Control and Inspection) Rules, 1964 which came into force on 1st October, 1964. The mission of EIC is-

- To create an export inspection & certification infrastructure within the country based on International Standards for Certification Authorities in consonance with WTO requirements.
- To instill confidence in importers about quality and safety of Indian exports.
- To provide accredited state-of-art testing facilities in chosen frontier areas.
- To enhance capability of manpower through trainings to meet international requirements.
- To obtain recognition for India's export certification system from our major trading partners.
- To participate in international fora and project Indian interest.
- To be in sync with the latest technological advancements for capacity building.

The EIC has been constituted with-

(a) ***Chairman*** to be appointed by the Central Government;

(b) the Director of Inspection and Quality Control, ex officio, who shall be the Secretary;

(c) the Honorary Adviser on Standardization to the Government of India and Director of Indian Standards Institution, ex officio,

(d) the Agricultural Marketing Adviser to the Government of India ex officio;

(e) the Director-General of Commercial Intelligence and Statistics ex officio

(f)15 other ***members*** nominated by the Central Government three of whom shall be persons representing the agencies.

The EIC, located at Delhi, is headed by a Chairman. The Executive Head of the EIC is the Director of Inspection & Quality Control who is responsible for day to day functioning of the EIC.

The EIC, having legal personality, has perpetual succession and a common seal with power to acquire, hold and dispose of property and to contract. It may sue or be sued.

The Chairman and the nominated Members of the EIC-

- hold office for two years
- may resign his office by writing under his own hand addressed to the Central Government
- are eligible for re-appointment/re-nomination.

Export Inspection Council: Proceedings

The EIC has to mandatorily meet at least once in every four months. The meetings of EIC have to be convened by the Chairman. The notice of the meeting, mentioning date, time and place of meeting, has to be issued to all the members 15 days prior the day of meeting under the signature of Secretary, EIC. The meetings have to be presided by the Chairman but in his absentia the members may elect Chairman among themselves to preside the meeting. The minimum number of quorum for meetings is five members. If any meeting is adjourned due to lack of quorum, the subsequent meeting called on same agenda may be held, even there is no quorum. Each member of EIC including Chairman has one vote but in case of equality of votes on any question to be decided by EIC, the Chairman has in addition, have a casting vote.

Export Inspection Council: Powers and Functions

The EIC, established for quality control and inspection of notified commodities, is being assisted in its functions by the Export Inspection Agencies located at Chennai, Kochi, Kolkata, Delhi and Mumbai having a network of 30 sub-offices and laboratories to back up the pre-shipment inspection and certification activity. The EIC provides mandatory certification for different food items viz. fish & fishery products, dairy products, egg products, meat and meat products, poultry meat products, animal casing, gelatin, ossein and crushed bones, feed additives & pre-mixtures and honey. Additionally, other food and non-food products are being certified by EIC on voluntary basis.

The EIC has been assigned various powers and functions. It has been authorised to appoint such officers and other employees as it considers necessary for the purpose of discharging its functions under the Act. Further, it can create such number of posts as it considers necessary and appoint officers and other employees to such posts. The functions of the EIC may be summarized as under-

To Advise the Central Government

The first and foremost function of the EIC is to advise the Central Government in respect of measures for the enforcement of quality control and inspection regarding commodities intended for export. Procedure for quality control and inspection is described in Rule 11 which mentions that when the Central Government is of opinion that any commodity should be subjected to quality control or inspection or both, prior to export, it shall formulate proposal and-

- shall forward such proposal to the EIC and simultaneously

- publish the proposals in the Official Gazette inviting objection/suggestion from public to be submitted to EIC within thirty days of such publication

When the EIC receives proposal, it may, having regard to-

(i) the objections and suggestions received from the public;

(ii) the volume and trend of export of such commodity and the scope for expansion of its export;

(iii) the extent of competition from other countries;

(iv) the need for enforcing quality control or inspection or both for increasing the sale of such commodity outside India; and

(v) any other relevant factor,

consider the proposals either at a periodical meeting or at any special meeting convened for the purpose. In such meeting, the EIC-

(i) may formulate its recommendations regarding the type of quality control or inspection or both and standard specifications with respect to the commodity or;

(ii) require a specialist committee constituted for the purpose to make recommendations to it in such matter;

The recommendations of EIC or Specialist Committee (subject to any modifications made by the EIC) shall be forwarded by EIC to the Central Government which, after considering the recommendations, issues the necessary notification.

Kerala High Court in Food Inspector v. Suwert and Dholakia (P.) Ltd., said that an Export Inspection Council has been established under the Act, the function of which is to advise the Central Government regarding measures for the enforcement of quality control and inspection in relation to commodities intended for export.

To Constitute Specialist Committees

For conducting investigations on special problems connected with its functions, the EIC may constitute specialist committees consisting wholly EIC members or wholly other persons or partly of EIC members and partly of other persons, as the EIC thinks fit. If the committee consists of persons other than EIC members, the EIC shall, as far as possible, give representation to all or any of the following namely-

(i) scientific and technical institutions;

(ii) State Governments;

(iii) concerned industries, and

(iv) persons having intimate knowledge about quality control or inspection.

The specialist committee has to examine all technical matters referred to it by EIC relating to the commodity which should he subjected to compulsory quality control or inspection or both prior to export (including the establishment, adoption or recognition of standards for that commodity) and make necessary recommendations to the Council. The specialist committee has to examine and make recommendations to EIC on the question of recognition and establishment of agencies and approval of testing houses, surveyors or samplers. The EIC has been authorised to receive and deal with reports and recommendations of specialist committee.

To Draw up Programmes

With the concurrence of the Central Government, the EIC has to draw up programmes to make grants-in-aid to the agencies established or recognised under the Act for quality control and inspection.

To Co-opt Members

Such number of persons, who have special knowledge and practical experience in matters relating to any commodity or trade, may be co-opted by the ECI as members for the purpose of performing its functions.

To Designate Inspection Agencies/Laboratories

The EIC designates inspection agencies and laboratories to supplement its own activities. Currently, the EIC has designated 31 inspection agencies (Table-1) and 32 laboratories for testing (Table-2).

To Control its Finances

The EIC has been authorised to control its finances. For the purpose of discharging its functions, the EIC may receive grants or donations from bodies and institutions approved by the Central Government in this behalf.

To Prepare Statement of Programme

The EIC has to prepare, before the commencement of each financial year, a statement of programme of its activities during that year as well as a financial estimate in respect thereof.

To Maintain Accounts

The EIC has to maintain accounts and prepare the balance-sheet, in consultation with the Comptroller and Auditor-General of India. The account of the EIC is subject to audit annually by the Comptroller and Auditor General of India or by any person appointed by him in this behalf.

To Deal with Other Matters

The EIC has been authorised to deal with such other matters as may be necessary for the administration of its affairs. This is very vast power entrusted to the EIC. It has to be noted that the EIC's responsibility, in the performance of its functions, is the compliance of such directions as the Central Government may give to it in writing from time to time.

Quality Control and Inspection

Quality control means any activity having for its object the determination of the quality of a commodity in order to ascertain whether it satisfies the standard specifications applicable to it or any other specifications stipulated for the export market. Quality control assists the maintenance/ improvement of profitability by minimizing customer complaints about quality of commodities. The purpose of inspection is ensuring that goods of export are of proper quality and it has nothing to do with the manner of the export. It is to be noted that the inspection and certification activities are carried out through the Export Inspection Agencies following Consignment-wise Inspection or In-process Quality Control.

Consignment-wise Inspection

In this method, the recognised inspection agency inspects and tests each export consignment at its laboratories or in the field on the basis of samples. Thereafter, if the result is positive i.e. worthy for export, the certificate is issued for varying periods, depending on the nature of consignment, on expiry of which the consignment has to be re-inspected for validation of certificate. Without having certificate/ recognised mark issued by the inspection agency any consignment of a notified commodity cannot be exported.

In-process Quality Control

This method is applied by the manufacturers/processors in ensuring quality during all the stages of production in manufacturing process, packing and testing. The manufacturing and processing units, having adequate levels of quality control, are approved by Export Inspection Agencies. Those units which are approved under this system are eligible to get certificate of export worthiness without further verification of the quality of notified commodity to export but random spot check of the consignments may be carried from time to time.

The EIC's certificates are recognised in the following areas-

Recognising Entity	Commodity	Remarks
European Commission	Basmati Rice	Commission Regulation (EC) No. 972/2006 of 29 June, 2006
United States Food & Drug Administration	Black Pepper	20 April, 1988 Any consignment of black pepper from India, not accompanied by Export Inspection Agencies certificate, is detained on arrival in USA.
European Commission	Fish & Fishery Products	Commission decision 23 December, 1997 The processing units are specifically approved for export to European Union and the names of approved units sent to the European Commission for formal notification, after which they can export to EU countries
Sri Lanka Standards Institute (SLSI)	85 commodities including milk products, fruits and vegetable products, household electrical appliances & switches, steel & steel products, electrical cables and cement etc.	Import inspection scheme of Sri Lanka 26 December, 2002 consignments of these commodities when accompanied by EIC's inspection certificate, would not be further subjected to testing by Sri Lankan authorities on its import in Sri Lanka
Korea Food & Drug Administration (KFDA)	Various food products including frozen marine products, jam, preserved goods, sauce, sugar syrup, edible oil and fat etc.	Approved Foreign Authorized Inspection Organization Scheme
Turkish customs authorities	Food products and Food packaging materials	
Japan Health Authorities	Poultry Meat & its Products	TOK/CPM207/10/2004 dtd. 19 October, 2005
China	Iron Ore & General Administration of Quality Supervision, Inspection & Quarantine	Agreement of co-operation on inspection of Iron Ore between EIC and AQSIQ
Singapore	Egg, Packaged water, Drugs & Pharma, Electrics & Electronics products	Sectoral Annex on Food Products
Italy	Fishery and Aquaculture products	MoU on fishery and aquaculture products
Russian Federation	Fish & fishery products	Memorandum between FSVPS of Russian Federation and EIC on food and biological safety of fish & fishery products, 28 July, 2009
Govt. of Thailand	Food in compliance of Thai Food and Drug Administraion	7 December, 2012
China	Feed and feed ingredients	Agreement on Trade and safety of feed and feed ingredients between the Export Inspection Council of India and the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China
United States Food & Drug Administration	Food products	Memorandum of understanding between The Export Inspection Council Of India, Ministry of Commerce and Industry and The United States Food and Drug Administration of the Department of Health and Human Services, 23 March, 2015

Recognising Entity	Commodity	Remarks
China	Rapeseed Meal	Protocol between the Export Inspection Council, Ministry of Commerce and Industry of the Republic of India and the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China for Health and Safety Regulations on Importing Indian Rapeseed Meal, 15 May, 2015

Concluding Observations

The EIC is playing very crucial role in raising the quality standards of export commodities which in turn has made India as the most preferred trading partner in the world market. It has very vast experience in quality control, inspection and certification of commodities, particularly food sector, on mandatory and voluntary basis, taking into account the requirements of importing countries. It is the single organisation of India which has global acceptance, as mentioned above. Further, the Indian manufacturers/ processors/exporters need to be very vigilant in fulfillment of regulatory and legal norms specially in respect of notified commodities so that there cannot be any denial of exported commodities. It is relevant to mention here that the European Commission w.e.f. 15.06.2010 had banned the import of honey from India due to deficiencies observed in the system. After constructive exercises by the EIC, the said ban was lifted (w.e.f. 1 November, 2011) by the Commission vide its implementing decision number 2011/690/EU dtd. 14 October, 2011. As per Business Line, Indian products such as mangoes, table grapes, okra, peanuts, curry leaves, chillies, shrimps, prawns, and tamarind have faced rejections and even bans in markets such as the US, Vietnam, EU, Saudi Arabia, Japan and Bhutan due to issues such as presence of higher than approved levels of chemical residues, and pest and bacterial infestation. MA

Table-1: EIC Inspection Agencies List

Sl. No.	Agency Name	state	Mineral Name	Date of Recognition	Date of Expiry
1	M/s Quality Services & Solutions (GOA)	Goa	Group-I : Iron Ore	26/05/2015	25/05/2018
2	M/s Mitra S K Pvt Ltd.	Odisha	Group-I : Ferromanganese including Ferromanganese slag, Manganese Ore, Iron Ore Group-II : Manganese Dioxide, Chrome Ore including Chrome Concentrates	13/07/2015	12/07/2018
3	M/s Therapeutics Chemical Research Corporation	Andhra Pradesh	Group-I : Manganese Ore, Iron Ore	03/12/2015	02/12/2018
4	M/s Mitra S K Pvt Ltd.	Goa	Group-I : Iron Ore	06/01/2016	05/01/2019
5	M/s Italab (Goa) Pvt Ltd.	Goa	Group-I : Manganese Ore, Ferro manganese and bauxite, Iron Ore	06/01/2016	05/01/2019
6	M/s Therapeutics Chemical Research Corporation	West Bengal	Group-I : Manganese Ore, Iron Ore	15/03/2016	14/03/2019
7	M/s Inspectorate Griffith India Pvt. Ltd	Tamil Nadu	Group-I : Manganese Ore, Iron Ore Group-II : Manganese Dioxide, Barytes and Feldspar	15/03/2016	14/03/2019
8	M/s Mitra S K Pvt Ltd.	Andhra Pradesh	Group-I : Ferro manganese and bauxite, Iron Ore, manganese Group-II : Chrome Ore including Chrome Concentrates	15/03/2016	14/03/2019

Sl. No.	Agency Name	state	Mineral Name	Date of Recognition	Date of Expiry
9	M/s Italab (Goa) Private Limited	Maharashtra	Group-I : Iron Ore and Bauxite Ore	21/04/2016	20/04/2019
10	M/s Minerals Lab Services Private Limited	Goa	Group-I : Iron Ore and Bauxite Ore	11/05/2016	10/05/2019
11	M/s Minerals Lab Services Private Limited	Maharashtra	Group-I : Iron Ore	17/05/2016	16/05/2019
12	M/s Mitra S K Private Limited	Maharashtra	Group-I : Iron Ore	11/07/2016	10/07/2019
13	M/s Quality Services & solutions (Goa)	Maharashtra	Group-I : Iron Ore and Bauxite Ore	18/07/2016	17/07/2019
14	M/s Therapeutics Chemical Research Corporation	Odisha	Group-I : Iron Ore, manganese	01/09/2016	31/08/2019
15	M/s Inspectorate Griffith India Pvt. Ltd.	Gujarat	Group-I : bauxite	01/09/2016	31/08/2019
16	M/s Mitra S.K. Private Limited	Gujarat	Group-I : Iron Ore and Bauxite Ore	07/10/2016	06/10/2019
17	M/s Inspectorate Griffith India Pvt. Ltd.	Goa	Group-I : Iron Ores and Bauxite	28/10/2016	27/10/2019
18	M/s Therapeutics Chemical Research Corporation	Gujarat	Group-I : bauxite	07/10/2016	06/10/2019
19	M/s Inspectorate Griffith India Private Limited	Maharashtra	Group-I : Iron Ore and Bauxite Ore	07/10/2016	06/10/2019
20	M/s Reliable Analytical Laboratories Pvt. Ltd.	Goa	Group-I : Iron Ore	16/01/2017	15/01/2020
21	M/s SGS India Pvt. Ltd.	Andhra Pradesh	Group-I : Manganese Ore, Iron Ore, Ferromanganese Ore and Bauxite Oreas	16/01/2017	15/01/2020
22	M/s SGS India Pvt. Ltd.	Maharashtra	Group-I : Bauxite Ore	04/01/2017	03/01/2020
23	M/s Inspectorate Griffith India Pvt. Ltd.	West Bengal	Group-I : Iron Ores, Manganese Ore, Ferro manganese and bauxite Group-II : Chrome Ore	04/01/2017	03/01/2020)
24	M/s Mitra S.K Pvt. Ltd.	West Bengal	Group-I : Iron Ores, Ferromanganese Ore Group-II : Chrome Ore	04/01/2017	03/01/2020)
25	M/s. SGS India Private Limited	West Bengal	Group-I : Ferromanganese including Ferromanganese slag, Iron Ores, Manganese Ore	17/07/2017	16/07/2020)
26	M/s Minerals Lab Services Pvt. Ltd.	Odisha	Group-I : Iron Ores	12/04/2017	12/04/2020)
27	M/s CCIC India Pvt. Ltd.	Andhra Pradesh	Group-I : Iron Ores and Bauxite	14/03/2017	13/03/2020)
28	M/s Inspectorate Griffith India Pvt. Ltd.	Andhra Pradesh	Group-I : Ferro Manganese, Iron Ores, Manganese Ore, bauxite Group-II : Barytes, Chrome Ore	01/02/2018	01/02/2021)

Sl. No.	Agency Name	state	Mineral Name	Date of Recognition	Date of Expiry
29	M/s SGS India Pvt. Ltd	Tamil Nadu	Group-I : Minerals and Ores Group-II : Barytes, Red Oxide	13/04/2017	12/04/2020)
30	M/s Geo-Chem Laboratories Pvt. Ltd.	Gujarat	Group-I : bauxite including calcined bauxite	18/04/2017	17/04/2020)
31	M/s Inspectorate Griffith India Pvt. Ltd.	Odisha	Group-I : Iron Ores Group-II : Chrome Ore	13/10/2017	12/10/2020)

Table-2: List of Approved External Laboratories

Sl. No.	Name	City	Date of Approval	Validity Up To	Indicative Product for which approval granted
1	Delhi Test House	Delhi	13/06/2017	12/06/2019	Biological and Chemical testing within the scope of approval
2	Export Inspection Agency Kochi-Laboratory	Kochi	20/09/2017	19/09/2019	Biological and Chemical testing within the scope of approval
3	M/s Interfield Laboratories	Kochi	29/09/2016	30/09/2018	Biological and Chemical testing within the scope of approval
4	Export Inspection Agency-Mumbai, Pilot Test House	Mumbai	10/02/2017	11/02/2019	Biological and Chemical testing within the scope of approval
5	The Marine Products Export Development Authority Quality Control Laboratory	Bhimavaram	28/02/2017	27/02/2019	Chemical testing within the scope of approval
6	M/s Reliable Analytical Laboratories Private Limited	Bhiwandi	10/02/2017	12/02/2019	Biological and Chemical testing within the scope of approval
7	M/s. Sea Lab	Aroor	05/07/2016	05/07/2018	Biological and Chemical testing within the scope of approval Suspension Revoked on 25.10.2017 except sampling and testing for European Union
8	SGS India Pvt. Ltd	Ahmedabad	29/09/2017	28/09/2019	Biological and Chemical testing within the scope of approval
9	The Marine Products Export Development Authority Quality Control Laboratory	Kochi	29/09/2017	28/09/2019	Chemical testing within the scope of approval
10	Arbro Pharmaceutical PVT. LTD.	New Delhi	05/02/2018	28/12/2019	Biological and Chemical testing within the scope of approval
11	Export Inspection Agency - Kolkata Laboratory	Kolkata	13/12/2017	17/12/2019	Biological and Chemical testing within the scope of approval
12	M/s Bureau Veritas Consumer Products Services India Private Limited.	Chennai	23/11/2016	22/11/2018	Biological and Chemical testing within the scope of approval
13	M/s MicroChem Silliker Private Limited	Navi Mumbai	05/05/2016	04/05/2018	Scope of approval Suspended for sampling and analysis of ground nut/peanut kernels intended for feed for export to EU
14	M/s TUV INDIA Pvt. Ltd.	Pune	05/10/2016	04/10/2018	Biological and Chemical testing within the scope of approval

15	Testing Services- National Collateral Management Services Limited	Hyderabad	07/12/2016	06/12/2018	Biological and Chemical testing within the scope of approval Suspended for sampling and analysis of peanut/peanut product for export
16	M/s TUV SUD South Asia Pvt. Ltd.	Gurgaon	09/10/2017	08/10/2019	Biological and Chemical testing within the scope of approval
17	M/s SMS Labs Services Pvt. Ltd.	Chennai	21/10/2016	20/10/2018	Chemical testing within the scope of approval
18	M/s TUV SUD South Asia Pvt. Ltd.	Visakhapatnam	30/01/2017	29/01/2019	Biological and Chemical testing within the scope of approval
19	M/s Intertek India Pvt. Ltd.	Hyderabad	07/02/2017	06/02/2019	Biological and Chemical testing within the scope of approval
20	M/s Eurofins Analytical Services India Pvt. Ltd.	Bangalore	26/10/2017	25/10/2019	Biological and Chemical testing within the scope of approval
21	M/s Punjab Biotechnology Incubator	Amritsar	07/03/2017	06/03/2019	Biological and Chemical testing within the scope of approval
22	M/s Vimta Labs Limited	Nellore	31/10/2017	30/10/2019	Chemical testing within the scope of approval
23	M/s Envirocare Labs Pvt. Ltd.	Thane	10/04/2017	09/04/2019	Biological and Chemical testing within the scope of approval
24	M/s Vimta Labs Limited	Visakhapatnam	31/10/2017	30/10/2019	Biological and Chemical testing within the scope of approval
25	M/s Chennai Mettex Lab Pvt. Ltd.	Chennai	13/04/2017	12/04/2019	Biological and Chemical testing within the scope of approval
26	M/s Geochem Laboratories Pvt. Ltd.	Alappuzha	17/05/2017	16/05/2019	Biological and Chemical testing within the scope of approval
27	The Marine Products Export Development Authority Quality Control Laboratory	Bhubaneswar	15/12/2017	14/12/2019	Chemical testing within the scope of approval
28	M/s Vimta Labs Limited	West Godavari	18/05/2017	17/05/2019	Chemical testing within the scope of approval
29	Export Inspection Agency-Chennai Laboratory	Chennai	29/05/2017	29/05/2019	Biological and Chemical testing within the scope of approval
30	M/s Edward Food Research & Analysis Centre Ltd.	Kolkata	29/11/2017	28/11/2019	Biological and Chemical testing within the scope of approval
31	GEO-CHEM Laboratories(P) Ltd	Mumbai	08/12/2016	08/12/2018	Biological and Chemical testing within the scope of approval
32	M/s TUV SUD South Asia Private Limited	Bangalore	16/03/2018	14/03/2020	Biological and Chemical Testing within Scope of approval

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GST:

INVERTED DUTY STRUCTURE, REFUND AND LOSS OF INPUT TAX CREDIT

DISCUSSION ON A PRACTICAL ISSUE

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The very principal of the Input Tax Credit (ITC) mechanism in GST is to ensure that there should be a seamless flow of Input tax credit available to the taxable person which can be utilized for discharging 'GST Output Liability'. GST being an 'Indirect Tax' should also ensure that GST Liability is ultimately passed on to the ultimate consumer of Goods and Services. In entire series of transactions, every taxable person is required to pay GST Input Tax on inward supply of 'Goods/Services' and then use such Input credit to payoff GST Liability arises on account of 'Outward Supplies'. Differential Liabilities, if any, after utilizing the ITC will have to be discharged in Cash. This situation arises when 'Output Liability' is higher than that of 'ITC'. But in some cases, it may so happen that accumulated ITC is higher than that of 'Output Liability' and so ITC cannot be set off fully against GST Liability. Then such tax payer has two options available for such unutilized ITC

1) Either claim it as refund as per the provisions and restriction of GST Act and Rules, or

2) Treat it as Loss and charged off against revenue if refund cannot be obtained.

Truly speaking, no taxable person wants to lose a single penny unless it is legally bound to do so.

What is Inverted duty structure in GST :

Where the 'Credit' has been accumulated on account of 'rate of tax' on 'inputs' being higher than the 'rate of tax' on 'output supplies', then Credit will be accumulated which can be claimed as refund subject to legal provisions under Section 54(3) of CGST Act read along with CGST rules 89(5).

This phenomenon is called 'Inverted duty structure in GST'. Let's take a Simple Example. GST rate on Input is 18% and the value of supply is Rs 1000. Then the taxable person has to pay Rs 1180 (Rs 1000 + Rs 180 as Input GST) on such inward supply. Suppose the same input is incorporated in a works for which the GST rate is 12%. Suppose the same work is being supplied by such taxable person for Rs 1300 as basic price plus 12% GST. So total value of outward supply will be Rs 1456 (Rs 1300 + Rs 156 as GST output Liability). Now,

- Rate of GST Input Tax credit is 18%
- Rate of GST Output Liability is 12%.
- Value of Input Tax Credit is Rs 180.
- Value of Output Liability is Rs 156.
- Excess Input Credit after utilizing it for discharging output liability is Rs 24 (Rs 180 – Rs 156).

This is called 'Inverted duty' subject to refund as per law.

Now let us familiar with the legal provisions in GST w.r.t. refund.

Refund Provisions:

Section 54(3) CGST Act,2017 deals with the legal provisions with respect to 'Inverted' duty structure. Rule 89(5) provides the formula for computing the maximum amount of refund can be claimed on account of inverted duty structure.

Section 54(3): *Subject to provisions of sub-section (10), a registered person may claim refund of any unutilized input tax credit at the end of any tax period:*

Provided that no refund of unutilized tax credit shall be allowed in cases ***other than*** *–*

1) *Zero rated supplies without payment of Tax;*

2) *Where credit has been accumulated on account of rate of tax on inputs being higher than the rate of tax on out put supplies (other than nil rated or fully exempt supplies), except supplies of goods or services or both as may be notified by the Government on the recommendation of the council:*

Provided further that no refund of unutilized input tax credit shall be allowed in cases where the goods exported out of India are subject to export duty ;

Provided also that no refund of input tax credit shall be allowed, if the supplier of goods and services or both avails of drawback in respect of central tax or claims refund of integrated tax paid on such supplies.

Analysis of Legal provision: It is clear from the above provisions that refund of unutilized input tax credit is allowed only in the following two cases:

A) **Zero rated supplies without making payment of tax :** Section 16(3) of IGST Act,2017 elaborated the circumstances when a registered person making zero rated supply is eligible to claim refund. **But this is not the subject matter of discussion as off now. And**

B) **Inverted Duty Structure:** Where credit has been accumulated on account of rate of tax on inputs being higher that the rate of tax on out put supplies. **This is the subject matter of our discussion.**

However, Government also has the power to notify supplies where refund of ITC will not be admissible even if such credit accumulation is on account of an inverted duty structure. In exercise of the powers conferred by this section, the government has issued Notification no. 15/2017-Central Tax (Rate) dated 28.06.2017 wherein it has been notified that refund of unutilised input tax credit shall not be allowed under subsection (3) of section 54 of the said CGST Act, 2017, in case of **supply of services** specified in sub-item (b) of item 5 of Schedule II of the CGST Act, 2017. The supplies specified under item 5(b) of Schedule II are construction services.

In respect of **goods** , the central government has issued Notification no. 5/2017- Central Tax (Rate) dated 28.06.2017 as amended by Notification no. 44/2017-Central Tax (Rate) dated 14.11.2017 where in it has been specified certain goods in respect of which unutilized ITC will not be admissible as refund. (Please refer the above two notifications for details of goods).

Computation of 'Maximum Refund Amount' will be done at later stage along with the example.

Now I will discuss a real life example to illustrate to above provisions, computation of refund and Loss to be borne by the taxable person.

Live Example Replica

- Metro Rail Organization (MRO) Invited Tender for Construction of 'Metro Railway' in the city Kolkata (Civil Structure) in the month of December, 2017.

- The bidder has to 'Quote' it price inclusive of all taxes, rates, cess etc based upon the rate of tax prevailing on the date of Bid submission. It means it is a fixed price contract subject to 'Tax Variation Clause'

- The Bid was opened on 20th January 2018.

- The GST rate on the date of submitting Bid as well as on the date of Bid opening was 18% (9% CGST + 9% SGST).

- Vide Notification No 1/2018(rate) of CGST , GST rate for Construction of Metro Rail has been revised to 12% (6% CGST + 6% SGST) from 18%.

- There is Tax Variation clause in Bid document. As per this clause, if there is any upward revision of 'tax rate' from the tax rate considered at the time of bidding, contract price will be suitable increased due to such increase in tax liability and vice versa. Contract price will be reduced when there is a downward revision of tax rate.

- MRO is asking to reduce 6% of Base Bid Value on account of reduction in Tax Rate by 6%.

Now on the light of above framework, we will understand the issue with an example.

Suppose, Company ' A' (Contractor) is successful Bidder with all Inclusive Bid price of Rs 1000 Crs for a particular Package. Break up of Bid price of Rs 1000 Crs are as follows.

Bid Price break – up (Table -1) **(Rs in CRs)**

SL NO	Particulars	Formula	Rs / Rate
1	Bid Price as on 20.01.2018	A	1000
2	GST rate included in above price (CGST+SGST)	B	18%
3	Basic value excluding GST but including Margin	C = A / 118 * 100	846.46
4	GST amount included in Bid price **(Output Liability)**	D = C * 18%	152.54

So, Output Liability as was estimated at the time of bidding was Rs 152.54 Crs and Expected Revenue was Rs 846.46 Crs.

Now we need to have the cost structure as estimated at the time of submitting our Bid. Suppose Estimated Margin on Revenue was 15%.

Break up of Value (Rs 846.46) at the time of submitting of Bid (Table -2) **(Rs in CRs)**

SL NO	Particulars	Formula	Cost Coefficient	Goods/ Service	Rs	GST rate	GST Amount (ITC)
1	Labour Cost to total Base value	A	22%	Service	186.22	18%	33.52
2	Cost of Steel to the total base value	B	25%	Goods	211.62	18%	38.09
3	Cost of Cement to the total base Value	C	15%	Goods	126.97	28%	35.55
4	Cost of Fuel and Lubricant	D	5%	Goods	42.32	0	0

SL NO	Particulars	Formula	Cost Coefficient	Goods/ Service	Rs	GST rate	GST Amount (ITC)
5	Cost of machine and tools hire charges and other Costs	E	18%	Service	152.36	18%	27.43
6	**Total Estimated Cost and ITC**	**F= A+B+C+D+E**	**85%**		**719.49**		**134.59**
7	Profit elements included	G	15%		126.97	NA	NA
8	**Total Bid Value and Input Tax Credit**	**H=F+G**	**100%**		**846.46**		**134.59**
9	% of profit on Cost	I = G/F*100			17.6572		
	Summation of Costs						
10	Total service Cost and corresponding GST	J=A+E			338.58		60.95
11	Total Material Cost and Corresponding GST	K=B+C+D			380.91		73.64
12	Total Cost elements	L= J+K			719.49		134.59

Observations: Now we have the details of Bid price break up and break-up of Costs. We can have the following observations.

- Total GST output liability for the Bid is Rs 152.54.
- Total GST Input Tax credit as was estimated is Rs 134.59.
- This ITC of Rs 134.59 will be utilized for discharging output liability of Rs 152.52.
- Balance amount of GST liability Rs 17.93 (Rs 152.52 – Rs 134.59) will be discharged through Cash.
- GST paid in Inputs and Input services is not forming part of cost and hence in Bid Value. It is 'Asset' in nature and will be utilized for discharging 'Liability'. There will be time difference between the 'GST Paid on Input/Input services' and utilization of the same for discharging 'Output Liability'. There will be 'Cash flow issue' for the same.
- As the total Output Liability is higher than that of total ITC, no question of 'inverted duty' and refund arises.

Change of GST Rate and Its Implication

Vide notification No 1/2018(Rate) dated 25.01.2018; GST rate for the construction of the 'Metro Rail' has gone down to 12%. Now revised value based on the revised rate of GST can be tabulated as follows. It is considered that there will be no changes in the Input and Input services in terms of Cost and GST rates.

Revised Contract Value should be (Table – 3) **(Rs in Crs)**

SL NO	Particulars	Formula	computation	Value	Revised GST Rate	GST Amount
1	Revised Value of Service Turnover	A	Total Service Cost + Margin on Cost = 338.58 +(17.6472% on 338.58)	398.33	12%	47.80
2	Revised value of Goods Turnover	B	Total Material Cost + Margin on Cost = 380.91 +(17.6472% on 380.91)	448.13	12%	53.78
3	Total turn Over (Bid Value)	C=A+B		846.46		101.58

Analysis

- Total Bid Value (basic) remains same as Rs 846.46 Crs.
- GST Liability has changed from Rs152.54 Crs to Rs 101.58 Crs.
- Output Liability is reduced by Rs 50.96 Crs. % reduction on Bid value is 6% (50.96 /846.46*100)
- GST amount on Inward supplies remains unchanged at Rs 134.59 Crs.
- GST Input Credit is higher than that of revised GST Output Liability.
- Unutilized GST Input credit is Rs 33.01 Crs (Rs 134.59 Crs – Rs 101.58 Crs). This is inverted duty.

Contention of MRO

- As the GST rate on Construction of Metro Railway is gone down by 6%, pass the benefit of this 6 % to MRO.
- Contract Value should be reduced accordingly.
- Contract Value should be reduced by Rs 50.96 Crs.
- Revised Contract Value should be Rs 949.04 Crs (Rs 1000Crs – Rs 50.96Crs).
- They have referred Section 171(1) of CGST Act [Anti profiteering measure] in support of this reduction.

Section 170(1) : Anti profiteering measure: As per this section

Any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices.

Section 171 provides that it is mandatory to pass on the benefit due to reduction in rate of tax to the consumer by way of commensurate reduction in prices. It becomes necessary to ensure that the benefit arising out of GST implementation be transferred to customer so that it may not lead to inflation. Anti-profiteering measures will help to control price rise and also put a legal obligation on the businesses to pass on the benefit.

Contractors Perspectives

Now I will discuss the contractor's contention in this regard.

- At the time of Biding, inverted duty structure was not applicable.
- Due to change in GST rate for output Liability, Output Liability will become lesser than that of ITC.
- Unutilized ITC is Rs 33.01 Crs.
- This Unutilized Input credit is the part of Input Credit from both supply of Goods and Services.
- This unutilized ITC of Rs 33.01 Crs should be refunded back to contractor as 'Inverted duty'
- The amount of unutilized Input Credit, to the extent not refunded, will be the loss to the Contractor.
- The most important question is that what should be the revised Bid Value for the contractor so that it suffers no loss. This depends upon the amount of refund granted to the Contractor. Ideally, revised contract value should be Original Bid value minus the amount of refund available from the inverted credit.

Now we need to understand the refund rules and to arrive at the amount of refund available to the contractor as per this Rule.

Rule 89(5) provides the formula for computing the maximum amount of refund available for inverted credit. In case of refund on account of inverted duty structure, refund of input tax credit shall be granted as per the following formula.

Maximum Refund Amount = {(Turnover of Inverted rated Supply of **goods**) X Net ITC / Adjusted total Turnover} – Tax payable on such inverted rated **supply of goods**.

Where

'Net ITC' means input tax credit available on inputs and input services during the relevant period.
'Adjusted Total Turnover' means the turnover in a State or UT excluding the value of exempted supplies other than zero rated supplies, during the relevant period.

As per Section 2(59) of CGST Act, 2017 'Input' means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business.

As per Section 2(60) of CGST Act,2017 'Input Service' means any service used or intended to be used or intended to be used by supplier in the course or furtherance of business.

Interesting Point to Note in the above mentioned formula

ITC pertaining to Turnover of Goods as a proportion to the adjusted total turnover has been considered. Service Turnover has not been considered.

For the purpose of considering 'Net ITC' , GST of both supply of goods and services has been considered.

In the deduction part also Output liability of supply of goods has been considered.

Now let us tabulate the value for each component mentioned in formula (Table- 4) (Rs in Crs)

SL NO	Description	Component	Amount	Reference
1	Turnover of inverted rated supply of goods	A	448.13	Table - 3
2	Net ITC	B	134.59	Table - 2
3	Adjusted Total Turnover	C	846.46	Table – 2/ 3
4	Tax payable on such inverted rated **supply of goods**.	D	53.78	Table - 3
5	Maximum Amount of Refund	(A X B/C) – D	17.47	

Now let us tabulate the maximum amount of loss to be borne by the Contractor.

Maximum Loss to be Borne by the Contractor (Table – 5) (Rs in Crs)

SL NO	Particulars	Formula	Amount	Reference
1	GST ITC	A	134.59	Table -2
2	Revised Output Liability (discharged through ITC)	B	101.58	Table -3
3	Excess GST Input Credit	C=A-B	33.01	
4	Maximum Refund Amount	D	17.47	Table - 4
5	Loss to be borne by the Contractor.	E=C-D	15.54	

So maximum Refund will be allowed is Rs 17.47 Crs. Remaining amount of unutilized ITC is Rs 15.54 Crs which will not be refunded. Hence it will have to be charged off against revenue if could not be absorbed in revised Bid value.

Now question arises whether this amount of Rs 15.54 Crs will be borne by Contractor or will be reimbursed by the Employer? Logically, this amount should not be borne by the Contractor as this situation was not there at the time of Bidding. Now Let us tabulate the Revised Bid value as per MRO and logically what it should be.

Revised Bid Value (Table – 6) (Rs in Crs)

SL NO	Particulars	Formula	Amount	Reference
A	**MRO's Contention**			
1	Original Bid Value including GST	A	1000	Table - 1
2	Output Liability included in original Bid value	B	152.54	Table - 1

SL NO	Particulars	Formula	Amount	Reference
3	Revised Output liability as per revised rate of GST	C	101.58	Table - 3
4	Reduction in Bid value as per MRO (differential GST liability)	D = B-C	50.96	
5	**Revised Bid value as per MRO**	**E=A-D**	**949.04**	
B	From the view point of Contractor			
B.1	**First Opinion: Contract value should be reduced to the extent of refund amount**			
6	Original Bid Value including GST	F	1000	Table - 1
7	Maximum amount of refund	G	17.47	
8	**Revised Bid value should be**	**H = F-G**	**982.47**	
B.2	**Second Opinion: Contractor should not suffer due to inverted duty structure**.			
9	Revised Bid value as per MRO	I = E	949.04	
10	Remaining unutilized ITC	J	15.54	
11	**Revised Bid value should be**	**K=I+J**	**964.58**	

Conclusion

It's a million dollar question that who is going the win in this 'Tug of war'. Who is going to compromise, as Bid value computed in both the option by the Contractor is higher than that of the contention of MRO? If Contract is to accept and execute as per MRO terms, then the Contractor is going to lose for sure. In my opinion MRO should not object to Second Opinion. Logically it is the best and win – win situation for both the party. But in Law, Logic does not prevail in all the situations. MA

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At the Helm

Our heartiest congratulations to CMA Rajendra Harbhagwan Singh Juneja, a fellow member of the Institute for taking the charge as the Director (Finance) of MECON Limited on April 20, 2018. CMA Rajendra Harbhagwan Singh Juneja, also a Post Graduate from IIT Kharagpur, initiated his career as Management Trainee and headed the Finance department at Ranchi specializing in all the activities of Corporate Finance Department.

We wish CMA Rajendra Harbhagwan Singh Juneja the very best for all his future endeavours.

FINTECH

THE NEW KID IN THE FINANCIAL INDUSTRY

CMA Dr. Jayanta Kumar Seal
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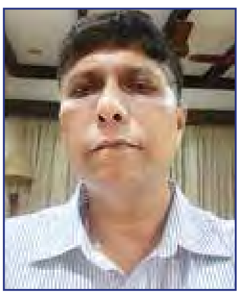

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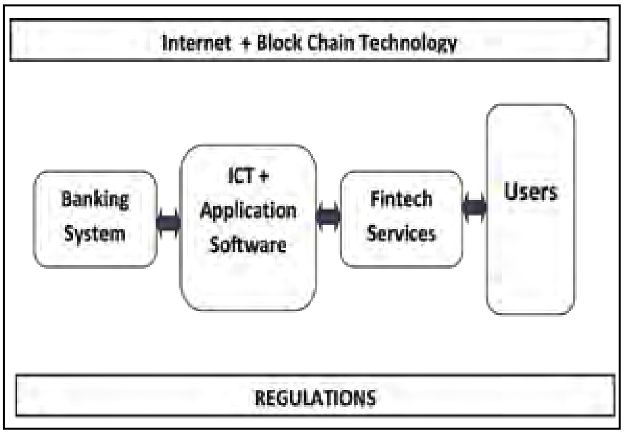
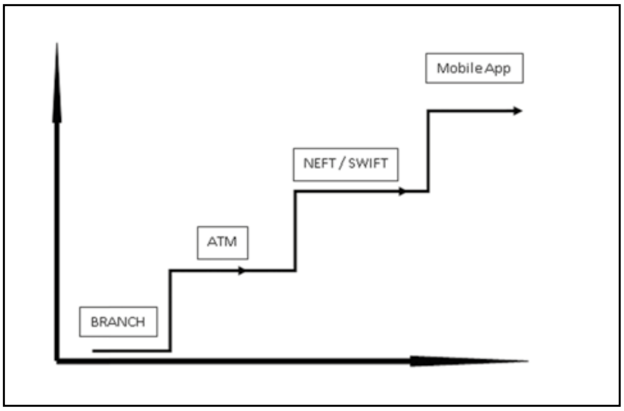
Crowd funding has been receiving lot of attention worldwide. This has given rise to setting up several fintech companies across the world. The services provided by the fintech companies include as combined set of banking and non-banking financial services. Such services have been active for quite some time and operated in silos of specialized services. We have heard of M-Pesa in Kenya since 2007 (*Joseph, 2017)* and Western Union as money transfer business house. The set of these services have been to great extent adopted by the banks. However, it is convenience and low cost that is attracting the consumers. The traditional banks are yet to fully create and capitalize the digital banking ecosystem (Dapp, 2015). The key issues has been regulations to monitor and control these businesses. Regulations at one end brings in stability of the industry on the other hand may hinder growth of the market (Lee and Kim, 2012). The success of fintech has been not from technology alone but from integration of finance with real life needs. Chen (2016) observed that "the purpose of technology is not to make finance better, but to make finance serve real life better". The real life needs surround, amongst several aspects, easing out financial transaction to daily needs. It varies between different segments of people. For example, a working person would like to meet his or her utility payments while on the way to the office or at leisure period beyond office hours. While a young movie goer may find it comfortable to book tickets during the break between classroom sessions. Traditional payment systems are not convenient for meeting these aspects of daily requirements. They now appear to serve as the backend while the fintech services are the front end interface of the users. The ICT (information – communication – technology) serve as the backbone. However any system are guided by basic three theories, namely, the theory of maximal flow, the theory of constraints and the theory of limits to growth. This leads to the direction of any study that needs to be undertaken. That is, the existing flow or in other words the usage pattern of the financial and non-financial services offered by the fintech companies, the constraint in its usage and the limits to growth of this industry. The existing structure of fintech business can be illustrated through the figure below.

Figure 1: The conceptual structure of Fintech Business



There has been a remarkable change in the traditional banking system with the advent of technology especially after the introduction of Debit/Credit card, ATM, Money transfer through NEFT, RTGS, IMPS and SWIFT(for international transfer).

Figure 2: Banks transition towards adaption of modern technology



In this paper a study of evolution of fintech companies has been made, different perspectives identified, the merits and constraints discussed, and policy suggestions recommended for boosting and guiding the fintech industry.

Fintech as a concept

FinTech, an acronym for "Financial Technology", is now the buzz word in the business world. It refers to use of software and information – communication – technology for different financial services being provided by financial institutions. Marr (2017) suggested different perspective of FinTech applications. Study of literature can be summarized to include five different perspectives. These are the financial services, regulations, technology, global applications, and consumer behaviour. The financial services can be categorized as lending, investments, and fund transfer. The FinTech companies are now giving tough competition to banks. One key feature that fintech companies provide includes peer to peer lending that avoids mediation of financial institutions (Herzenstein et al., 2008; Galloway, 2009). Some innovations in the fintech space are discussed below.

Mobile Wallets

These are digital equivalent of credit or debit cards. That is, in lieu of using plastic cards one can use mobile wallet apps downloaded on the smart phones or laptops or PCs for making payments. The credit or debit card information is tagged with wallet. The examples of such companies are Wells Fargo, Android Pay, Apple pay Paytm and Samsung Pay. To make a payment to a merchant one needs to access the wallet and make payment.

The advantage includes multiple channels of online payments through single window i.e., without having to carry any physical object such as a plastic card.

Wallets such as ApplePay not only allow a customer to hold e-cash (Apple pay Cash) in the wallet but also link payment through debit and credit cards. Similar is PayTm which has addition value added services such as payment of utility bills, re-charge of mobile services and similar services. There are limits to transaction per day through these wallets.

Fund Transfer Apps

Unlike international fund transfer companies such as Western Union, these are financial services that provide online system to carry out fund transfer across borders. The unique-selling-proposition (USP) of the service providers lies with the speed, ease and cost of fund transfer involving exchange rates. These Apps pays through debit or credit cards across borders. The comparison can be made amongst the online -banking service, mobile wallet and online transfer services of fund transfer companies such a Western Union. The convenience of these services can be illustrated through the provision made by Facebook in its Messenger App. This App primarily provides chat options to social mates and provides value added services such as money transfer by just click on this options represented by a $ sign. TransferWise is another such service provider.

Unified Payment Interface (UPI)

This is a system that enables real time inter-bank transactions. The service provider, namely, National Payment Corporation of India (NPCI) provides the interface to facilitate the transactions. It falls under the regulations of Reserve Bank of India. The interface is, hence, available on a mobile or similar device platform. The service differs from the mobile wallets in the way that it is restricted to inter-bank transfer, while wallets permit transfer of money to any bank account from multiple sources such as debit or credit cards. However, UPI is round the clock service not restricted to stipulated time duration as in case of NEFT. Bhim is the mobile app developed by NCPI based on the UPI. Transactions through UPI are limited to One Hundred Thousand INR per day.

USSD Service

UPI is also available as USSD (Unstructured Supplementary Service Data) services where one can access the service through phone dial of the code "*99#". In this mode the financial and non-financial services are also provided. Financial service include fund or send or request transfer money. While non-financial services include balance enquiry and change of MPIN. Examples include M-Pesa in Kenya. It was the first to introduce such a sevice. This was followed by many others such as EasyPaisa in Pakistan, Tigo and similar (Hanouch, 2015).

Peer – to – Peer Lending

It is translation of native idea of personal credits. P2P service providers formalize this concept and provide a platform to the borrowers and lenders (**Bachmann et al, 2010)**. In 2005 the first P2P lending platform (Zopa) was formed in UK and subsequently several platforms were created including some in India (Frerichs & Schumann, 2008). The key issue, besides regulation, includes the task to overcome the principle-agent problem (Jensen & Meckling, 1976). The lender seeks to have adequate information on borrowers and vice versa. The stress is more by the lender.

Crowd Funding

It is a process of raising funds (debt or equity) through an internet based platform from many investors. The information of the investors as well as the borrowers are provided by the platform including credit ratings, the business model and verification of other necessary information.

Smart Contracts

Computer programmes which can self-perform, self-implement, self-authenticate and self-constrain are called smart contracts. They are tailor made financial or derivative contracts.

E-Aggregators

E-Aggregators compare the prices of different financial and non-financial products like insurance, air ticket, mortgages etc. and provide the information to the retail customers.

Cloud Computing

It provides IT infrastructure and platforms for access to a shared pool of computing resources for quicker delivery through internet. It reduces the infrastructure costs by providing shared resources to startups.

Big Data

Big data refers to large volume of data and can be a combination of digital information of both structured and unstructured data, derived from the consumers interaction in the digital world, like web applications, social networks, sensors, etc. It is a continuous stream of information which helps the decision maker to get information on real-time. But for all practical purposes, big data is the value that comes from analysing various kinds and sizes of datasets to make better decisions. It is the banking industry transformation engine.

Robo-Advice

It refers to automated financial advice provided by the financial institutions without any human intervention, thus reduces the cost.

Digital Currency or Crypto Currency

Cryptocurrencies use cryptography for security, regulation and generation of currency units. (Seal,J.K., 2018) The creation as well as transactions of cryptocurrencies are done electronically and as a result they are highly secured and practically impossible to counterfeit. Bitcoin is the first cryptocurrency based on block chain technology which is not backed by any central bank or any regulatory authority of any country. It is an open source project and the source code is available publicly and therefore anybody can become a part of the development process. Nobody owns or controls it. Issuing of bitcoin and managing of the transactions are collectively done by the network. The current design will allow to create a maximum of 21 million bitcoin currencies. In simple term it is like sending emails. It is like a mobile app or a computer programme where the bitcoin user can maintain a personal wallet and allows the user to receive or send bitcoins. However, 'block chain technology' is used to maintain the public ledger sharing the bitcoin network. The ledger maintains each and every processed transactions and allows the user's computer to verify the validity of each transaction. Every user of bitcoin can send bitcoins from their own bitcoin address which is protected by digital signature and thus validates the legitimacy of each transaction. Apart from that, anybody can participate in mining by processing transactions using sophisticated technology and computing power. The miners get bitcoin as a reward for this service.

Fintech industry has created a new world that, provides convenience and do business at low cost. The confusion arises about the significance of banking system and its distinction with the fintech industry. Questions are raised regarding the future of banking system. That is, whether fintech services are alternative to traditional banking system or is complimentary to it. In this paper a systematic literature review followed by opinion mining of experts has been carried out to understand the extent of application of services by fintech industry and the factors that determine its future prospects. The analysis show that banking system will serve as the back end to many of the services provided by fintech industry (for say transfer of funds) and also compete with them in services such as mobile wallet apps. Fintech stands untouched for all plausible direct business transaction between two parties such as peer-to-peer lending.

Regulatory perspective

Regulations are necessary for growth of fintech industry. It is likely to instil confidence in investors and users. It is also needed to regulate un-accounted transactions and illegal flow of money across borders. Most of the regulations demand association of banks with such services, namely, P2P and deposits (Galloway, 2009). The regulations are to mature in most of the countries and hence is pegging the extent of transaction through these service providers. The same is required to be made comprehensive to ensure security of stakeholders and remove illegal transfer of money especially foreign exchange.

Technology perspective

Internet is the primary backbone of any digital service. Application of the block chain technology created the backbone of new type of transactions and products. It was initially used to create the digital/crypto currency and now is extended to various other potential usages (Rosic, 2017). This technology allows sharing of economic ledgers that records financial and all other business transactions. It is based on the concept of distributed ledger technologies and information and not in any centralized data base; rather is available across different locations. It allows shared documents to be made available to the partners in business, rather than sharing documents back and forth as in a traditional workflow system. The transactions are recorded and updated, and verified by the users without any central authority and hence very secured. Each group of these transactions is referred to as a "block". It reduces cost, counterparty risks, no third party and faster settlement.

Fintech in India

With a population of more than 1.3 billion of which a major portion is unbanked, fintech in India is acting as a windfall gain. The customers who do not have access to banks or have poor credit rating, now can avail a trouble free, instant loan with a click of a button. It is providing personal loans to people with a low credit score as per CIBIL as well as to small businesses without much hassle. The personal loan from fintech is also helping the people to improve their credit score who earlier were refused by a bank for a poor credit score or no credit history.

There has been a tremendous growth in the fintech space in the last one year due to rapid change in technology, mobile connectivity and improved data analytics. The firms are coming out with variety of products and also reaching to the customers who do not have access to formal financial institutions like banks. The pace of growth was slow earlier due to the uncertainties in the industry and conservative approach of the government. However, government has also realised that as the system is becoming more transparent with the advent of better technologies, it can reach to the unbanked areas which otherwise is not possible through the formal financial system. Indian economy is shifting from the cash transaction to digital payments especially after the demonetisation. This effort of the government has given a tremendous push to the consumers to accept the use of non-conventional payments modes like paytm and other digital wallets.

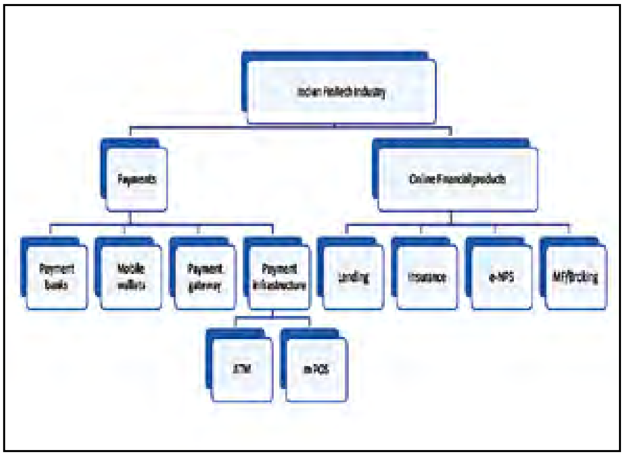
In the start-up space also, fintech is the current buzz word. According to the PwC fintech report 2017, investment in Indian fintech sector is expected to give a return of 29% as compared to 20% globally. New players are coming to the market with bunch of services to solve the multiple financial needs of the customer. Instant consumer loans are provided with the help of technology. Consumers are also getting hassle free loan sitting at their home with a click of a button within a very short period of time (some cases within few minutes). Customers can download the app in their smart phone or one can go to the website for registration and e-KYC compliance. Then one needs to fill up the details regarding employment status, salary statement, bank statement existing loans etc. Forms are processed by using credit evaluation algorithms including CIBIL score. The loan is sanctioned or rejected on the basis of the final credit score. Normally it takes 24 hours to four days for disbursing the loan. The rate of interest varies between 12% and 28% per annum.

Fintech in India works under three different categories. The first category works as a Non-banking finance companies engaged in providing personal loans, consumer loans car loans, small business loans etc. The second category is the fintech firms which connects the consumers and the lenders. The third category are the online peer-to-peer lending platforms, which provide a marketplace for the consumers and lenders without any involvement of the formal financial institution.

Around 20 million consumers hold credit cards and 70% of the formal credit is availed by only 24 million households out of a population of more than 1.3 billion in India (Source: Financial Express). Around 40% people are connected to bank and 87% of the transactions are in cash. An estimated 90% of the MSMES do not have access to formal financial services (Source: RBI report). Along with these, increase in mobile and internet penetration is making the growth opportunities unlimited for the fintech firms. Average loan amount varies across the industry from ₹2000 to ₹300000, but maximum demand is in the range of ₹25000 to ₹50000. India has a huge young population who do not have available credit score and hence do not have access to formal financial institutions like banks. These customers with no credit score or poor credit score are the main targets of the fintech companies. At the same time, consumers with good credit scores are also serviced by the fintech firms by providing competitive interest rates and quick hassle free disbursements. Thus small size loans are the main area due to the huge unbanked and first time customers. As per finance ministry, in 2016, only 28-32% of Indians have access to financial institutions including banks and post offices. The Global Fintech Report 2017 published by Price Waterhouse Coopers, says that alternative lending is the second most funded and one of the fastest growing segments in the Indian fintech space.

Regulators are always very conservative and cautious in the financial services industry which put an entry barrier for the new entrants. However with digital India as well as financial inclusion programmes, government is encouraging the fintech companies to reach the unbanked areas. Application of big data, machine learning artificial intelligence, block chain and internet of things made the job of the fintech firms easier than the traditional finance companies.

Figure 3: Fintech Industry in Indi



Source: RBI Report of the Working Group on Fintech and Digital Banking

Figure 4: Annual Return on Investments in Fintech Investments

Source: Price Waterhouse Coopers Fintech Trend Reports, India 2017

Government Initiatives

The fintech sector in India got a strong push for government's initiative towards digitisation and financial inclusion programs. Fintech firms are growing at a very fast speed with the help 'India Stack' programme of government of India which provide world class technological support to entrepreneurs, innovators and corporations. Further the regulatory and other processes are simplified by the government through its start-up India programme. Similarly Aadhar based biometric authentication is allowing banks and other financial institution to open accounts through e-KYC verification. Pradhan Mantri Jan Dhan Yojana is considered as the world's biggest financial inclusion programme with an objective to provide banking services to the underserved or unserved population of India. Unified Payment Systems (UPI) is set up by National Payments Corporation of India with an objective to reach the rural population through the mobile phone network. These government initiatives and a strong support towards the fintech industry have reduced the infrastructure cost of the fintech firms which paved the way for a stronger growth in the near future.

RBI published its Report of the Working Group on Fintech and Digital Banking (November, 2017) on 8th February, 2018. It is an inter regulatory group report comprising members from RBI, SEBI, PFRDA, IRDA, some selected financial entities, rating agencies like CRISIL and some fintech companies/consultants published for comments from public and different stake holders. All over the world, regulators like Basel Committee on Banking Supervision (BCBS), Financial Stability Board (FSB), Committee on Payments and Market Infrastructures (CPMI), World Bank Group (WBG), European Commission (EC) etc. along with the regulators of different jurisdiction are taking steps to govern the development of fintech domestically as well as internationally in close cooperation with the international regulatory bodies. It will not only monitor the growth and functioning of the fintech but also support product innovation and provide guidance in different areas. Like many other countries, the report proposes to set up an Innovation Hub and a Regulatory Sandbox. The Innovation hub will guide both regulated and unregulated firms in complying regulatory framework. It will reduce the regulatory uncertainty, reduce the time to introduce a new product in the market and give necessary support services to the innovators. The access to supervisory authorities for fintech firms will also surge through a central point of contact. The Innovation hub is expected to increase the interaction among financial practices and innovative technologies, research as well as the need of the consumers. The regulatory Sandbox on the other hand will allow the regulated and non-regulated firms to test the new products in a controlled environment by giving regulatory support. The fintech firms can test the viability of the new product without a bigger and more expensive roll out. If the experiment is successful, the product can be authorised and introduced to the broader market. Finally after modifying all the hurdles (if any) while the product is in the Sandbox, it can be launched. Objective of the Sandbox is to inspire the experiment within a well-defined regulatory framework to innovate and develop new products. With necessary support from the regulators, the firms will be able manage risks in a better way and introduce new products for the consumers.

Conclusion

Fintech is the intersection between software and technology to deliver financial services. It is an application of technical innovation in a traditional financial services or innovative financial services offerings that disrupt the existing financial market. It has emerged due to technology (social networks, big data), favourable regulatory environment, and demographics. Banking solutions are now provided to the unbanked through mobile financial services at a cheaper rate. Financial service providers are applying newer technologies like Artificial Intelligence, Robotics to provide services at a cheaper, faster and competitive rate.

Fintech has immense impact on Indian financial system and it can disrupt the Indian financial system. It is still at the nascent stage and numerous firms are present and many start-ups are also joining the fintech space. The industry got a momentum especially after the demonetisation and digital India movement. The firms are coming with a bundle of new products developed with the help of technology and this is further complicating the fintech space. The financial system is challenged by the new innovations in payments, lending, peer to peer lending, asset management and insurance. Structure and functioning of the products are technology oriented and hence complicated. The general consumers may not be aware or understand these complicated products or services and the risks associated with such products or services. Thus the regulatory issues are not restricted to financial sector only, the information technology and cyber risks are also a cause of concern. Therefore the entire fintech space must be supervised and regulated properly. At the same time it should also be kept in mind that excess regulation does not create a barrier to innovate new and efficient products which are accessible to the unbanked population of the country. At the same time customers must be educated about the new technology based products. There can be a self-regulatory body for the fintech firms. MA

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RESEARCH AND DEVELOPMENT (R&D) INVESTMENTS BY GLOBAL AND INDIAN IT COMPANIES

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Objectives of the Study

- To study and analyzethe investmentsmade by Indian IT companies in Research and Developmentexpenditure during the period 2012-2017.
- To compare the investment made by the Global IT companies in Research and Development with Indian IT companies during the period 2012-2017.
- To understand the reason for the rise or fall in the investments of R&D in IT companies.
- To understand the idea behind the strategy for investment by the Indian IT companies in Research and Development.

Importance of Research and Development in Indian IT Sector

The intention of research is to create new knowledge. The main objective of a research group in a company is to form a new knowledge which other sections of the companies can be used to develop its business. Research cannot be considered as a profit center for business. It is a long term investment which benefits the companies to generate more revenues and profits. A technology company needs research for the sake of producing newer products so that it can sell it in markets. But why does service companies required to invest in research and development to develop new knowledge? There is no need for investment in research and development for small companies. They can provide services to the clients using existing knowledge and methods. But in case of large companies it is necessary to invest in research and development.

In any sector R&D plays an important role in success of their business. It is essentially an investment in technology and future capabilities which is transformed into products, services etc. R&D is the key component of innovation and in developing competitive advantage. Many companies ignore the importance of R&D. Especially Indian companies' R&D spending is increasing year by year. In 2016 it has increased from $66.49bn to $71.48bn and it is expected to reach $77bn by the end of the year 2017. But when we take individual sector growth in R&D there is some lag in it. This paper looks into R&D investments in IT services.

The IT sector in India constitutes nearly 7.7% of national GDP. In the country, despite of huge talent pool, still the companies are lacking in good quality research output. In the present situation, foreign companies are coming to India and setting up their R&D centers and gaining the competitive advantage across the globe. The major development in IT services will be blockchain technology, Artificial Intelligence etc. But some companies are going for acquisitions as a developmental strategy instead of spending money in R&D. This mind set is also one of the reason for the lack of growth in R&D in IT sectors. In this paper, we have analyzed about the investment in R&D of various IT companies in India with other foreign companies.

The reason behind it is large companies are required to create a brand value for their company and they aim to withstand in the market for long time hence they need to adapt to changes that will take place. In case of software industry changes will be as fast as technology. Investment in research and development helps the company to plan the forthcoming changes and it helps make strategy and process and which also helps them to influence the changes that happens in the market. The companies which readily absorbs the change and adapt, can achieve the leadership position in new technology. There is constant demand for the improvement and lower cost in the service sector. The large companies can focus on this achieve. The lower of cost of production is not possible for the large companies hence it becomes essential for them to focus on improving the quality and services to retain the existing customers return and grabbing new customers. When a company is trying to be unique in the market definitely it cannot depend on the old technology to provide services.Large organizations has to find new ways for the investment to be useful.

Data Analysis

The data is collected from the Secondary sources which is taken fromthe company's annual reports, journals and newspaper articles etc..

The Indian IT companies had a good financial performance during 2016-2017.The major factor valued such as digitalization etc., Overall the IT sector moved up by providing more end to end solutions and engaging more with the clients. The movement towards the digitalization and internal cost optimization paved way for the profit of the organizations in FY16.When compared to traditional service revenue digital revenue grew by 1.5 times.

R&D spending by the world's largest firm is gradually increasing in software and services and there was a decrease in physical products i.e. product based, an annual study by consulting firmPricewaterhouseCoopers(PwC) found. The study is reflection of both current spending priorities of top 1000 global companies from around the world against their future growth plans. The main reason for their sudden shift towards software industry is to stay competitive in the market. According to the recent survey the company which grows faster spend 25% more in software industry. It is estimated that by 2020 budget, R&D spending in IT sector will $159bn that is it is forecasted to overtake the automotive R&D at a projected $105bn. IT Sector contributes nearly 7.7% of India's GDP. But the amount spent in research and development by Indian companies is not sufficient when compared to international companies. There is increase in patent rights yearly by many Indian IT companies. But there are two types of patent. Process and Product patent. Most of the patent are process patent which doesn't contribute to the any new creation or innovation.

The annual report of some of the top IT companies reveal that they are working on innovation and new technologies such as artificial intelligence, blockchain etc. The question is–are they doing enough? If the IT industry has to reinvent itself it will have to move up by value chain by investing more in high end service through digital technologies and concentrating more on product development. This would be possible only if IT industries more in research and development.

Table I.Comparison of top Global firms and Indian IT Sector

Country	Company	R&D Expenditure ($ billion)		R&D Revenue ($ billion)		R&D intensityin percentage	
		2016	2017	2016	2017	2016	2017
Global	Microsoft	12.0	12.0	93.6	85.3	12.9	14.1
	Alphabet	12.3	13.9	75.0	90.0	16.4	15.5
	Oracle	5.8	6.8	37.0	37.7	15.6	18.1
	Facebook	4.8	5.9	17.9	27.6	26.9	21.4
	Fujitsu	1.6	1.6	42.5	40.4	3.8	3.9
	Autodesk Inc.	0.8	0.8	2.5	2.0	31.5	37.7
Indian	Infosys	7.4	0.1	9.5	10.2	78.2	1.2
	TCS	2.37	2.82	11.2	12.26	0.21	0.23
	Wipro	3.3	2.54	6.73	4.23	0.49	0.60
	HCL	1.02	NA	1.34	NA	0.76	NA

Source: https://www.strategyand.pwc.com/innovation1000 and individual companies annual report

From the above table we can identify the intensity of R&D or expenditure in R&D by Indian IT firms is way lower than the global firms. This fact explains that the Indian IT companies is more focused on the service than the innovation.

Microsoft, a commonly cited example of a firm that has seen its fortune turn around for the better and it has been one of the top spenders which spends consistently in research and development. The intensity of spending money in R&D is around 14% and expenditure for the year 2016-2017 is around 12 Billion US Dollar. To put the figure in broader perspective it is nearly four times the amount spent by Indian IT companies in research and development. Microsoft is able to diversify its business away from it windows centric into product and services. It has been investing significantly in artificial intelligence including through AI startups (eg. Genee) and its recent performance had been attributed to revenue increase from it cloud business.

Indian IT companies has to catch up with its counter parts and the challenges and competition it will face is immense. Global Software companies spends around $120 billion on R&D and it is the fourth largest in investment of R&D. There are around 95 global software and services firms in the top 1000 global R&D investors, of which 54 are from US, 16 are from china and only one from India. From these data it clearly shows that Indian IT companies have a long way to go.Companies like IBM and Accenture that have R&Dintensities of 5.7% and 12% respectively and are international rivals to Indian IT companies. They have reinvented themselves by investing significantly in new high end services. Focusing increasingly on products is another way for the IT industry to reinvent itself. The above table has clearly given the idea of top global IT companies. Many of which are product focused and they have been investing more in R&D. Similarly if you look at top 10 companies of china, they all will also be product based one. Their R&D expenditure is also significantly higher than Indian IT companies. Even though Facebook and Google are not allowed in china, itsR&D investment is more when compared to India. There is a chance that they becoming more competitive to us.

We have taken the sampleof top 4 Indian IT companies.

Table II. Companies R&D Expenditure

INFOSYS

	2012-2013	**2013-2014**	**2014-2015**	**2015-2016**	**2016-2017**
R&D Expenditure (in Crores)	913	873	605	415	351
% of money for R&D in total expenditure	2.5	2	1.3	0.8	0.6

TCS

	2012-2013	**2013-2014**	**2014-2015**	**2015-2016**	**2016-2017**
R&D Expenditure (in Crores)	151.36	176.31	225.07	236.29	282
% of money for R&D in total expenditure	0.24	0.27	0.23	0.21	0.23

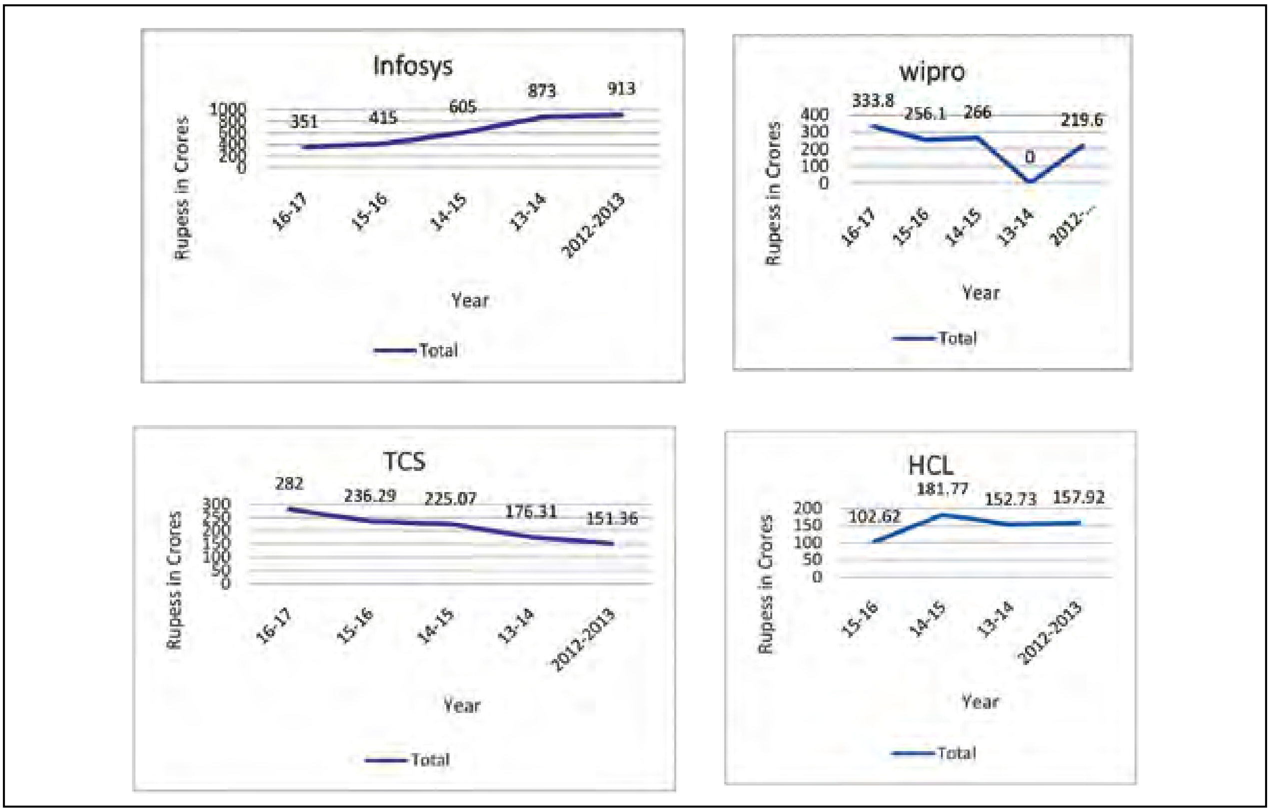
WIPRO

	2012-2013	**2013-2014**	**2014-2015**	**2015-2016**	**2016-2017**
R&D Expenditure (in Crores	219.6	NA**	266	251.6	338.8
% of money for R&D in total expenditure	0.58	-	0.56	0.4	0.61

HCL

	2012-2013	**2013-2014**	**2014-2015**	**2015-2016**	**2016-2017**
R&D Expenditure (in Crores)	157.62	181.77	152.73	102.62	NA**
% of money for R&D in total expenditure	0.61	0.56	0.41	0.71*	-

*for the period of 9 months
** data is not available
Note: Tech Mahindra research and development expenditure is not available in their annual report except for the year 2016-2017, hence it is not included in this study.
Source: Companies Annual Reports and authors calculations



From the above table we can understand that except Infosys and HCL remaining two IT companies investment has been increasing year on year. But when you check for the innovativeness in their R&D you will find that there is no new technology found by them. Every company mention that the patent rights got by them or filed patent has been increasing year on year. But innovation part has not seen any improvement. There are many reasons for this. For example take Infosys, their spending in R&D is far less when compared to global innovative companies. Which spend nearly 10-12% of their revenue in R&D. They think their changing perception about R&D will make way to lead. In 2013 according to media reports Infosys R&D lab has been reduced to 150 from 600. Experts says that company may think they don't need to spend too much on R&D instead invest in developing appropriate technology rather than cutting edge technology. That is why their investment in R&D gradually decreased after 2012 and acquisition of startups increased. Even recently Infosys has acquired London based product design and customer experience company Brilliant Basics. Through this acquisition Infosys has expanded its worldwide connected network of digital studios that are focused on fulfilling the client needs for end to end digital transformation solutions.

Table III. Infosys Acquired Companies

S.No	Acquired Company Name	Year
1)	Expert Information Services	2003
2)	McCamish Systems	2009
3)	Portland Group	2012
4)	Lodestone Holding AG	2012
5)	Panaya	2015
6)	Skava	2015
7)	Noah-Consulting	2017
8)	Brilliant Basics	2017

Source: https://en.wikipedia.org/wiki/Infosys

From the above table we can judge that they have acquired more companies after 2012. And moreover instead of spending in R&D they started investing in startups. In

2015 they have launched Infosys Innovation Fund. Through that they invest more in startups rather than investing in R&D. During set up of funds for innovation they invested $100 million for startups and it has been expanded to $500 million and from that in Jan 2017 they have invested $62 million in various startups such as nova, vertex ventures, ANSR consulting, Airviz Speck, Cloud Endure, whoop, waterline data, trifecta, tidal scale, Unsilo etc.,

But when we take Indian IT companies they have not invested in startups or they have invested very less amount of money. Only 1 company has been listed in top 1000 innovation companies list that too it was positioned in 839th place. This says the level of importance or amount spent in Innovation by Indian IT companies. There are many sectors which are growing rapidly. One such area is Artificial intelligence. In future AI in health sector will be massive achievement. Machines will learn to identify the signs of disease and illness in medical scans itself. By analyzing millions of retinal photos, a neural network can learn to recognize early signs of diabetic blindness etc.,

The one of reason for companies not investing in R&D is risk of return in that. Many doesn't know that there are financial and strategic benefits available for those who are conducting R&D in India, be it a product or technology development across different industry sectors, and sooner they will realize it will be better for them.

The benefits range from zero customs and excise duty for purchase of R&D capital equipment's on receiving R&D recognition certificate to income tax benefit for capital expense and operating expense. But only 23% of the companies who applied for DSIR were successful in the year 2014 and 2015, which is due to their lack of understanding of the application process. Roughly out 6000 companies registered in Bombay Stock Exchange only 1800 companies were eligible for the scheme. When we narrow down further to IT sector it is far less.

Limitations

The Limitations found from the above study is many Indian companies like HCL, Wipro etc., are considering patenting is achieving something great in research and development but how much it is worth is big question mark, because most of the patents are process patenting which has no value. In case if they are doing product patenting then the money spend by them in research and development can be considered. The companies are showing some kind of reluctant behavior in trying or attempting new things. Probably they think of the success rate. This behavior has to be changed. Another limitations is some companies adopt acquisition as their research and development strategy which will not last for long time. Because many startups does not innovate something new, just they find new approach to solve for the existing problem.

Conclusion:

The industry clearly has access to well-educated and technically skilled workforce. From this we can conclude that the only missing part is the lack of bold measure to rise expenditure on R&D and on acquiring companies and technologies. Research and Development is very important in any company. To be in the front line or in top position in business the only way is to spend more in research and development. If it happened, it will take the innovation to the next level. If Indian IT Companies is to truly become competitive to world companies it has to move up the value chain and expand their investment in R&D expenditure roughly by 10 times what they spend now. MA

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EXISTING FRAMEWORK OF RESOLUTION OF STRESSED ASSETS IN INDIAN BANKING: CRITICAL EVALUATION

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Indian banking system is at the crossroad. In one side, the system has become more and more technology oriented to cater the needs of the ever increasing customer base. On the other side, the banking system strives hard to match the global standards. The biggest challenge that confronts in this transition process in the accumulation of huge stressed assets and its effective resolution. Over the last one decade the problem has erode the vitality of banking system slowly and slowly and presently become a gigantic one. The gravity of the menace can be understood from the Economic Survey 2017 which highlighted that almost 20% of the total loan book comprised of stressed asset i.e. the sum total of NPAs and restructured assets. It would be wrong if we consider only the present gravity of the problem because this fact and figures are going to adversely affect the future credit culture of the country. The quick resolution of stressed assets, therefore, has become the primary focus of the RBI and banks. In is in this context, it is important to analyze the existing system of resolution of stressed assets and the new developments that are cropping up very recently.

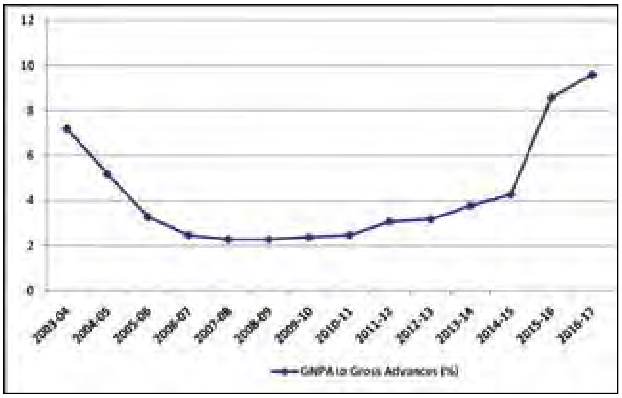
1. Overview of Stressed Assets in Indian Banks

There is no denying the fact that stressed asset has emerged as one of the key risk factors to the policy maker and regulators. Stressed Assets is the sum total of Non-Performing Assets (NPAs)[1] and Restructured Loans. The concept of 'Stressed Asset' emerged because mere the NPA figures alone could not depict the complete picture of the quality of asset hold by banks because there are some loans which are restructured by the bank by providing the borrowers an additional opportunity in the event of default of payment of interest and/ or principal. Restructuring can be of any type. This could be in any combination of

At present, Indian banking system has been facing the toughest challenge from the accumulation of huge stressed asset. Banks under the guidance of RBI adopted several measures to resolve the problem but as of now the problem seems to be widening up day by day. According to the Economic Survey 2017, stressed assets, i.e. bad loans and restructured loans, constitute 20% of the total loans in the system. In this backdrop, the paper aims at critically analyzing the existing framework of the resolution of stressed assets in order to find out the missing link between several policy decisions and their implementation

extended time period, reduced interest rate, conversion of part loan into equity or similar other conditions. The Gross NPA GNPA) ratio of the banking system stood at 9.6% and the stressed advances ratio stood at 12% as of March 31, 2017. This certainly is a matter of concern for the banking sector as well as for the economy. The basic indicator i.e. Gross NPAs to Gross Advances ratio as presented in the chart below depicts the way problem is rising year to year especially after 2013-14. There has been an increasing trend in the ratio of GNPAs as a percentage of advances and the number has increased more than twice from 2014-15 (4.3%) to 2016-17 (9.6%).

Figure 1: GNPA Ratio of Indian Commercial Banks (2003-04 – 2016-17)



Source: RBI, Report on Trend and Progress of Banking in India, Various Issues

2. Existing Framework for Resolution of Stressed Asset

Management of asset quality broadly signifies two things – management of NPAs and resolution of stressed asset.

2.1 Framework of Management of NPAs

Management of NPAs on the other hand, means four things – proper assessment, adequate provisioning, recovery of existing NPAs and prevention of fresh accretion. The NPA management framework in India takes care of all these four aspects – while the prudential regulation issued by RBI takes care of the first two parts i.e., proper identification and provisioning, Recovery and preventive measures are managed by host of regulatory and non-regulatory tools. These all are more of theoretical perspective of management of NPAs or stressed asset in the broader canvas.

2.11 Recognition of NPAs

Coming to identification of NPA we can say that a contract of lending generally includes a binding regarding the payment of interest and principal by the borrower. If any one of them is not performed duly, then the advance should be termed as NPA.

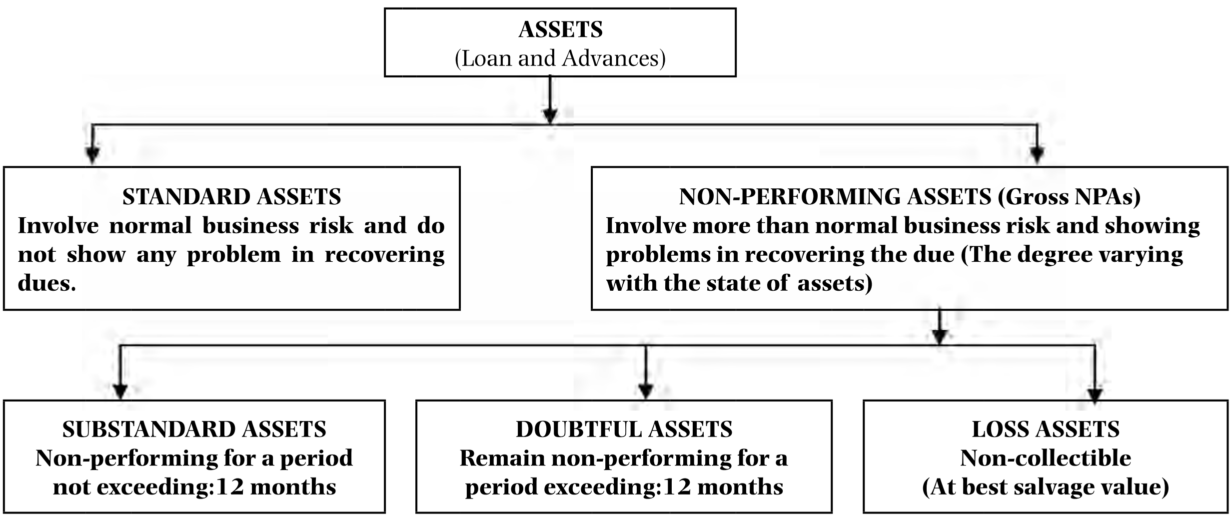
Internationally, 90 days overdue norm is followed to identify a loan facility as NPA. According to the RBI Guidelines, if the interest and/or installment of principal have remained overdue[2] for a 'specified period of time', it is called a Non-Performing Asset (NPA). The RBI has, however, revised the 'specified period of time' from time to time, as shown in Table 1, in order to ensure better management of NPAs and at the same time to keep parity with the international best practices in this regard. Therefore, w.e.f March 31, 2004, NPA is any advance in respect of which interest and/or principal have remained overdue for 90 days.

Table 1: Changing norm of 'Specified time period' for NPA identification

Year ending March 31	Specified period of time
1993	4 Quarters **(360 days).**
1994	3 Quarters **(270 days).**
1995	2 Quarters **(180 days).**
2004	1 Quarter **(90 days).**

The concept of NPA can also be understood from the classification of advances. Broadly, loan and advances of banks are classified into four categories – Standard Asset, Sub-Standard Asset, Doubtful Asset and Loss Assets. The sum total of the last three categories of assets is known as NPAs or Gross NPAs as shown in figure 1 below. While Net NPAs are obtained from Gross NPAs after deducting the interest due but not received, claims received from credit guarantors and pending final settlement,

Figure 1: NPA Recognition and Classification of Loan & Advance Portfolio in India



part payment received and kept in suspense account and total provisions made up to date.

2.1.2 Provisioning of NPAs

The above classification of NPAs is used for provisioning of NPAs. RBI guidelines suggested the minimum provisioning norm for banks which is summarized under Table 2.

2.1.3 Recovery Measures

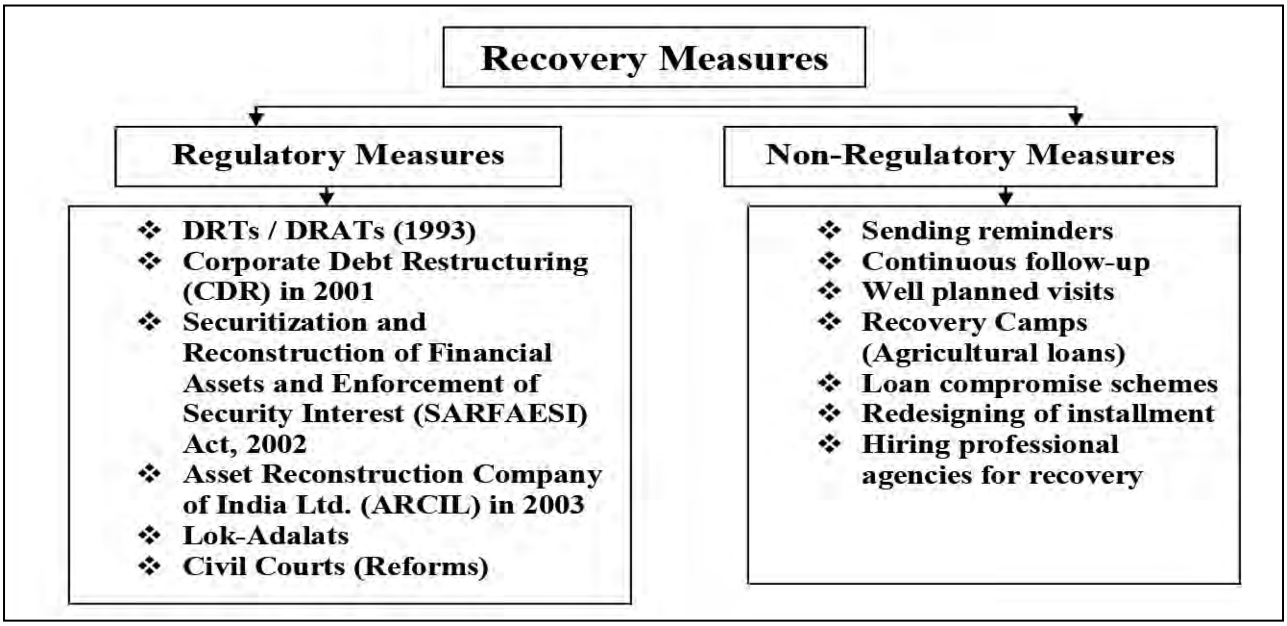
The recovery drive, on the other hand, is managed through a host of regulatory and non-regulatory means as shown in Figure 2. Both under regulatory and non-regulatory recovery measures, banks have wide range of options like DRTs/DRATs, CDR, Lok Adalat, Civil Court, ARC and action under SARFAESI Act. Whereas Non-regulatory measures includes sending reminders, planned visit, continuous monitoring and follow up, recovery camps, loan compromise scheme, rescheduling of payment schedule and hiring of professional agency for recovery.

Table 2: Minimum Provisioning Norm for NPAs as per RBI Guidelines

Categories of Advances	Provisioning Norm When	
	Advances can be Classified into Four Heads	Advances cannot be Classified into Four Heads
1. **Standard Assets**	General provision @ 0.25%	15% of Aggregate Amount outstanding
2. **Sub Standard Assets**	10% of Advances (Gross Amount)	
3. **Doubtful Assets:**		
a) NPAs up to 1 year	Deficit+20% of secured portion	
b) NPAs up to1 to 3 years	Deficit+30% of secured portion	
c) NPAs beyond 3 years	Deficit+50% of secured portion	
4. **Loss Assets**	100% of Advances	

Note: Deficit=amount of loan outstanding less realizable value of secured asset.

Figure 2: Recovery Measures Applied by the Indian Banks



2.1.4 Preventive measures

Preventive measures, on the other hand, have been receiving more importance in the recent past and they included the followings:

- Up-gradation of credit assessment system and use of improved information system;
- Induction of professionalism in credit assessment and disbursement;
- Tighter monitoring and follow up of advances;
- Circulation of List of 'Wilful defaulters' & restrictions on raising finance;
- Up-gradation of risk management system;
- Make use of Credit Information Report of Credit Information Bureau;

- Early warning signals and Prompt Corrective Action; and Risk-based supervision

2.2 Resolution of Stressed Asset

Resolution of stressed asset signifies the practical application of the abovementioned NPA management framework in resolving the stressed asset. Under the existing framework, the banks are using the following options to resolve the stressed assets in their Balance Sheet:

- Resolution through various re-structuring mechanisms which can be undertaken primarily as per RBI guidelines (Such as Corporate Debt Restructuring or CDR mechanism)
- Initiating recovery proceedings in the case of NPAs under the existing legal framework, primarily through Lok Adalats, Debt Recovery Tribunals (DRTs) and enforcing security interest under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act)
- Assignment of debt to asset reconstruction companies (ARCs).

Apart from the age old mechanism such as CDR, the RBI and Government of India have introduced certain new measures in the recent time period in order to effectively resolve the stressed asset through restructuring. Such recent measures include the followings:

- Framework for Revitalizing Distressed Assets - January 2014
- Scheme for Infrastructure Projects - July 2014
- Framework on Fraud Detection and Reporting - May 2015
- Strategic Debt Restructuring (SDR) Scheme – June 2015
- Scheme for Sustainable Structuring of Stressed Assets (S4A) – June 2016
- The Insolvency and Bankruptcy Code, 2016 (IBC 2016)

Each of these measures has its own criteria for application and laid down the process of restructuring of stressed assets. Among the abovementioned measures, IBC 2016 is considered to be a big move so far as the resolution of stressed asset is concerned. This is evident from the fact that Post June 2017, there has been an increasing trend in lenders opting to invoke the IBC code for resolution of stressed / NPA accounts. The Code creates a framework for resolving insolvency in India and the provisions of this code shall be applied to any company, Limited Liability Partnership (LLP), partnership firms and individuals in relation to their insolvency, liquidation, voluntary liquidation or bankruptcy, as the case may be. Most importantly, it provides for resolution of insolvency in a speedier and time-bound manner, and also specifies prioritization of settlements of debts owed by a corporate debtor. It reorganizes and balances the interests of all stakeholders, and seeks to resolve the issues in a time bound framework, while paving the way for credit availability, without impinging on entrepreneurship.

3. The Critical Evaluation of Existing Framework

There is no denying the fact that the above mentioned framework is all encompassing and sound in terms of theory but it is also true that inspite of such strong and all encompassing framework, the Indian banking did not experience any improvement in the level of stressed assets rather the problems get worsened over time. There are many banking experts who deeply believe that the actual problem lies in effective implementation of the framework with proper will. Upon introspection, the following areas came to the picture which hinders the process of management of stressed assets:

- The lack of sincere efforts on the part of bank officials and management to follow the so called 'NPA Recognition Norm' in letter and spirit is a major stumbling block. There is a belief that if this norm is followed in verbatim much of the loan asset would fall under NPA category which would signify indirectly the inefficiency of the credit department of the respective banks in one hand and pushing the need of further provisioning, on the other, leading to an adverse effect on profitability of the bank. It encourages the officials to scale down the level of NPAs by some innovative means and ways and sometimes by hiding up.

- Ineffective and inefficient credit appraisal and sanction of loans especially to big corporate houses because of the moral hazards on the part of the bank officials and borrowers which gets worsened because of political interference and lobbing is another area of concern. This is what precisely happened with Kingfishers, Gitanjali Jewellers and many other similar cases.
- The lack of supervision manifested through inadequate follow up and monitoring system adopted by the Risk Management Committee and Audit Committee of the bank resulted into failure of the system to identify the early warning signals which leads to the worsening of the asset quality.

- Lack of compliance to the established Risk Management Policy of the Banks in sanctioning and monitoring loans allows the problem to multiply.
- Lack of oversight System in banks' functioning, particularly the lending transactions;
- Inadequate coverage/security or no coverage of insurance on the moneys lent to the big clients/ borrowers coupled with Inadequate pledge or charge on the large corporate borrowers' assets;
- Tremendous political pressure on bank officials advocating for bank loans for their vested interests;
- Inadequate Internal Financial Control System in banks' functioning coupled with Ineffective performance of the banks' Boards;
- Failure of Internal Auditors in detecting frauds and irregularities in lending decisions;
- Lack of proper functioning of the banks' Vigilance Cell in discharging vigilance activities;
- Lack of Accountability & Responsibility of Banks' officers at various levels.

4. Concluding Observations

One should acknowledge the fact that regulation of Indian banking is well placed and adequate to deal with the problem of stressed asset, the problem lies in its effective adherence and inadequate governance and supervision. Therefore, the present crisis of mounting stressed asset in Indian banking may be viewed an opportunity to realign internal processes and control system of banks so as to improve the governance practices. It is unfortunate but true that Indian banks adhere to the regulations only in paper. Since 1992 Mis-governance in the Banking Sector has been the feature resulting in thousands of crores of rupees fraud in banks' lending transactions, thereby weakening our financial system. Recent cases of frauds perpetrated by the absconding industrialists like Vijay Mallya, Jatin Mehta, Nirav Mody, Mehul Choksi, etc. only points out that nothing has improved in the matter of corporate governance in Indian banking. So far as bank governance is concerned, practices should match the declared and disclosed policies. It is observed that there is a big gap between what laid down as governance policy and what is being actually practiced. The governance practices should revolve around three interrelated segments such as: (i) Integrity and Fairness, (ii) Transparency and Disclosures, and (iii) Accountability and Responsibility.

On the other hand, Government should put their sincere efforts to book the offenders (both bank officials and the so called big industrialists) as soon as possible in order to restore the public confidence in the system. Those who flee the country should immediately be deported with the help of Interpol or other similar international agencies. Their property and funds should be attached. The bank management should also adopt pro-active measures for the wilful defaulters much before they flee the country. In case of newly introduced measures such as IBC, some reforms in the existing framework for identification, classification and schemes of restructuring should immediately be done including some regulatory reforms giving much more teeth to the lenders in taking the cases of default to the forum of IBC much before the existing practices. Hopefully the issuance of 'New guidelines on standard asset provisioning and disclosure of details regarding NPAs' on 13th February 2018 by the RBI may remove the stumbling blocks. MA

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Foot Notes

[1]Under the existing framework, a loan whose principal and/ or interest remain overdue for a period 90 days is considered as an NPA. NPAs are further classified into substandard asset, doubtful asset, and loss assets depending upon how long a loan remains as an NPA.

[2]Overdue means an amount due but has not been paid on the due date fixed by the bank.

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SUGAR INDUSTRY IN INDIA- ISSUES AND SOLUTIONS

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India is the second largest producer of sugar in the world after Brazil. It is an Agro-based industry that impacts the economics of about 5 crore sugarcane growers as well as about 5 lakhs of permanent employees By-products and various ancillary activities in sugar sector enables generation of employment & strengthens the livelihood of stakeholders. Therefore, sugar sector plays a vital role that affects approximately 4% of the total population of our country.

Current Scenario of Sugar Industry -India

Around 520 Sugar mills are in operation comparedto 490 sugar mills last year.

- 5 Crorefarmers are attached with sugar industry growing Sugarcane on about 50 lakh Hectares area.
- The Effective number of permanent employees is around 5 lakhs and providesan effective contribution to the government by creating 80,000 crore annual turnover business

During the year 2017-18 at the onset of the season in the months of October and November 2017, the market situation for sugar prices was surprisingly much conducive, and it was expected that the Sugar Industry would be able to navigate the challenges on its own. The prices of sugar satisfactorily maintaining the level of Rs.3500-3700 Per quintal. However, upon commencement of the season from last week of October and the first week of November 2017, directly within a month the prices of sugar started crashing dramatically and intensely. The prices have fallen down by almost Rs.700-800 per quintal and presently have seen the level of Rs.2850 per quintal.

Sugar season 2017-18 witnessing disputed sugar production estimates "no one realizes where it will reach". The organisations linked to sugar industry have given the total sugar production up to 23-03-2018 as around 270 Lakh tonnes, which is approximately 33% increase over the whole sugar season 2016-17 during the same period. The prices of sugar is down almost 15% compared to the price at the time of beginning of sugar season while the cost of production increased due to rise in sugarcane price and other input.

The Sugar Industry has been reeling under a deadlock for the past 3-4 years due to back-to-back drought conditions during the sugar season 2014-15 and 2015-16. With the kindnesses of the Rain God during the sugar season 2016-17, the crop situation considerably improved, resulting adequate sugarcane crop yield for crushing during the sugar season 2017-18. The crisis of the two years led the Government to interfere and come to the rescue of the Sugar Industry by way of SEFASU-2014 and Soft Loan-2015 mainly to assure that the cane payment to the growers is as per the Government announced Fair & Remunerative Price (FRP). The rise in raw material cost, as well as the rise in cane price arrears, is inevitable, for which the conclusive solution is not available till date.

However, it is important to have a note of the fact that all the current estimates of sugar production for 2017-18 are turning out to be false and the country is expected to see a never before record production of sugar which is likely to touch 300 lakh tonnes. This is way above by about 20% over the original estimates of 250 lakh tonnes. The still more fearsome factor is that there is a record sugarcane crop sowing in the current season of 2017-18 which shall be available for crushing in 2018-19. The retention of Ratoon crop is still way up high and with both these, it is expected to turn into another record-breaking sugar production in the sugar season 2018-19. It will not be surprising if the country witnesses a production not less than 330 lakh tonnes. The above position is really very dangerous and is expected to converge into a higher decline in prices of sugar if left open to the market forces alone. In such a scenario eventuality the Sugar Industry shall totally collapse leading to a position of huge non-payment of FRP to the sugar cane growers as well as create bigger troublesome for the Government also.

Current Scenario of Sugar Industry -World

World sugar production is expected to be rise by 6%,which means 1787 Lakh Tonnes and the growth in consumption is around 1.60%. India accounted for 15% of the sugar production all over the world. Due to projected higher world production than consumption as well as export availability exceeds import demand creates panic situation and forces downfall in prices. Currently, International prices are quoted almost two and half years low of raw sugar at 12.50 cents/lb equals to INR 1800 per Qtl and white sugar price at USD 357 per tonne equals INR 2300 per Qtl. Further excess production in India that may open a window for export option creates further downfall in price of sugar internationally.Therefore,the global sugar industry is under stress.

Current Sugar Policy, Problems, & Probable Solutions

- Sugar realization almost down by 15 %, i.e. around 6-7 Rs per kg at mill gate while the cost of production is around 34-35 per Kg as a resultant of non-availability of working capital forcing the mills to sell sugar at any available price.

- Due to lower sugar realization millers are unable to pay the cane price in full and on time. Therefore, current cane arrears already in excess of Rs.17, 000 Crores.

- By products like Molasses available at throw away prices.

Indian Govt. have always supported the sugar Industry as and when required thanks to Essential Commodities Act-1955 and relevant other statutory forces. Recently Govt of India raised the import duty by 50% and scrapping the export duty as well as notified reverse stock limit on sugar millers for the month of February & March that supports in improvement in sentiments, but not much effective to control the fall in sugar prices.

Due to notified reverse stock limit sugar millers are not able to sell more than percentage mentioned in the notification, at the same time have to sell their inventories for payment to sugarcane farmers' otherwise statutory liability like interest & penalty arises.

In the ongoing sugar season, sugar production is estimated to be 300 lakh tonnes which is approximately 47% increase from the last sugar season.

This surplus production provides the opportunity for substantial exportof sugar. Provided the government takes further steps to dispose of the Indian sugar inventories as instantly as possible. For this the government may askmills to make compulsorily export 30-40 lakh tonnes of the sugar. Thereafter, government should provide incentives for the export of sugar as the international market is not workable for Indian exporters at current International prices.

The government could still impose a tax on the sale of sugar and use this fund to provide incentives for exports. These all are provisional measures, but fundamentally for improving the situations policy allows to carry out such that sugar millers are able to generate sufficient finances for meeting their entire obligations like settlement of cane price to growers as well as the settlement of the loans are effectively met.

Followings Are the Probable Solutions

1. Half-hearted work is never successful.Therefore, partial control never be successful.Hence,either control all aspects of sugar or decontrol it fully so that the market forces decide.

2. Urgent measures like to promotion of exports by implementing MIEQ scheme. Make a permanent policy on export and import whenever there is the excess or low availability of sugar.

3. Implementing dual pricing policy.

4. Incentivizing Ethanol produced via B Heavy molasses route Encouraging in diverting resources in the production of ethanol to meet our local demand.

5. Creation of Buffer stock of at least 20-30 lakh tonnes with suitable financial assistance to the Sugar Industry as was done during the sugar season 2007-08 and previous years.

6. Creating price stabilization fund by introducing sugar cess

7. Export Incentives by way of a 'Freight Subsidy', as has been done by the Government of Pakistan.

8. A very strong decision to fix the price of Sugar under Section 3(c) of the Essential Commodities Act, to secure a proper coverage of the sugarcane FRP cost, manufacturing cost and a reasonable return on the capital employed in the manufacturing of sugar.

Ethanol Pipeline grid project – Sustainable solution to deal with India's surplus sugar production

1. Current ethanol blending mandate is 10%, however, OMC's has reached roughly 5% blending

2. Ethanol blending would double if India's leading sugar producing states set a pipeline network to transport the ethanol from sugar-producing zones to OMC's ethanol distribution/depot's

3. Converting surplus sugar into ethanol is far more useful to deal with the excess sugar than exporting sugar with support

4. Brazil, Australia – These two sugar-producing countries have objected Govt support or support to sell the sugar exports to the world market

5. Brazil has such pipeline to carry the ethanol from sugar-ethanol producing zones to distributors or pump stations

6. India is unable to expand the ethanol blending due to the absence of adequate transportation infrastructure

7. Oil marketing companies (OMC's) like BPCL, HPCL and IOCL along with the sugar industry and Govt of India can create an equal joint project which would later set up the ethanol transport pipeline.

8. Sugar mills in Maharashtra, Karnataka and Uttar Pradesh can be selected based on their ethanol production capabilities and ethanol pipeline network can be thus mapped to deal with the dominant producing clusters.

9. Having such an infrastructure likely to open up unique spaces for Greenfield investments in ethanol production/standalone distillery projects would attract investor interest.

News articles on Brazil ethanol pipeline projects which were executed in 2010/2011

a) http://english.unica.com.br/news/22711185920317344817/ethanol-pipeline-to-reduce-fuel-transport-costs-by-20-por-cento-in-south-central-brazil/

b) https://www.reuters.com/article/brazil-ethanol-pipeline/brazil-ethanol-pipeline-to-cut-transport-costs-20-pct-idUKN0114014220110301 MA

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ON THE EFFICIENCY OF INDIAN CEMENT FIRMS AND ITS DETERMINANTS

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The basic objective of any firm is to maximize the wealth of the shareholders and that to a considerable extent dependent upon the level of efficiency of the firms at which it is operating. In a highly competitive business environment, it is of utmost importance to manage the business with the highest degree of efficiency to sustain in the long run. The efficiency and the productivity of the firms get influenced by numerous factors which can broadly be clustered in to firm specific factors, industry specific factors and macro economic factors (Sufian, 2009). Effective usage of the available resources, inputs, human capital, technology, size or scale and managerial potential have direct impact on the cost effectiveness of the firm, profit and on the market value of the firm. Perhaps this is one of the most prominent reasons why many research scholars delved into the exploration of the level of efficiency of the firms and the underlying factors responsible for such level of efficiency. Such a kind of analysis is of great importance to the managers of the firms to identify the weakness and the strength associated with their firms and enables them to adopt appropriate managerial decisions and strategies so as to achieve the objective of the wealth maximization and optimum utilization of the available resources (Kundi and Sharma, 2016). The efficient firms are expected to be more profitable, having high firm value, possessing the inherent capacity to cope up with dynamic macroeconomic environment and enjoying greater degree of

The present study will seek to evaluate the efficiency of the select 22 cement firms and the different factors affecting such efficiency for the period from 2001-02 to 2014-15. For the purpose of this study, Stochastic Frontier Analysis is used in the first stage to determine the firm level efficiency scores. In the second stage the determinants of such firm level efficiency is explored using Panel Censored Tobit Regression Model. The result of the study showed that size, age, growth, openness, and inflation are the major determinants of the efficiency of the cement firms during the period of study.

sustainability. Determination of the efficiency of the firms is believed to be much talked about issue in the domain of academic research in abroad and in India. Because of the interlinkages between the efficiency and firm value, this area of has been able to grab the attention of the scholars and still continuing to be the one of the most popular domain of research across the world. In a perfectly competitive liberalized economy where the prices of the factors of production are market determined, the only way to sustain is to attain the optimum level of efficiency and such efficiency in turn gets augmented because of the openness of the economy leading to an increased competition which ensure that the resources are put to optimum use (Driffield & Kambhampati, 2003).

Cement industry is one of the most important sectors in the context of Indian economy and it is the second largest producer of cement in the world. Considering the huge scope of infrastructural, housing, commercial construction and industrial construction growth the cement industry is expected to reach 550-600 Million Tonnes Per Annum by the year 2025. Along with that, the Government initiative of 'Affordable Housing Fund' for granting loan to home buyers through National Housing Bank will also act as a booster for the cement industry. Interlinkages with other industries, employment creation, contribution to the exchequer and export potentiality makes cement sector important in the context of the Indian economy. Presence of Large number of companies makes this sector a highly competitive one. Thus the cement firms which are operating must be efficient to survive in the long run.

Brief Review of literature:

The determination of the efficiency of the firms belonging to different manufacturing sectors has also received considerable attention in India and abroad. Analytical methodologies and the findings of some of the notable studies have been presented below.

Authors	Input	Output	Determinants of Efficiency
Driffield and Kambhampati (2003)	Labour, Gross fixed Capital, raw materials and fuel	Sales	R&D Expenditure, time trend as a proxy of technological change, market share. Import to sales ratio, export to sales ratio, age, liberalization dummy
Ahmed and Ahmed (2013)	Natural logarithm of Labour, Capital (Net Value Fixed Assets), raw materials and Energy	Sales Revenue	Age, Size, size of management, marketing expenses, Education of the labours, alternate energy cost, male female ratio.
Alvarez and Crespi (2003)	Labour and Fixed Capital	Annual total sales	Experience of the owner, Education of the owner, variability of sales, capital/worker, experience of workers, age of the fixed assets, technical assistance, access to bank loan
Bhandari and Maiti (2007)	Nominal value of input including power and fuel, age, labour and capital	Value of output	Age and size

Authors	Input	Output	Determinants of Efficiency
Doaei et al. (2015)	Natural logarithm of Total asset size	ROA, ROE	Total product diversification, age and size of the firm, international diversification (Export to sales), corporate diversification efficiency (diversified or not, leverage, liquidity, Exchange Rate, Crisis
Fernandes (2006)	Number of workers Materials and capital	Sales	Human capital, Business environment variable, openness, technology, industry, year, location, age, size
Golder et al. (2004)	Gross fixed capital stock, salaries and wages	Gross Value Added	Export intensity, import intensity, R&D intensity, Advertisement Intensity, Liquidity ratio, excise duty rate, ownership.
Hanousek et al. (2015)	Natural log of capital (Total asset plus working capital), Natural log of total number of employees.	Value added	Size (Natural log asset), leverage, competition, ownership, crisis
Kumbhakar et al. (1991)	Labor, capital	Value of output	Education of the owner, region, firm size
Le and Harvie (2010)	salaries and wages (log), value of capital (log)	Sales revenue	Age, size, competition, location, ownership, foreign collaboration, export, introduction of new product, government assistance
Lundvall and Battese (2007)	Salaries and wages (log), capital (log), intermediate inputs (log)	Output (log)	Size and age
Piesse and Thirtle (2000)	Materials, energy, labour and capital (total physical capital)	Output	Export, subsidies, capital-labour ratio, management employees to blue-collar employees
Ghose and Chakraborty (2013)	Materials, energy, labour and Net capital (Net fixed assets).	Value of Output	Net exports, Research and Development, Advertisement and Marketing intensity, age and size of the firm

A number of studies have been carried out relating to the determination of efficiency for different sectors in India. However there is a dearth of literature which has tried to identify the efficiency and the determining factors (especially macroeconomic factors along with firm characteristics) for cement sector in the context of India.

Objectives of the Study

Thus the present study will make a modest effort to shed some light on the efficiency of the firms operating in the cement sector and the different factors affecting such efficiency.

Data and Methodology

For the purpose of this study, 22 cement firms were randomly selected from the total 48 BSE listed cement firms. The financial data for the select companies for the period from 2001-2002 to 2014-2015 were collected from the Capitaline Corporate Database. The macroeconomic data on Wholesale Price Index (WPI) and Exchange Rate (ER) were collected from RBI, Database. For the purpose determining the technical efficiency of the cement firms, Stochastic Frontier Analysis (Coelli, 1996) has been applied in the first stage. In the second stage the different firm-specific and macroeconomic factors affecting the technical efficiency are determined using Panel Censored Tobit Model as the efficiency scores lies between '0' to '1'. The input used in the stochastic production function were 'raw material', 'labour', 'gross block assets employed' and 'power & fuel cost' whereas the 'value of output' is taken as the output variable[1]. In the second stage the efficiency has been regressed against financial leverage[2], growth of the firm[3], age of firms[4], size of firm[5], rate of exchange and inflation (proxied by WPI) to identify the instrumental factors affecting such efficiency.

Analysis and Discussions

Table 1: Estimates of Production Function of Cement Sector

Variables	Coefficients
Constant (β_0)	0.5240* (3.9002)
Gross Block of Assets (β_1)	0.5841* (18.5428)
Raw Material (β_2)	0.4394* (13.0288)
Power and Fuel Cost (β_3)	0.0387* (4.3988)
Employee Cost (β_4)	-0.0320* (-2.4566)
sigma-squared	0.0981* (7.9003)
gamma	0.4879* (8.1637)
mu	0.4376* (2.7095)
Eta	0.0040 (0.4083)
N	330

*denotes statistically significant at 1% level

From the analysis of Table 1 it can be seen that the coefficients (β1 to β3) are all observed to be positive and also found to be statistically significant at 1%. It implies that the firms belonging to the cement sector have been able to put the assets, raw material and power and fuel cost to the effective use to generate value of output. However the coefficient of employee cost (β4) has been found to be negative and statistically notable at 1% which shows that the firms belonging to the cement sector as a whole could not use the available human resources effectively during the period of the study. The statistically significant value of gamma denotes that the stochastic frontier suits better than deterministic trend. From Table 1, it can also be seen that the value of gamma is 0.4879 which indicates that the variance of the inefficiency is not only due to the total error in the model but primarily due to the variation in inefficiency amongst the firms. The statistically significant value of sigma squared (0.0981) shows that there exists a significant variation in the efficiency levels amongst the cement firms during the period of study. Mu is the measure of inefficiency in the model. The positive and significant value of mu (0.4376) implies the prevalence of inefficiency amongst the firms. The inefficiency among the firms has increased during the period of study as indicated by the positive eta value (0.0040). However such increase in efficiency is observed to be very marginal and statistically insignificant.

Table 2: Determinants of Efficiency of Cement Sector:

Variables	Coefficients	Z-values	p-values
Constant	0.8668502	72.38	0.000
Leverage	-0.0000363	-0.76	0.447
Growth	-2.56e-06	-2.00	0.046
Size	-0.0012058	-17.84	0.000
Age	-0.001338	-272.61	0.000
Openness	0.0031735	3.48	0.000
Exchange Rate	0.0047265	1.59	0.112
Inflation	-0.0451914	-76.29	0.000
Log-likelihood	1454.645	Wald Chi square	87483.24
Total observation	314[6]	p-value	0.000

The determinants of the technical efficiency have been presented in Table 2. From the analysis of the Table it can be found out that openness of the firms have positive and significant implications towards the efficiency of the cement firms. It is a widely accepted belief that engagement in the international trade leads to greater efficiency (Van Biesebroeck, 2005). A firm has to run efficiently in order to be successful in the international market as it has to face tough competition from foreign firms. The outcome of the study proves that the firms which are relatively more open are also more efficient than the firms which concentrate only in the domestic market. The coefficient of exchange rate is also found to be positive (although insignificant) which implies that export oriented firms are relatively more efficient. As far as the impact of financial leverage on efficiency is concerned, it is believed that the firms which use more debt are expected to be more efficient because the managers have to monitor the functional activities cautiously (Majumdar, 1997). However the findings of this study showed that the debt laden firms are inefficient which is consistent with the observation made by Majumdar (1997), the reason being, Indian firms get most of the debt finance from the Government owned banks which are itself inefficient and the managers of the PSU banks are not very much concerned about the productivity (greater job security in PSUs adds to that) and that can give some intuitive explanation to the growing NPA problem in Indian banking sector. Moreover it can be seen that the growth of the firm is exerting negative impact on the efficiency. Thus it may be said that the firms which are growing based on external funds are less efficient as compared to other firms in the industry during the period of study. It can be seen from the analysis of Table 2 that the age and size of the firms have been found to have negative implications towards the efficiency which are both found to be statistically notable at 1%. It is generally believed that large size firms are able to exploit the advantages of the economies of scale, diversification and thereby more efficient (Halkos and Tzeremes, 2007; Firth et al., 2015). Similarly experienced older firms have learning curve effect and the experience help the firms to put the available resources to more productive use. However the outcome of the study is inconsistent with the generally accepted notion of positive effect of size and age on efficiency. The coefficients of firm size and firm age have been found to be negative and statistically significant. Thus it can be said that older and large size firms are inefficient as compared to the relatively smaller and newer firms in the cement industry during the period of the study. The negative size and age impact are not new and striking findings. Shephard (1986) and Leibenstein (1976) suggested that large size is associated with market power concentration which generates market power inefficiencies leading to inferior performance. Moreover it has also been argued that large size Indian industries are very much satisfied and contained with the prevailing situation thus there is no effort to improve the efficiency or reduce cost thus leading to inefficiency (Majumdar, 1997). An older firm is more likely to suffer from inertia and thus fail to make adjustment with the changing business environment and gradually becomes inefficient as compared to the newer firms (Marshall, 1920). The negative impact of firm growth on the efficiency of the firms is in line with the negative size and age effect. The outcome of the study revealed that inflation in the economy has a significant negative impact on the level of the efficiency of the cement firms during the period of study. In an inflationary situation the cost of the input increases more as compared to price increase which makes it tough for the firms to ensure optimum level of efficiency.

Conclusion

Effective and efficient utilization of the available resources is of utmost importance to sustain in the long run. The outcome of the study showed that the cement firms used the raw material, power & fuel cost and assets employed efficiently to generate the output. However the cement firms could not use the available human resources effectively during the period of study. The result of the study revealed that there exist inefficiency among the firms belonging to the cement sector and such inefficiency is increasing marginally during the period of study. The result of the study suggested that the firms which are engaged in exporting are comparatively more efficient. However the outcome of the study also showed that the large size, older firms are found to be less efficient as compared to the new and relatively small size firms from the viewpoint of efficiency. Similarly the debt induced growth of the cement firms is not plausible from the point of view of efficiency. Thus the firms belonging to the cement sector must strive for the optimum size and accordingly the growth or contraction strategy must be adopted to attain higher level of efficiency. Amongst the macroeconomic factors, it was observed that during the inflationary situation the efficiency of the firms belonging to the cement industry decrease as a whole. MA

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Footnotes

[1] Natural log values of the inputs and output are used in the production function for estimating the firm level technical efficiency scores.

[2] Proxied by Debt/Equity Ratio

[3] [(Current year Net Sales – Previous year Net Sales)/ Previous year Net Sales]*100

[4] Natural logarithm of (current relevant year – year of inception)

[5] Natural logarithm of total assets of the firm

[6] Data for 16 rows has been deleted on account of some missing data thus the panel was unbalanced.

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DEMYSTIFYING LAST MILE DISTRIBUTION IN FAST MOVING CONSUMER GOODS INDUSTRY – A CONTEMPORARY PERSPECTIVE

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Indian FMCG sector had a market size of USD43.08 billion in 2015 and is expected to cross USD100 billion by 2020[1]. The relative importance of this sector in India's growth story can be outlined by the fact that it is the fourth largest sector in Indian economy and provides employment to around 3 million people accounting for approximately 5% of the total factory employment in India. Currently, India accounts for a share of just 0.68% of the Global FMCG market and is expect to grow considerably in the next decade. One of the key beacons of this growth shall be the rural markets of India which roughly consists of 850 million consumers in 650,000 villages; making up 70% of the population and 50% of the country's GDP.

Rural FMCG Market Size (US $ in Billions)

Year	2009	2010	2011	2012	2013	2015
In $ Billion	9	10.4	12.3	12.1	14.8	18.92

Source: AC Nielsen, TechSci Report, Dabur Annual Report

The Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is estimated to cross US$ 20 billion by 2018 and US$ 100 billion by 2025. Today Top FMCG companies like HUL & Dabur generate over 40-45 per cent of its domestic revenue from rural sales while other companies earn 30- 35 per cent of their revenues from rural areas.[2]

The initial challenges like "Awareness" &"Affordability" that plagued the hinterland forays of FMCG behemoths have now been ameliorated considerably. Rural consumption growth has outpaced urban consumption with the increase in percentage in monthly per capita expenditure in rural markets surpassing its urban counterparts over the past five years and according to the latest BARC India, the all-India TV universe has increased to 183 million from the earlier collated figure of 154 million with the growth in the rural audience showing a quantum jump thereby giving a fillip to the brand awareness part.

Whilst the information asymmetry and accessibility related issues have been addressed by a multitude of initiatives, what remains a concern are some practical challenges in the realm of rural distribution. Based on our long-interview format interactions with Rural Marketing and Sales professionals across a spectrum of FMCG companies, we have tried to provide an overview of the current rural distribution models and outline the four major practical challenges within the current sales & distribution models which merit a discussion.

An Overview of Rural Distribution Models

In the marketing literature, distribution is conceived as the provision of availability. Channelsof distribution are the routes leading to customers and the associated marketing managementconsiderations range from gathering and providing customer and product information tophysical distribution. (Kotler et al. 2000, p. 491)

The illustrations below depict the two major Go to Market Models for Rural Distribution of FMCG products viz. the Hub & Spoke model and the Van Coverage model.

Exhibit I: The Hub & Spoke Model

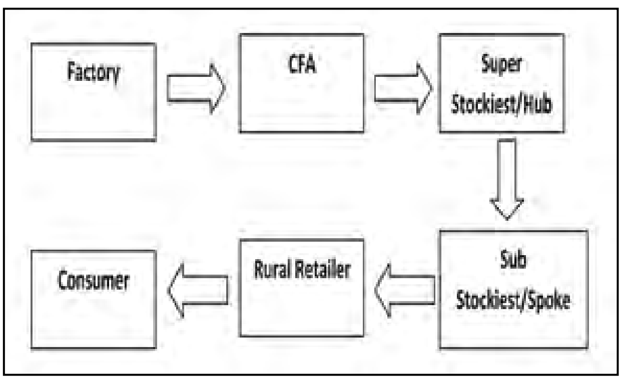
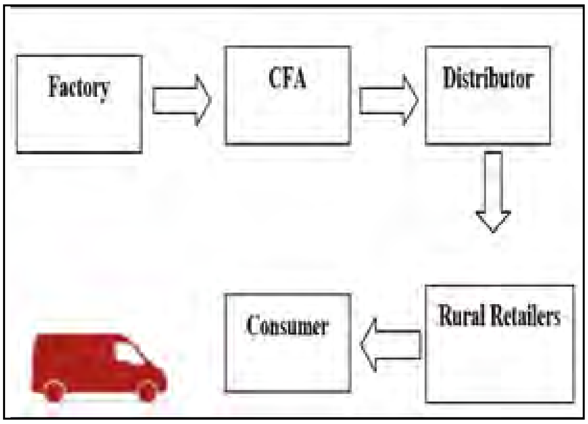


Exhibit II: The Van Model



Demystifying the Mirage of Last Mile Distribution

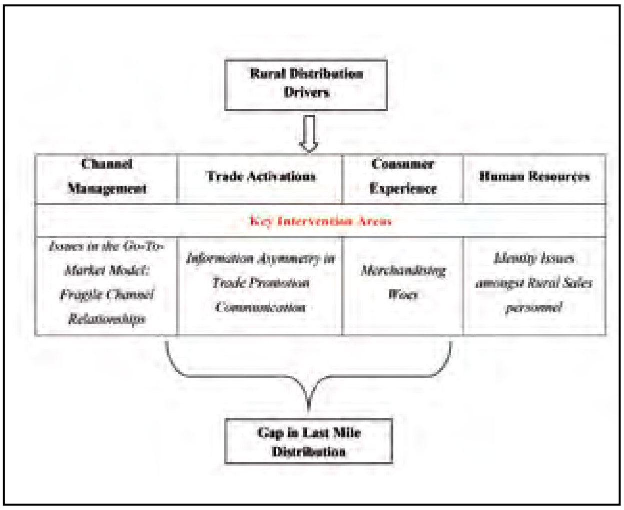
Method

Contemporary Issues in rural distribution have been primarily buried under the euphoria of the humungous market potential and showcase initiatives of few conglomerates. In this context, the need for an independent assessment highlighting the managerial perspective was essential.

We used the long-interview format of qualitative research (McCracken1988) and conducted structured and unstructured interviews with 30 Professionals, Retailers and Trade Partners primarily from North and East India. We gatheredqualitative data through unstructured interviews andobservations that related to marketplace circumstancesof individuals and their roles as trade facilitators as well as sellers.Interviews were conducted in the spoken language of Hindi and English. The reason to study the multitude of actors' viz. Sales professionals, consumers and trade partners was necessary to gauge the perspectives of the interdependent network of marketplace actors withspecial attention to the views of local opinion leaders such asretailers and sales-persons who are the final touch-points in the distribution channel (Sridharan & Viswanathan, 2008).

Insights based on Long Interviews with Stakeholders

Broadly, the actors referred to issues in four major sub domains viz. Channel management, Trade activations or below-the-line (BTL) market activities, Consumer experiences at Point of Sale and resource management especially the intangible human resource.These insights can be tabulated in a framework as follows



Chinks in the Go –To- Market Model: Fragile Channel Relationships

Based on our interactions with respondents, the success formula for any Go-To-Market (GOTM) model for a rural distribution network is majorly dependent on three factors viz.

- Availability of ideal business partners in the proposed/planned hubs
- Availability of benchmarking data pertaining to coverage of market leaders or competitors
- Criteria for covering a market/micro-market from the available universe as per census

Furthermore they opined that, lately there has been tremendous competition amongst FMCG companies to up their ante on coverage of rural markets and in their clamour for quantity over quality and pressure to adhere to the intractable timelines, executives often falter in this crucial step.This leads to a fragile channel relationship. Few of the scenarios we observed (owing to the approach of quantity over quality) are as detailed below

› In a bid to make a hub operational, often a distributor is camouflaged as a super-stockiest and he does not have the necessary infrastructure or manpower which hurts the company in the long run in terms of coverage and service levels.

› Van coverage (albeit costly) was termed as a panacea to cure the coverage bias of the hub & spoke model. However, most FMCG organizations have now begun to question the conventional wisdom since infiltration across territories by vans is unmanageable and cannot be tracked. This spoils the trade-relationships and distorts the prices.

› Benchmarking exercises are fraught with fallacies as most FMCG companies benchmark their coverage with market leaders without realizing the fact that they may not have the bouquet of products (spread across multiple categories) that conglomerates like ITC, HUL or Dabur have. This increases the cost of operations and diverts the focus of sales-force.

› A second fallacy of benchmarking is the strategy of using population/demography as a yardstick for deciding coverage. This strategy negates the basic axiom that the market potential value (MPV) is not directly correlated to the population. There are several regions within UP/Bihar which do not have a high market potential valuedespite the humungous population size.

Information Asymmetry at a B2B Level

The information asymmetry pertaining to knowledge of brands and communication thereof have been alleviated to a considerable extent, thanks to mass-media, urbanisation and proliferation of mobile phones in rural hinterlands. However, there is a considerable gap in information pertaining to various trade promotions and retail schemes at the sub-stockiest/spoke level and retailers. The super-stockiest is only a custodian at the hub level and operates with a fixed margin plus reimbursement for operation expenses and is supposed to pass on all trade promotion/ scheme benefits to the subsequent levels. The super-stockiest is the first recipient of all trade promotion circulars and communication. Typically the super-stockiest takes advantage of this singularaccess to information by indulging in unfair trade practices viz.

- Recalibrating the various slabs of the trade scheme to ensure undue benefits to a select set of retailers/ wholesalers thereby distorting the market operating price dynamics. This can also lead to a dangerous scenario wherein marginal retailers are opted out of the process and are dependent on the bigger bulk traders/retailers.

- Not operating the trade scheme in the market and thereby pocketing the scheme proceeds. To camouflage the billing software, dummy/false invoices are generated. Unlike urban areas where the wholesaler/retailer spread is concentrated in a limited geographical area, the rural sub-stockiest are spread far & wide in a region thus making it difficult to traverse and audit the invoicing data provided by super-stockiest.

Merchandising Woes in Rural Markets

Merchandising is a grey area in rural markets primarily because conventional visual and retail merchandising models have not been very successful in gaining traction. The unstructured and multi-variant retail format in rural areas makes it extremely difficult for modern trade/ urban tools like planogramming or durable Point of Sale merchandising aids like visi-coolers, category shelves, gondola, floor standing unit (FSU) etc.

The marketers resort to a spray & pray approach and are overly dependent on paid displays like branded dispensers, dealer boards and window displays or unpaid point of sale tools like banners, posters, danglers, counter tops ,buntings, wobblers etc. Unlike the urban markets, wherein adesignated resource known as merchandiser visits a set of stores as per a pre-designed routeplan, the merchandising in rural markets is at the discretion of the rural sales promoter/rural sales representatives. Consequently, point of sale materials (POSM) mostly lies unused at the stockiest/hub point and paid displays (if any) are risky and prone to misappropriation.

Identity issues amongst rural sales promoters

Rural sales promoters (also known as pilot sales representatives or rural sales representatives) are the backbone of a rural distribution model. Almost all FMCG companies bracket these resources as off-roll employees and their remuneration and allowancesare either processed via a third party administrator agency (TPA) or the super-stockiest. This creates a dichotomy in loyalty of this resource to the organization as his engagement level as well as volume and frequency of interactions are considerably higher with the stockiest. There are two crucial side-effects of this loyalty

a. In absence of a well-defined career path and lack of counselling by managerial personnel of the company, the stockiest often manipulates the resource's identity issues to get additional work done by the resource. For example, most resources do cash/ cheque collection from sub-stockiest/spoke which is not a pre-defined KRA.

b. With proven loyalty and using the super-stockiest's clout as a facilitator, these resources switch jobs between various companies which are managed by the stockiest (in planned collusion with the executives from other companies). They do not find this immoral since there is an element of reverence for the super-stockiest (who is akin to a mentor)

The managerial personnel in FMCG organizations often jettison their responsibility of mentoring and coaching these resources on a regular basis and assisting them in developing their own identity. Furthermore from the industry's perspective there is immense scope for defining the role of assessment centres and drafting clear guidelines for promotion/elevation to next roles for this frontline sales-force.

Conclusion

Rural & sub-urban markets have become critical growth drivers for FMCG companies today due to saturation of urban markets. There has been a considerable increase in consumerism and aspiration levels of rural consumers which makes the supply/distribution part is of cardinal importance. Furthermore, with the introduction of GST, supply chain issues would be ameliorated considerably. The future growth driver shall be the ability of the FMCG companies to overcome the aforementioned practical challenges by embracing digitisation and innovation. MA

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Foot Notes

[1] *Indian FMCG Market 2020 Report by ASSOCHAM-TechSci Research*

[2] *https://www.ibef.org/industry/indian-rural-market.aspx*

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RANKINGS OF HIGHER EDUCATION INSTITUTIONS IN INDIA:

EFFORTS TO ENHANCE THEIR COMPETITIVE ADVANTAGE

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The NIRF Framework

The Union Ministry for Human Resource Development Started ranking of higher education institutes in 2016. The framework was launched on 29th September, 2015 and is known as National Institutional Ranking Framework (NIRF). The Government releases notification/advertisement in each year inviting institutions to join within a deadline following prescribed procedure. The responsibility and accountability of the data rests entirely with the participating institutions.

There were only four categories – engineering, management, pharmacy and universities – in 2016. In 2017, overall and college categories were included. In 2018, a large number of private higher education institutions have joined the scheme. The participating numbers and region-wise distribution of them are given respectively in tables 1 and 2.

Table 1
Participating academic institutions (Number) in 2018

		Number	Percentage
Overall		957	24
Disciplines:			
Engineering	906		23
Management	487		12
Pharmacy	286		7
Architecture	59		2
College	1,087		27
Medical	101		3
Law	71		2
		2,997	
Total		3,954	100

Source: Adapted from NIRF_2018_x9.CDR

Table 2
Region-wise distribution of institutions registered for rankings (2018)

	Overall	% to total	Combined 7 disciplines	%
North	180	19	447	15
North-East	24	3	81	2
South	276	28	837	28
South-East	190	20	774	26
East	74	8	180	6
West	213	22	678	23
Total	957	100	2,997	100

Source: Adapted from NIRF_2018_X9.cd

The rankings for 2018 were released by the Hon'ble HRD Minister, Mr. Prakash Javadekar, on 3rd April, 2018. In 2018, the participating academic institutions were 3,954 comprising 957 in the overall category and 2,997 from 7 disciplines as shown in table 1.

What are the objectives of ranking of higher education institutions? In his message to the Report of India Rankings 2018, the Hon'ble HRD Minister addressed this point, among others. According to him, the objectives are to:

- ➢ Create an opportunity for Indian Academic Institutions for introspection on a regular basis.
- ➢ Help the participating institutions to identify areas of strength and weakness with respect to peers, and
- ➢ Contend deficiencies and effect improvements as needed.

The performance of institutions is linked with "Institutions of Eminence" scheme of HRD/UGC. From this perspective, rankings of higher education institutions have assumed tremendous importance.

The rankings are done based on five parameters or criteria (www.nirfindia.org/Parameter). Under each of them again there are certain sub-criteria. Out of 100% weightage, the break-ups are also given for each category. Marks are also allotted to sub-items under each category. These are mentioned in table 3.

Table 3
Parameters of Rankings

1. Teaching, Learning & Resources (20 marks) comprising:

- Student Strength including Doctoral Students (20%)
- Faculty-student ratio with emphasis on permanent faculty (FSR) (30%)
- Combined metric for Faculty with PhD (or equivalent) and Experience (FQE) (20%)
- Total Budget and Its Utilisation: (CBTU) (30%)

The above parameters measure the core activities of an institution.

2. Research and Professional Practice (20 marks) that include:

- Combined metric for Publications (PU) (30%)
- Combined metric for Quality of Publications (QP) (40%)
- IPR and Patents: Filed, Published, Granted and Licensed (IPR) (15%)
- Footprint of Projects and Professional Practice And Executive Development Programs (FPPP) (15%)

Excellence in teaching and learning is closely associated with scholarship.

3. Graduation Outcomes (20 marks) comprising:

- Combined % for Placement, Higher Studies, and Entrepreneurship (GPHE) (40%)
- Metric for University Examinations: GUE (15%)
- Median Salary (20%)
- Metric for Graduating Students Admitted Into Top Universities (GTOP) (15%)
- Metric for Number of Ph.D. Students Graduated GPHD (10%)

They are intended to measure the effectiveness of core teaching and learning activities.

4. Outreach and Inclusivity (20 marks) which include:

- Percent Students from other states/countries (Region Diversity RD) (30%)
- Percentage of Women (WF) + (WS) + (WA) (25%)
- Economically and Socially Challenged Students (ESCS) (25%)
- Facilities for Physically Challenged Students (PCS) (20%)

The above parameters lay special emphasis on representation of women and socially challenged persons. Thus, an attempt is made to link impact of higher education to "inclusive growth" of the economy.

5. Peer Perception (20 marks) comprising:

- Perception of Employers and Research Investors (PREMP) (25%)
- Peer Perception: Academics (PRACD) (25%)
- Public Perception (PRPUB) (25%)
- Competitiveness (PRCMP) (25%)

These parameters are intended to measure the perception of various stakeholders.

There are many systems of rankings in the world (e.g. QS World Ranking). But India is so vast and its education system is so diverse that she has to develop her own system having regard to this uniqueness.

NIRF presumably takes into consideration this diversity and vastness. It is claimed that the parameters used are "strong pointers and indicators of scholarship and the student-caring culture of institutions". We examine these issues separately in brief in their proper perspectives.

Overall Rankings of National Institutions (2018)

Rankings are available for overall category and for each of the 7 categories. But we give only the overall rankings in 2018 for constraint of space (table 4).

Table 4
Overall Rankings of Higher Education Institutions in 2018

Rank	*Name of the Institution*	*Score*	*State*
1	*Indian Institute of Science*	82.16	*Karnataka*
2	*Indian Institute of Technology Madras*	81.39	*Tamil Nadu*
3	*Indian Institute of Technology Bombay*	79.2	*Maharashtra*
4	*Indian Institute of Technology Delhi*	73.97	*Delhi*
5	*Indian Institute of Technology Kharagpur*	71.39	*West Bengal*
6	*Jawaharlal Nehru University*	67.57	*Delhi*
7	*Indian Institute of Technology Kanpur*	65.39	*Uttar Pradesh*
8	*Indian Institute of Technology Roorkee*	64.93	*Uttarakhand*
9	*Banaras Hindu University*	63.52	*Uttar Pradesh*
10	*Anna University*	62.82	*Tamil Nadu*
11	*University of Hyderabad*	60.54	*Telangana*
12	*Indian Institute of Technology Guwahati*	60.16	*Assam*
13	*Jadavpur University*	59.68	*West Bengal*

Rank	Name of the Institution	Score	State
14	University of Delhi	58.69	Delhi
15	Amrita Vishwa Vidyapeetham	58.46	Tamil Nadu
16	Savitribai Phule Pune University More Details	58.24	Maharashtra
17	Aligarh Muslim University More Details	57.78	Uttar Pradesh
18	Manipal Academy of Higher Education	57.37	Karnataka
19	Jamia Millia Islamia	56.18	Delhi
20	Bharathiar University	55.08	Tamil Nadu
21	Calcutta University	53.38	West Bengal
22	Indian Institute of Technology Hyderabad	53.07	Telangana
23	King George`s Medical University	52.73	Uttar Pradesh
24	Vellore Institute of Technology	52.68	Tamil Nadu
25	Indian Institute of Science Education & Research Kolkata	52.52	West Bengal

Source: https://www.nirfindia.org/2018/OverallRanking.html

From students' point of view, more informed decisions are now possible for selecting institutions in India of their choice. Internally, however, students may bank upon other rankings now available. We now refer to QS Ranking of institutions, to make a comparison.

QS World Rankings

QS Rankings are available both on world-wide basis as well as for Asia. In 2018, the numbers were 959 for world rankings. Before we go through the rankings in each case, objectives, parameters and methodology may be briefly stated as follows.

- The primary **aim** of QS Ranking is to help students make informed comparisons for decision-making of leading universities around the world.

- Based on 6 **performance indicators**, the rankings are designed to assess universities in four areas:

  - Teaching
  - Research
  - Employability, and
  - Internationalization

The weightage given to each parameter is given below.

Table 5
Weights attributed to Parameters

Academic Reputation		40%
Student-to-faculty ratio		20%
Citation per faculty		20%
Employer Reputation		10%
International faculty ratio	5%	
International student ratio	5%	10%
Total (weights)		100%

The following **methodology** is followed.

1. **Academic Reputation** is measured using a global survey in which academics are asked to identify the institutions where they believe the best work is currently taking place in their own field (40% weights).

2. In respect of **Student-to-faculty ratio**, it is believed that small class sizes is encouraged as it promotes a good level of individual supervision (20% weights).

3. **Citation per faculty** is an indication of research impact of the concerned Department/University (20% weights).

4. For measuring **Employer Reputation** the survey asks the employers to identify the universities they perceive to be producing best graduates (10% weights).

5. How successfully a university is attracting international students & faculty is measured by **International faculty ratio, International student ratio** (5% + 5% = 10% weights).

Ranks of Universities in Overall Category (2018)

The Rankings are done in partnership with the renowned Elsevier. Both overall rankings and subject-wise rankings are available. In 2018 there were 48 subjects. However, we give only the overall rankings of top 25 institutions (table 6) out of 959.

Table 6
QS World Rankings of Top 25 Institutions

Rank	Name of the Institution	Country	Score
1	Massachusetts Institute of Technology (MIT)	USA	100
2	Stanford University	USA	98.7
3	Harvard University	USA	98.4
4	California Institute of Technology (Caltech)	USA	97.7
5	University of Cambridge	UK	95.6
6	University of Oxford	UK	95.3
7	UCL (University College London)	UK	94.6
8	Imperial College London	UK	93.7
9	University of Chicago	USA	93.5
10	ETH Zurich - Swiss Federal Institute of Technology	Switzerland	93.3
11	Nanyang Technological University, Singapore	Singapore	92.2
12	Ecole Polytechnique Fédérale de Lausanne	Switzerland	91.2
13	Princeton University	USA	91.0
14	Cornell University	USA	91.7
15	National University of Singapore (NUS)	Singapore	90.5
16	Yale University	USA	90.4
17	Johns Hopkins University	USA	89.8
18	Columbia University	USA	88.9
19	University of Pennsylvania	USA	88.7
20	The Australian National University	Australia	87.1
=21	Duke University	USA	87.0
=21	University of Michigan	USA	87.0
=23	The University of Edinburgh	UK	86.9
25	King's College London	UK	86.9
25	Tsinghua University	China	85.6

Source: https://www.topuniversities.com/university-rankings/world-university-rankings/2018

Based on table 6, we can find the respective country position represented by these 25 top institutions/ universities (table 7).

Table 7
Country position of top 25 insitutions

Country	*No. of institutions*	*Per cent-age*
United States of America	13	52
United Kingdom	6	24
Switzerland	2	8
Singapore	2	8
China	1	4
Australia	1	4
Total	25	100

The domination of the USA followed by the UK points out the excellence of higher education in these two countries and the reasons for which students from all over the world tend to have their preference for education from these countries, given all other factors, viz. merit, amount of stipend available for study, local factors, etc., remaining constant. But if we go down the ranking list, say up to 50th rank, then some Asian and other countries find their places (table 8).

Table 8
Country position up to 50th Rank

Country	No. of institutions	Percentage
USA	18 (1-4, 9,13,14, 16-19, 21,21, 27, 28, 38 & 47)	36
UK	9 (5-8, 23, 24, 34, 35 & 44)	18
Australia	5 (20, 41, 45, 47 & 50)	10
Hong Kong	4 (26, 30, 46, & 49)	8
China	3 (25, 38 & 40)	6
Singapore	2 (11 & 15)	4
Switzerland	2 (10 & 12)	4
Canada	2 (31 & 32)	4
Japan	2 (28 & 36)	4
South Korea	2 (36 & 41)	4
France	1 (43)	1
Total	50	100

Note: Figures within brackets indicate the world ranks of institutions.

Both the USA and the UK continue to play the dominating role. Then come Australia, Hong Kong and China in that order. At least presence of some of the Asian countries is now noticeable. Since India does not appear even among top 100, we have to go down the list till we get some notable Indian institutions. This is given in table 9.

Table 9
Position of some notable Indian Institutions among 959

Rank	*Name of the Institution*	*Score*
179	IIT Bombay (along with University of	
	Twente, Netherlands)	49.7
190	Indian Institute of Science, Bangalore	49.0
264	IIT Madras (along with Taiwan Technology)	40.2
293	IIT Kanpur (along with 2 others)	37.9
318	IIT Kharagpur	36.9
431-440	IIT Roorkee (Citations per Faculty: **81.8**)	
481-490	University of Delhi (Academic Reputation: **41.6**)	
601-650	> Jadavpur University (Citations per Faculty: **42**)	
	> University of Hyderabad (Citations per Faculty: **48.1**)	
651-700	Anna University (Citations per Faculty: **59.5**)	
701-750	Manipal Academy of Higher Education (Faculty Student: **59.8**)	

Rank	Name of the Institution	Score
801-1000	> Aligarh Muslim University (**NA**)	
	> Birla Institute of Technology (**NA**)	
	> Punjab University (**NA**)	
	> University of Mumbai (Employer Reputation: **39.3**)	
	> Pune University (**NA**)	

Source: Compiled from QS World Rankings of Universities (2018).

Note: Some institutions in the range of 431 to 1,000 were ranked based on the score of one or two components due to difficulty in computing overall score.

Sixteen notable institutions from India appear in the list of 959. It is creditable no doubt. India is now the fastest growing emerging economy in the world (as per Global Economic Situation and Prospects 2018, UN, p.3, India's GDP growth rate is 7.2% in 2018 as against China's 6.5% and she will maintain this leadership in 2019). Expectations are therefore high in terms of performance of academic institutions as there is relationship between performance of higher education of the country and its economic development. So, we have to turn to QS Asia Rankings (2018) to ascertain India's relative position compared to other countries in Asia.

QS Asia Rankings (2018)

The objectives, parameters and relative scores are the same. First, we give position of 25 toppers in Asia (table 10).

Table 10
50 Toppers in Asia

World Rank	Name of the Institution	Country	Score
11	Nanyang Technological University, Singapore (1)	Singapore	92.2
15	National University of Singapore (NUS) (2)	Singapore	90.5
25	Tsinghua University (3)	China	85.6
26	The University of Hong Kong (4)	Hong Kong	85.5
=28	The University of Tokyo (5)	Japan	84.8
30	The Hong Kong University of Science and Technology (6)	Hong Kong	84.3
=36	Kyoto University (7)	Japan	81.5
=36	Seoul National University (8)	South Korea	81.5
=38	Peking University (9)	China	80.8
40	Fudan University (10)	China	80.6
=41	KAIST - Korea Advanced Institute of Science & Technology (11)	South Korea	80.4
46	The Chinese University of Hong Kong (CUHK) (12)	Hong Kong	78.8

World Rank	*Name of the Institution*	*Country*	*Score*
49	City University of Hong Kong (13)	Hong Kong	78.4
56	Tokyo Institute of Technology (14)	Japan	74.8
62	Shanghai Jiao Tong University (15)	China	72.5
63	Osaka University (16)	Japan	72.1
=71	Pohang University of Science And Technology (17)	South Korea	69.4
=76	National Taiwan University (NTU) (18)	Taiwan	69.0
=76	Tohoku University (18)	Japan	69.0
87	Zhejiang University (20)	China	65.9
=90	Korea University (21)	South Korea	65.5
=95	The Hong Kong Polytechnic University (22)	Hong Kong	65.0
97	University of Science and Technology of China (23)	China	64.9
106	Yonsei University (24)	South Korea	62.3
108	Sungkyunkwan University (SKKU) (25)	South Korea	61.6
=114	Universiti Malaya (UM) (26)	Malaysia	60.8
=114	Nanjing University (26)	China	60.8
=116	Nagoya University (28)	Japan	60.7
=122	Hokkaido University (29)	Japan	59.0
128	Kyushu University (30)	Japan	58.2
145	The Hebrew University of Jerusalem (31)	Israel	54.7
155	Hanyang University (32)	South Korea	53.2
=161	National Tsing Hua University (33)	Taiwan	52.4
172	Indian Institute of Technology Delhi (IITD) (34)	India	50.7
=173	King Fahd University of Petroleum & Minerals (35)	Saudi Arabia	50.3
=179	Indian Institute of Technology Bombay (IITB) (36)	India	49.7
190	Indian Institute of Science (37)	India	49.0
=192	Keio University (38)	Japan	48.5
203	Waseda University (39)	Japan	47.2
=205	Tel Aviv University (40)	Israel	47.0
=207	National Chiao Tung University (41)	Taiwan	46.9

World Rank	Name of the Institution	Country	Score
221	King Saud University (42)	Saudi Arabia	44.5
222	National Cheng Kung University (NCKU) (43)	Taiwan	44.3
=224	Technion - Israel Institute of Technology (44)	Israel	44.0
229	Universiti Putra Malaysia (UPM) (45)	Malaysia	43.6
=230	Universiti Kebangsaan Malaysia (UKM) (46)	Malaysia	43.4
235	American University of Beirut (AUB) (47)	Lebanon	43.0
=236	Al-Farabi Kazakh National University (48)	kazakhstan	42.9
=250	Chulalongkorn University (49)	Thailand	41.8
=250	University of Tsukuba (50)	Japan	41.3

Note: Figures in brackets in column 2 indicate respective ranks of institutions in Asia.

Source: https://www.topuniversities.com/university-rankings/university-subject-rankings/2018/social-sciences-management.

Like table 7, we also construct a table to examine the relative position of countries represented by 50 toppers (table 11).

Table 11
Country position of top 50 institutions in Asia

Country	No. of institutions	Percentage
Japan	11 (26, 30, 49, 62, 76, 114, 116, 122, 190, 192, 250)	22
South Korea	7 (36, 40, 63, 87, 97, 106, 145)	14
China	7 (15, 36, 38, 56, 76, 95, 114)	14
Hong Kong	5 (25, 28, 41, 46, 90)	10
Taiwan	4 (71, 155, 205, 221)	8
Malaysia	3 (108, 224, 229)	6
India	3 (161, 173, 179)	6
Israel	3 (128, 203, 222)	6
Singapore	2 (11, 15)	4
Saudi Arabia	2 (172, 207)	4
Thailand	1 (250)	2
Kazakhstan	1 (235)	2
Lebanon	1 (230)	2
	50	100

Note: Figures within brackets indicate world ranks of institutions.

Concluding Observations

The efforts of the HRD Ministry to rank universities and other institutions are commendable. To make the evaluation method transparent, marks are allotted to each parameter (20 for each). Also, sub-categories under each parameter comprise relative weights. They are likely to increase the competitive advantage of participating universities and institutions, apart from fulfilling other objectives. But if we compare ourselves in terms of performance of higher education institutions with that of the advanced countries like the USA and the UK, we are lagging far behind. So, it is imperative to increase the performance of the higher education institutions in India. This requires some policy decisions and their effective implementation. An improvement in the performance of higher education institutions will positively contribute to the economic development. At present, as we see from table 2, there is wide disparity among institutions participated in the NIRF. One of the reasons is state of education in those regions. This is also linked with the state of economic development there. Attention should therefore be given to North-East and East regions in particular. We can have excellence in pockets but such excellence should be achieved throughout the country to have a balanced growth. In spite of resource constraint, the Government of India should increase its budget for education including that for higher education. The budget for education does not come to any meaningful comparison if we look at the higher education budget in countries like the USA, the UK, Australia and even China. For example, India spends 0.7% of GDP for research and development compared to 2.7% by China. In view of all these, a number of suggestions, as stated below, are made for consideration of the Core Committee and HRD Ministry.

- Whether fee structure should be one of the criteria for forming groups within a particular subject. As for example, in the Management group there are institutions like the Indian Institute of Social Welfare & Business Management (the first institute in India) and many notable Management Institutes like IIM-A, IIM-B, IIM-C and many others. Compare the modest fee structure of IISWMB with that in one of the premier management institutes. Recently, it was reported in Times of India that one of these premier reputed management institution will continue to charge Rs.20 lakh for 2018 for its PGDM while the same will be increased by Rs. 1 lakh in 2019. One way to take care of such disparity in fee structure is to consider average pay back period of the students after completion of their degrees/diploma.

- The subject categories should also be increased to give opportunity to some social science departments, like economics, sociology, commerce, etc. to join the evaluation scheme. Also, instead of Management alone, the category should be redesigned as "Business Studies and Management" or "Business and Management Studies" to include other allied areas. Another notable issue is absence of weights for environment management for sustainable development. Accordingly, it is suggested that one of the sub-categories under either parameter 1 or 2 should incorporate environment management with reasonable weights.

- There are disparities in infrastructure, resource-strength, faculty and quality of students between private institutions and public institutions. Many private universities and institutions are built-up with huge investment by different business groups presumably with profit motives. On the other hand, many renowned universities and institutions in the public sector are finding extremely difficult to meet their ends even with non-profit motive. Therefore, separate groups for private and public sector universities and institutions will put them in good stead.

- A separate group for professional institutions which have been operating almost immediately after independence, like the Institute of Chartered Accountants of India, Institute of Cost Accountants of India, and the Institute of Company Secretaries, be formed given the importance of these institutions in the development of professional education and, in the process, serving the economy.

- The HRD Ministry should also encourage and, if possible, provide fund to the public sector universities and institutions which have been operating with non-profit motive to (a) modernise infrastructure and increase sections to reduce the class size to have better interaction among students and the teachers, (b) appoint full-time teachers in vacant posts, (c) make course-curricula internationally competitive to promote better placement of students and attract international students and faculty, (d) increase research outputs and publish in international journals, (e) introduce evaluation of faculty by students for promoting better accountability and improvement of teaching quality, (f) introduce incentive for quality teaching and research.

Some of the suggestions can be introduced immediately while others will take long time and funding. Since some steps have been taken by the HRD Ministry for improvement of higher education in the country, others may follow. If India can excel in many other fields of activities like agriculture, IT, cricket etc., there is no reason why she cannot perform equally well in the education front. Let us dream together, put our sincere efforts for hard work together to achieve dream and to make India Great. MA

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RCHS CO-CREATIVE FRAMEWORK TO IMPLEMENT TECHNOLOGY FOR AUTHORING AND PUBLISHING

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Books and other printed materials (BPM) like journals, research papers, etc., is significant activity in any civilized society. These are important and rather indispensable source of preservation and dissemination of knowledge. These are the media through which knowledge can be spread in all parts of the world.

BPM remain essential tools for preserving and diffusing the world's store house of knowledge. BPM are also tool to assimilate and in turn dissimilate the creative thought, developed based on existing theory, or developing new theory, perceptions and perspectives, in current socio-economical-political era. BPM are also the simplest, readily accessible and most inexpensive way (in today's state of art technology prevalence) of means by which knowledge can be spread in all spheres of activities. To keep in touch with increasing knowledge, changing thoughts and culture it is essential that good BPM should be published.

The innovations of new technologies, like computers, desktop publishing, reprography etc. have changed the ways and means of publication. These technologies have reduced the cost of producing BPM. The entrances of electronic media like internet, fax, email, scanner, etc., have brought significant change in the publication, marketing and distribution of BPM. Researcher has tried to study and develop the framework for Authoring and Publishing in the recent Technology era, considering the practicality involved in the society.

Introduction:

Highly Effective Author (HEA) and Publisher (HEP) describes his or her role as being part of sales person, and each day he/she strives to get both him/her self and team members respectively to *"Buy in to the Value of Co-creativeness through the ICT Management"*.

The twenty-first century is the age of information technology. Information technology had become a very part of human life. It is valuable resource for all sectors, mainly education, corporate management, personal planning, decision making, resource utilization, and any activity of modern life. Technology has pervaded each and every aspect of life be it homes, offices, schools, colleges, universities, hospitals, industries, banks, railway stations, airports, and so on. The Information and Communication Technology (ICT) revolution has brought about a sea change in the relationship in the workplace, nature of work, and work organization. ICT has been changing and also permeating life at a very fast pace. It has enhanced the quality of life and people have become committed to a better way of life. With the rapid progress in ICT, it is unlikely that the momentum towards this goal will change.

From the view of HEA and HEP {jointly referred as (Highly Effective Author and Publisher)HEAP}; ICT refers to the creation, gathering, processing, storage, presentation and determination of knowledge (information) and also the process and devices that enable all this to be done, through the efficient management of hardware and software. In addition, the very important purpose would be to communicating, diffusing, and sharing of knowledge for social, economical, political and cultural uplift.

Trun Education:

The aim of educators, and associated stakeholders in education management, must be beyond specialized training of craftsman or factory workers. The only true education is one where all arts, crafts, sciences and technologies are linked and facilitate mutual cognitive development, productive creativity and personal growth. The new literacy, a term used more than a two decade ago, to embrace the changed literacy demands resulting from the new technologies in schools and ICT offer educators perhaps for the first time an opportunity to create such an ambitious situations.

The question is how can we create both the educational framework and the technologies to carry on a project of such proportion? The researcher has tried to create a framework for the same by developing ***"RCSH Co-creative Framework".***

RAW for the Twenty-First Century:

The new kinds of activities to be mastered and new learning activities for HEAP lead inevitably to a drastic revision of the idea of literacy, considered for many centuries. Now, we see an urgent need for a new literacy that is ICT-based and can be presented in three components as under.

1. *Reading* Finding information by searching written sources, observing, collecting and recording.

2. *Arithmetic* Designing objects and actions.

3. *Writing* Communicating in hyper media involving all types of information and all media.

To sum up, we must reshape both educational content and learning procedures drastically. The new literacy shuns memorization of facts and rules. Its success based on its ability to find facts and imagine unprecedented options. A capacity to understand and invent rules, posing problems to oneself, and planning and designing one's own activities come to the forefront. The goal of this kind of education is not a narrow technical ability, but personal development alongside the core competencies for high level thinking and acting.

Perspectives of Teaching:

Researcher suggests that HEA, first teacher and creator, needs the Directive perspective. But if he or she seeks to accelerate learning and change lives, needs to broaden over time to grow in to Co-creative perspective. Two perspectives of teaching are presented in table 1.

Table 1. Two Perspectives of Teaching

Directive perspective	Co-creative perspective
Conveying high standards	Understanding needs and interests
Encouraging achievement	Encouraging collaboration
Focusing on individuals	Focusing on the collective
Assessing performance	Facilitating discussion
Providing challenge	Building trust
Emphasizing urgency	Taking time to listen
Being in control	Shifting leadership
Planning	Improvising
Knowing the details	Seeing the big picture
Expecting compliance	Expecting creativity
Covering required content	Questioning assumptions
Expecting the right answer	Examining multiple perspectives

HEA not only connects ideas; he/she also connects with people and makes connections with people. HEA should spend considerable time thinking about how to link new

The innovations of new technologies have changed the ways and means of BPM. HEA and HEP describes his or her role as to "Buy in to the Value of Co-creativeness through the ICT Management".
Researcher has tried to create a framework that combine educational and technology management; and named as "RCHS Co-creative Framework". The ICT based literacy is presented in three components like reading, writing, and arithmetic. Researcher has suggested two perspectives of teaching, i.e., directive and co-creative. HEA claims that by demonstrating his/her own love of learning, he/she forms an emotional connection with readers and "opens them up to what it feel like" to make new connections, through HEP. The Co-creative Framework is a tool that can help HEA and HEP to engage in paradoxical thinking and see new possibilities.

ideas with the ideas that are already in the minds of society. HEA explicit process and establish connections, and in turn discover the key connections; those are more empowered and effective versions; in turn make creative connections and learn their own.

HEA claims that by demonstrating his/her own love of learning, he/she forms an emotional connection with readers and *"opens them up to what it feel like"* to make new connections, through HEP. HEA does not just want readers to learn new information (directive perspective); he/she also wants them to feel the excitement of making their own connections and discoveries (co-creative perspective). HEAP speaks of making another kind of interpersonal connections that increases their likelihood of being successful with society at large.

As part of interdependent co-creative process, HEP helps HEA to articulate the interest. As a facilitator HEP finds ways to help HEA ask the questions they *"really care about the society"*. This phrase is important. It suggests that HEP, directive discussions about topic become more authentic conversations. Authentic questions reflect genuine interests, and the conversations become more relevant. Engagement increases, and more dynamic authoring and learning patterns tend to emerge.

RCHS Co-Creative Framework:

To explain these connections, researcher introduces ***RCHS Co-creative Framework*** (referred to as ***Cocreative Framework***), which identifies four dimensions of effective authoring and publishing. With these dimensions defined, the framework also provides the ingredients of what might be called *"integrative"* or *"powerful"* practice. *The Co-creative Framework is a tool that can help HEA and HEP to engage in paradoxical thinking and see new possibilities.* As you do, you may find that you are able to make connections that accelerate learning as HEA and HEP.

Researcher speaks of the *natural evolution of learning process,* which describes how new patterns emerge, which is at the heart of co-creative perspective. In this process, HEA role as authority figure fades in to the background, and the normal hierarchy goes dormant. In the search there is another transformational dynamic: HEA is no longer the center of attention, and neither are the HEP. At the center of attention, is the process of learning, and sharing of knowledge.

In life, we are always dividing things in to discrete categories and then putting them back together again.

In the language of human development, this is called *Differentiating and Integrating*. Researcher has split almost all probed discussions, practices and intentions into four general categories.

1. *Relationship:* Cultivating a supportive community

2. *Continuous improvement:* Adapting and embracing chance to change

3. *High expectations:* Maximizing every reader's achievement

4. *Stable environment:* Creating structures and processes

These categories implicitly suggest four underlying human needs: belonging, growth, accomplishment and security respectively. The four categories to use *"either and/or thinking"* to logically distinguish many practices. Recall the list of practices associated with the directive and co-creative perspectives. Each of these practices in the two perspectives can be placed in one of the above four categories as shown in table 2.

Table 2. Practices Associated with the Directive and Co-creative Perspectives

Co-Creative Perspective	
Relationships: *Cultivating a supportive community (Belonging)* • Understanding needs and interest • Encouraging collaboration • Focusing on the collective • Facilitating discussions • Building trust • Taking time to listen	**Continuous improvement: *Adapting and embracing change (Growth)*** • Shifting leadership • Improvising • Seeing the big picture • Expecting creativity • Questioning assumptions • Examining multiple perspectives
Stable environment: *Creating structures and processes (Security)* • Being in control • Planning • Knowing the details • Expecting compliance • Covering required content • Expecting the right answer	**High expectations: *Maximizing every reader's achievement (Accomplishment)*** • Conveying high standards • Encouraging achievement • Focusing on individuals • Assessing performance • Providing challenge • Emphasizing urgency
Directive Perspective	

HEPA might be by sharing an effective knowledge spreading practices that could be placed in one category, their description of the practice would often bleed over into other categories. The boundaries between the categories seemed to soften and practices began to connect in self-reinforcing ways.

The relationship quadrant emphasizes things like collaboration, support, respect and care. The continuous quadrant emphasizes such things as adaptability, visioning, relevance, creativity, and experimentation. The high expectation quadrant emphasizes things like goal setting, accountability, assessment, and achievement. The stable environment quadrant emphasizes structures, routines, efficiency and management. The connections between four quadrants are shown in table 3, which moves clockwise (Fig 1.). Table 3 represents the need to balance flexibility and openness with order and control. This tension comes into play as HEAP decide how much structure to incorporate as they organize their write up and develop learning activities through publication.

Fig. 1. Connections between Quadrants

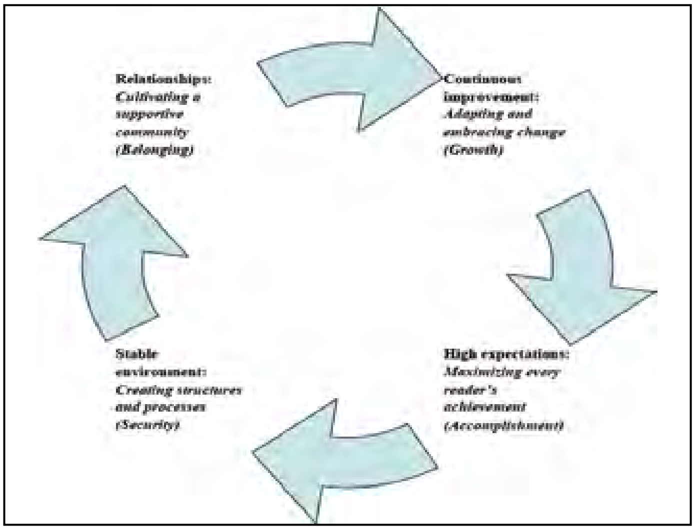

Table 3. Descriptions of Co-creative Framework Quadrants

	FLEXIBILITY AND OPENNESS		
INTERNAL FOCUS	**Relationships:** ✓ Cultivating a supportive community – HEAP ✓ Multitude of software to manage knowledge management process. ✓ Globalization ✓ Business cycle stage	**Continuous Improvement:** ✓ Adapting and embracing changes – HEAP ✓ Use of Data and knowledge surfing sites ✓ Plagiarism software ✓ Health, education, social mobility ✓ Life style choices ✓ State of the art technology implementation	**EXTERNAL FOCUS**
	Stable Environment: ✓ Creating structures and processes – HEP ✓ Technological hardware and software ✓ Protecting the misuse ✓ Develop multifaceted influencer ✓ Government stability and policy ✓ Likely political change ✓ Impact of emerging technology	**High Expectations:** ✓ Maximizing every HEA's achievement ✓ Protecting the revenue generation of HEA ✓ Technology Infrastructure interface ✓ Freedom of press, rule of law, bureaucracy, corruption etc. ✓ Impact of internet, and reduced communication costs	
	ORDER AND CONTROL		

Framework recognizes that all forces within categories are necessary to achieve effectiveness. The upper left quadrant (Relationships) supports for cohesive learning to the society at large. It also supports for create collaborative capacity. Here the time orientation is more long terms, and HEAP invests time in building relationships. The risk in the extreme application of relationship quadrant theory of action is that excessive concern can turn into coddling, collusion, and work avoidance.

The upper right quadrant (Continuous Improvement - CI) emphasizes novelty and the creation of a generative learning HEAP. Generative in this sense means creative and naturally evolving. The implicit goal is the ability of HEAP to selfactualize, to become self-empowered and lifelong learner. It needs co-creation of new processes. HEA tends to be a catalyst of transformation. The time orientation is forward-looking, with respect to state of the art technology. Excessive application of CI can result in to a loss of control or the emergence of chaos and disorder.

The lower right quadrant (High Expectations - HE) emphasizes achievement and the creation of a performance focused learning of the society. The implicit goal is to have HEA develop self-efficacy and persistence. The HEA tends to be task-focused and the time orientation suggests urgency. When HE quadrants overemphasized, expectations can become so high and demands so intense that HEA become discouraged, alienated and frustrated.

The lower left quadrant (Stable Environment – SE) emphasizes predictability and the creation of stable knowledge management system. Practices in SE are grounded in the idea that HEAP needs security and consistency. It is characterized as a process that is controlled and that can be accelerated with the right structures, rules and routines. There are clear expectations for HEA, and the culture is marked by high reliability. The time orientation is anchored in the past, as HEAP draw on knowledge that has already been created. The emphasis tends to be on facts and accuracy. If SE is overemphasized, there is risk of boredom and stagnation.

Conclusions

There is no doubt that the BPM industry faces numerous obstacles in current scenario. The 21st century provides the number of challenges to both HEA and HEP. The implementation of latest ICT tools including cloud computing is the NEED of 21st century. Understanding and implementing the RCSH Co-creative framework supports the BPM industry, in the coming era. The implementation of ICT Management would support to have much meaningful knowledge dissemination among the all cultures of the world. This would also supports to have proper cost management done, and which would be beneficial to both HEA and HEP. MA

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WHETHER MORATORIUM DECLARED AGAINST PRINCIPAL BORROWER WILL HAVE ANY BEARING AGAINST GUARANTORS

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1. Introduction:

In terms of Section 7 of the Insolvency and Bankruptcy Code, 2016 (the Code) a financial creditor may file an application for initiating corporate insolvency resolution process against a corporate debtor before the Adjudicating Authority when a default has occurred.

1.1. In the case of ***Bank of India v. Gupta Infrastructure (India) (P.) Ltd. C.P. nos. 1397 and 1398/I & BP/2017,*** February 1, 2018[1] the Financial Creditor filed petition under section 7 ***against corporate debtors who were guarantors*** to working capital facility availed by their own group of company when company had defaulted in repayment of loan. The Corporate Debtor contended that deed of guarantee was not sufficiently stamped and, therefore, petition was not to be admitted.

1.1.2. The National Company Law Tribunal, (NCLAT) Mumbai Bench opined that since Corporate Debtor had not denied execution of deed of guarantee and it was corporate debtor who was duty bound to pay stamp duty, ***corporate debtor could not get away from this liability solely on ground that deed of guarantee was insufficiently stamped. The pendency of insolvency resolution proceeding against principal borrower company would not have binding effect upon proceeding against guarantors and right of claim against guarantors would not get extinguished after distribution of assets of principal borrower.*** Since creditor had furnished material showing existence of debt and default by principal borrower, company petitions against guarantors were fit to be admitted for declaration of moratorium as envisaged under section 14. The facts of the case were as under:

2. Facts of the case:

- Two separate Company petitions were filed by the Bank of India, the Financial Creditor, against Gupta Infrastructure (India) Pvt. Ltd. (CP 1397/2017) and Gupta Infratec Pvt. Ltd. (1398/2017) on the same facts stating that these two Corporate Debtor Companies, Gupta Corporation Pvt. Ltd. and one Gupta Global Resources Pvt Ltd. executed a ***Deed of Guarantee*** on 12.7.2014 standing ***as Guarantors*** to the working capital facility availed by their own group company, namely, ***Gupta Coal India Pvt. Ltd***.

- When the ***Gupta Coal India Pvt. Ltd. defaulted in making repayment of the working capital*** loan facility availed by it, these two companies (Corporate Debtor) along with others having agreed to repay the working capital facility loan along with interest accrued upon it in the event Gupta Coal India Pvt. Ltd. failed to repay the same, the Bank of India issued notice to these guarantors to pay off the liability for the principal borrower. As there was no response from these guarantors the Bank of India filed these two company petitions against the Corporate Debtors u/s. 7 of Insolvency & Bankruptcy Code, 2016 for initiation of Corporate Insolvency Resolution Process.

- The principal borrower had earlier availed a total financial assistance of Rs. 906 crores, out of which Rs. 196 crores is fund based and remaining Rs. 710 crores is non-fund based. Then a Supplemental Working Capital Consortium Agreement was executed by this principal borrower on 27.6.2014 in favour of Consortium of Banks led by this Financial Creditor revising the existing working capital limit to Rs. 2547.25 crores

- In support of this Supplemental Working Capital Consortium Agreement, these Corporate Debtors along with other group companies and the principal borrower, on 12.7.2014, executed the Deed of Guarantee by paying sufficient stamp duty at New Delhi in favour of the Consortium Banks namely, Bank of India, Indian Overseas Bank, Union Bank of India, IDBI Bank, Allahabad Bank, Vijaya Bank, ICICI Bank, Punjab National Bank.

3. Observation made by the NCLAT:

- On looking at the terms and conditions galore in the deed of guarantee, there could not be any speck of doubt about the binding nature of the guarantee deed upon these corporate debtors. The discretion given to the courts is to see as to whether the agreement entered in between the parties is prohibited under law or as to for any other reason the agreement is invalid for the reason of incompetency of parties, unlawful object or fraud, but these reasons have to be proved to the hilt by the person assailing it, not by the person asking relief basing on the agreement.

- The only ground that has to be proved by the party asserting it is execution of the agreement, if execution is admitted, then what all assailing party to do is to prove to the satisfaction of the court that though execution of instrument is admitted, it is hit by one or other ground mentioned above. The basic reason perhaps for not providing trial in IBC proceedings is, credit availed by the debtor and guarantees given by guarantors reflect in various records of the respective company, banks and RoC, therefore the defence that is being witnessed day in and day out is non-filing of certificate, some fraction of deference in computation of claim amount, etc. If we see any case de hors all these frivolous technical flaws, it will be evident that debt is availed and defaulted. So if anybody going beyond this fact, it is nothing but breach of trust, which is the basic element present in an agreement entered between the parties. We don't say that parties should not raise the defences available to them; we only say how we have to deal with administration of justice when substratum is admitted by the assailing party.

- Why conventional method of trial has been taken out from IBC proceedings is one - obviously to expedite the process and two - perhaps on the reason that parties cannot deny at least the entries showing in the records of companies.

- In this case, when this principal borrower defaulted in making payment of loan facility availed by him, the account of the principal borrower was declared and classified as non-performing account on 31.03.2014, by this default, the financial creditor i.e. Bank of India recalled the loan vide letter dated 21.12.2016 and brought the default to the notice of the principal borrower as well as the personal guarantors including the corporate debtors herein by stating that these corporate debtors were to make payment of outstanding amount forthwith, but no amount has been paid either by the principal borrower or by these corporate debtors.

- When no payment was paid, the petitioner issued a SARFAESI (U/S. 13(2)) Act notice to the principal borrower as well as to the guarantors. Perhaps, by looking at the SARFAESI notice issued by the Creditors, this principal borrower approached this Bench by filing a CP 31/IBP/NCLT/MAH/2017 u/s. 10 of Insolvency & Bankruptcy Code, wherein this Bench passed moratorium order on 9.3.2017 in the CP filed against this principal borrower.

- Not only this, another guarantor namely Gupta Corporation Pvt. Ltd. also filed CP No. 67/IBP/NCLT/MAH/2017 u/s. 10 of Insolvency & Bankruptcy Code, that was also admitted by this Bench on 31.03.2017. At the same time, the financial creditor along with other financial creditors approached DRT for recovery of their debts from the principal borrower and the guarantors, the same is pending for adjudication.

- For having these creditors failed to realize the debt amount along with interest either from the principal debtor or from the guarantors, this Petitioner moved these Company Petitions u/s. 7 of the Code, for this debt constitutes financial debt as envisaged u/s. 5(8) of the Code making a claim of Rs. 1044.78 crores as on 31.08.2017 against each of these corporate debtors by filing separate company petitions as mentioned above.

- Objections raised by the Corporate Debtors: Now against these company petitions, the star argument of the corporate debtors is:

  - that the deed of guarantee is not duly stamped therefore they could not act upon or looked into for it has been hit by section 34 of Maharashtra Stamp Act 1958,

  - that the principal borrower M/s. Gupta Coal Ltd. is already undergoing resolution process under IBC, hence this application not maintainable,

  - that the resolution plan, if any passed then it will be binding on this petitioner as well,

  - that guarantors being on the same pedestal as borrowers, the moratorium in respect to the principal borrower will also be applicable to the guarantors of the principal borrower,

  - that since the liability against the guarantors will not be crystallized until the proportionate realization by this financial creditor from the principal borrower company is not decided, this petitioner cannot proceed against these guarantors/corporate debtors,

  - that certain clauses of the deed of guarantee are void by virtue of being in contradiction to the provisions of sections 140, 141 of Indian Contract Act,

  - that the proceedings against these guarantors are liable to be stayed during the resolution/revival process of the Corporate Debtors.

- Before going into the defences raised by the Corporate Debtors' Counsel, it is pertinent to mention that the Creditor herein filed these Company Petitions furnishing the documents reflecting the principal borrower entering into Working Capital Consortium Agreement with the Petitioner/Creditor Bank and other Banks thereafter availing loan facility as mentioned in the Company Petition, finally defaulted in making repayment to the Creditor Banks, by which, when these Banks issued SARFAESI notices against the principal borrower and the guarantors, the principal borrower filed company petition u/s. 10 of IB Code, 2016 admitting that the principal borrower defaulted in making repayment to the Petitioner and other creditor banks, likewise another guarantor also filed Section 10 Petition to make themselves clear from the debt liability.

- In this backdrop, the Petitioner filed these Company Petitions by filing Deed of Guarantee executed by these two Corporate Debtors and two other guarantors along with the principal borrower agreeing as aforementioned, to which, there is no objection or contention from these corporate debtors except to the extent saying that the Deed of Guarantee is insufficiently stamped, that the creditor banks shall not proceed against guarantors until and unless asset distribution is decided on liquidation of principal borrower company.

- The objections raised by these corporate debtors are purely technical not dealing with the substantial issue of their liability to repay the money, especially when the principal borrower defaulted in making repayment to the creditor banks. When there is no categorical denial about an assertive statement making a claim against the corporate debtors herein, absence of denial from the corporate debtors' side will amount to admission of the claim made by the petitioner.

- Since the Petitioner has already furnished the existence of contract between the Lenders and the Principal Borrower reflecting the Principal Borrower entering into the Agreement for the facility of working capital, in pursuance thereof, the Principal borrower availing that working facility agreed in the agreement and also material reflecting the principal borrower defaulted in making repayment, besides this, these Corporate Debtors also defaulted in making repayment when notice was issued to the principal borrower as well as these Corporate Debtors demanding repayment of the loan amount along with interest accrued, on having the principal borrower defaulted in making repayment, this Bench, by looking at the evidence reflecting existence of debt and default by the principal borrower and the demand notice to the Corporate Debtors/Guarantors demanding repayment of the loan facility the principal borrower defaulted, and having these debtors also failed to pay off the defaulted amount, it has to be construed that this Petitioner has furnished all the material reflecting existence of debt and default. De hors those technical objections mentioned above, for there being no denial to the substratum of the claim petitions, these petitions are fit for admission provided the petitions are not hit by the objections raised by the corporate debtors.

- For this petitioner has furnished the material sufficient to admit this company petition, let us look into the technical objections raised by the Corporate Debtors to find out as to whether there is any merit in the objections raised by the Corporate Debtors' Counsel or not.

4. Issues involved in the case

The issues which needs to be answered in this case are as under:

- Whether or not the deed of guarantee executed by the guarantors is duly stamped, and whether or not this company petition be admitted basing on this deed of guarantee.

- Whether or not moratorium declared in CP 31/2017 against the principal borrower will have any bearing on this proceeding filed u/s. 7 of the Code against these corporate debtors/guarantors and whether or not this deed of guarantee is hit by section 141 of Indian Contract Act

- Whether or not a resolution plan, if any passed, will be binding on this petitioner in proceeding against this guarantor u/s. 7 of the Code.

- Whether or not non-crystallization of realizable claim in distribution of assets will have any bearing on these proceedings against the corporate debtors/guarantors.

- Whether these proceedings are liable to be stayed as prayed by the corporate debtors.

4.1. Whether or not the deed of guarantee executed by the guarantors is duly stamped and whether or not this company petition be admitted basing on this deed of guarantee:

- On face of the Guarantee Deed, it appears that this instrument has been executed at Delhi on 12.7.2014 on paying sufficient stamp duty of Rs. 200. Now the argument of the Corporate Debtor Counsel is that this Deed of Guarantee has not been sufficiently stamped as envisaged under Article 5(h)(A)(iv)(b), therefore this company petition shall not be admitted for any purpose by this Bench.

- Under The Bombay Stamp Act, 1958, this instrument has been captioned as letter of guarantee under Article 37 stating that this instrument shall be levied under Article 5 of Schedule 1 of this Act. By reading Article 5, it is not noticed anywhere that Letter of Guarantee has been specifically dealt with under Article 5 of Schedule 1 of the Act, but whereas, the Debtor Counsel submits that this instrument falls under the category given under Article 5(h)(A)(iv)(b), which speaks of an instrument creating any obligation, right or interest having monetary value, not covered under any other Article, shall be levied with stamp duty of Rs. 2 for every one thousand rupees or part thereof on the amount agreed in the contract. The NCLAT expressed that this document will not fall under this category, because Deed of Guarantee cannot be treated as standalone instrument newly creating some rights and obligations between the parties.

- As to Letter of Guarantee is concerned, it cannot be said that a right is crystalized in favour of the lender until before the Corporate Debtor defaulted in making repayment to the lender. As on the date of execution of letter of guarantee, it is also not determinable how much stamp duty is to be paid by the guarantor. The right of proceeding against the guarantor and determination of the liability will be crystalized only after the borrower defaulted in making repayment of the debt. That being the situation, the rights created in favour of the lender are not immediately exercisable against the guarantors. In view of the same, it is also doubtful whether this instrument will fall under the category as mentioned by the Corporate Debtor Counsel. In most of the State Stamps Act, the stamp duty leviable against the letter of guarantee is mostly fixed as either Rs. 50 or Rs. 100 but whereas as here, under the category which is shown by the Corporate Debtor counsel, stamp duty is to be paid on ad-valorem basis. If that is the case, it is nothing but making double payment on the single transaction that has happened between the lender and principal borrower.

- Now the point for determination is as to whether this instrument is hit by Section 34 of the Stamp Act or not? The facts available are that these Corporate Debtors have not denied execution of Deed of Guarantee in favour of the lenders, the Petitioner has not made any direct monetary claim against the Corporate Debtors herein. When totality of situation is taken into consideration, it is undeniable by the Corporate Debtors that the principal borrower availed the loan thereafter defaulted in making repayment likewise when the petitioner made a demand against these guarantors, they also failed to make repayment of the debt liable to be paid by the principal borrower whereby today there is no separate need for this petitioner to prove execution of this Deed of Guarantee by the Petitioner. Requirement of proof of this document will only arise when the opposite side denies execution of such document. When no such denial is there, it has to be treated as an admission in respect to the claim made by the Petitioner.

- If Evidence Act is looked into, it is evident under Section 58 that facts admitted need not be proved, when proof of document is not required then there could not be any occasion to revisit the validity of the document by-passing the admission already made by the opposite party. For this reason, if any inadmissible document is filed with the suit, such suit will not be dismissed at threshold stating that since document is inadmissible, the suit is liable to be dismissed. That issue will come for determination only when time has come for marking the document in the evidence to be adduced. Suppose the defendant admits the case of the plaintiff, suit will be decreed without even adducing evidence or marking any document. Such being the case, by taking the totality of the situation, it has been said by Hon'ble High Court of Bombay that in a winding up matter validity of the document is not important, the importance is as to whether the debtor company failed to repay the loan or not. Here it is the Corporate Debtor to pay Stamp duty, therefore wrong doer cannot take the advantage of its own wrong as a cover to get away from the liability taking the help of the wrong he has done. It is an established proposition that the executant has to pay the stamp duty. Here the executants being Corporate Debtors, duty is cast upon them to pay stamp duty but not the holder of the Deed of Guarantee whereby, these Corporate Debtors could not get away from this liability solely on the ground the Deed of Guarantee is insufficiently stamped.

- The Corporate Debtors' Counsel relied upon SMS Tea (P.) Ltd. v. Chandmari Tea & Co. (P.) Ltd. [2011] 14 SCC 66 to say that the instrument which is insufficiently stamped cannot be used in evidence or cannot be acted upon for any purpose whatsoever unless the same has been duly stamped. On perusal of the citation supra, it appears the document in question is an unstamped and unregistered lease deed, in which two contracts i.e. the lease agreement and Arbitration Clause have been rolled into one, whereby since the lease agreement which is required to be stamped and registered, not being stamped and registered, the said lease deed being invalid u/s. 49 of the Registration Act and 35 of the Stamps Act, the invalidity that attached to the main agreement being attached to the Arbitration Agreement as well, therefore, the Arbitration Clause has also been treated as voidable to the extent of the rights of the parties in respect to lease entered between them.

- The situation is slightly converse in the present case, because here it is not the case main instrument is not stamped, the only ground herein is the deed of guarantee is not sufficiently stamped, therefore the aforesaid proposition is not aptly applicable to the present case, because it has already been said that deed of guarantee cannot be construed as standalone instrument attracting levying of stamp duty basing on the consideration received by the principal borrower.

- To which the Petitioner's Counsel relied upon L&T Finance Ltd. v. Damodar Surya Bandekar [2014] (2) BOM CR 575 para 14 saying that the aforesaid SMS Tea Pvt. Ltd. judgment has been distinguished by the Hon'ble High Court of Bombay saying that where the instrument has been adequately stamped in a state where it has been executed there cannot be any impediment to look into the same at least for passing an order and thereafter to send the document for impounding within three months from thereof.

- In view of the reasons aforesaid, we hereby hold that we have not found any merit of in the argument the Corporate Debtors Counsel submitted saying that the Deed of Guarantee is not admissible on the ground it is insufficiently stamped.

4.2. Whether or not moratorium declared in CP 31/2017 against the principal borrower will have any bearing on this proceeding filed u/s. 7 of the Code against these corporate debtors/guarantors and whether or not this deed of guarantee is hit by section 141 of Indian Contract Act:

- The NCLAT observed that on looking at aforesaid order of the Tribunal, it appears that the Tribunal is under the impression that if the creditor is permitted against the guarantor, the guarantor may not be in a position to exercise his right under sections 140 & 141 because the Insolvency proceedings have already been initiated against the principal borrower.

- On analysis of the provisions relating to guarantee, it is ascertainable that u/s. 140 of Contract Act on payment or performance of all that is liable to be payable by the principal borrower, the surety is invested with all rights which the creditor had against the principal debtor. It is a right vested with the guarantor to step into the shoes of the Creditor. It is the discretion of the surety/guarantor whether to waive that right or to reserve that right to exercise after performance of the guarantee. It does not make any sense to harp on this right to give an impression that unless and until this guarantor is in a position to exercise such right under sec. 140 of the Act, the creditor cannot proceed against the guarantor. No such law has been envisaged under Contract Act. It has only been said that after making payment to the creditor, the guarantor will get transposed into the creditor's shoes for realizing his claim from the assets of the corporate debtor. By reading this provision, it cannot be construed that creditor shall not proceed against the guarantor for the guarantor will not have anything to realize from the principal borrower for the CIRP process has already been initiated against the principal borrower.

- Here, the ***guarantor is bound by the Guarantee Agreement for the following reasons:***

  - the loan facility is given to the principal borrower on the promise or guarantee given by the Guarantor

  - the right of stepping into creditors shoes only a residual right exercisable by the guarantor provided any security is left after the debt has been realized from the principal borrower and the guarantors

  - the right given to guarantor cannot be understood that if the security given by the principal borrower is exhausted, the guarantors are not liable to the guarantee given by them,

  - since it is a right given to the guarantor to step into the shoes of the creditor, if on his own waives that right, such guarantor cannot even rely upon Sections 140 and 141 of the Indian Contract Act to say that Creditor shall not proceed against the guarantor, moreover, the guarantor will get jurisdiction to exercise this right only after the creditor realized the outstanding dues from the guarantor until such time even if it is assumed that the guarantor is still vested with that right, it remains premature until the liability of the principal borrower is discharged by the guarantor,

  - however, the guarantors themselves agreed that the liability of the guarantee shall not be affected by variance to the terms and conditions of the loan Agreement or winding up of borrower or any merger taken place to the principal borrower, in the backdrop of these terms and conditions, the guarantors cannot today submit that the creditors shall not proceed against these guarantors basing on this Deed of Guarantee.

- In view of the reasons aforementioned, Sections 140 and 141 of the Indian Contract Act will not have any bearing on the creditor proceeding against these guarantors.

4.3. Whether or not a resolution plan, if any passed, will be binding on this petitioner in proceeding against this guarantor u/s. 7 of the Code:

- The NCLAT stated that, it appears that there is no provision of law under IBC restricting the Creditors to proceed against the guarantors, above this, these guarantors themselves are bound by the Deed of Guarantee for they themselves have stated that the winding up proceedings against the principal borrower will not have any bearing on the guarantee given by the Corporate Debtors. Under Section 14 of the Insolvency & Bankruptcy Code, 2016, the moratorium declared is in respect to the properties of the Corporate Debtor and the security interest created by the Corporate Debtor, since the proceeding against the guarantors not being covered under any of the provisions of Section 14, it can't be said that declaration of moratorium in respect to the properties of the corporate debtor and the proceedings against the corporate Debtor will suspend the right of the petitioner proceeding against the guarantors who have separately given guarantee to pay off the debt of the Creditors in the event the principal borrower defaulted in making repayment. By this proceeding, it will not have any bearing either on the moratorium declared in respect to the proceedings of the principal borrower or on any legal proceedings pending against/by the principal borrower. Therefore, it is incomprehensible to understand how the pendency of CIRP in the principal borrower company will have binding effect upon proceeding against the guarantors because if the creditors realise their debt in full or in part from the guarantors, he will not proceed any further against the Corporate Debtor likewise, if the debt is fully realised from the principal borrower, the creditors will not proceed any further against the guarantors. Such being the situation, the guarantors cannot say that since CIRP period is pending against the principal borrower, the right of suing against the corporate debtors is extinguished. Since the guarantors themselves made a promise to the creditor that winding up of the principal borrower company will not have any effect upon the Deed of Guarantee, the right being co-extensive as against the guarantors, they are equally liable to pay the loan notwithstanding the CIRP in progress in the CP filed against the principal borrower.

- On careful reading of Insolvency and Bankruptcy Code especially liquidation process chapter, it has nowhere mentioned that the Company will be discharged after distribution of assets of the company unlike in the cases of individual bankruptcy cases. It is nowhere mentioned that the right of claim against the guarantors will get extinguished after distribution of assets of the principal borrower. As long as such provision is nowhere present under Insolvency and bankruptcy code, the claimant is very much entitled to recover his residuary claim from the guarantors. On reading the guarantee deed, it is very much evident that these guarantors are none other than group companies of the principal borrower. How these guarantors/Corporate Debtors, who put all kinds of restraints upon themselves by saying that they will be bound to pay off the loan amount notwithstanding fact of principal borrower entering into liquidation, notwithstanding the fact of nationalization or discharge of loan against the corporate debtor by operation of law, now say that the moratorium passed over the affairs of principal borrower is binding upon the guarantors as well. If a right is extinguished by granting any write-off to a loan by any beneficial legislation, then by such extinguishment, the write off will automatically extend to the guarantors but not in a case where the principal borrower defaulted in making repayment. It is an established preposition that right of recovery is quite extensive against the guarantors as against the principal borrower, therefore the creditor need not remain in waiting until the proceeding against the principal borrower has come to a logical end. It is also contextual to mention that liquidation order has already been ordered against the principal borrower wherein the liquidation value of the company is estimated at around Rs. 252 crores, which is only around 24% of the outstanding amount payable to the Petitioner, which is Rs. 1044,78,31,704.93, of course, this Petitioner will not get the entire amount to its account from the proceeds of liquidation.

- In view of the same, the NCLAT opined no merit in the arguments advanced by the Corporate Debtor's Counsel, therefore, the aforesaid issue decided against the Corporate Debtors.

4.4. Whether or not non-crystallization of realizable

claim in distribution of assets will have any bearing in proceeding against the corporate debtors/guarantors:

- For the Corporate Debtor themselves agreed that the right against the principal borrower and the corporate guarantors is co extensive, the creditor need not remain in waiting until the realisable claim is crystalized from the principal borrower. Since the right against the principal borrower not being extinguished in making the claim against the principal borrower, the creditor has every right as per law to proceed against the Corporate Debtors therefore, we have not found any merit in the arguments made by the Corporate Debtors Counsel.

4.5. Whether these proceedings are liable to be stayed as prayed by the corporate debtors:

The NCLAT opined that the provisions of the Code as well as Indian Contract Act, that there is no any impediment in proceeding against the guarantors under any provision of law, much less under Insolvency & Bankruptcy Code, whereby we have not found any sufficient cause to stay these proceedings against these Corporate Debtors.

On having already stated the Creditor has furnished the material showing existence of debt and default by the principal borrower, these Company Petitions are in fact fit to be admitted for declaration of moratorium as envisaged under Section 14 of the Code.

5. Decision of NCLAT

The NCLAT opined that since the Financial Creditor has proceeded against Gupta Infrastructure (India) Pvt. Ltd., Corporate Debtor in CP 1397/2017 and against Gupta Infratec Pvt. Ltd., Corporate Debtor in CP 1398/2017, relief under Section 14 are separately given as mentioned below:

5.1. CP 1397/2017:

I. (a) the institution of suits or continuation of pending suits or proceedings against the corporate debtor including execution of any judgment, decree or order in any court of law, tribunal, arbitration panel or other authority;

(b) transferring, encumbering, alienating or disposing of by the corporate debtor any of its assets or any legal right or beneficial interest therein;

(c). any action to foreclose, recover or enforce any security interest created by the corporate debtor in respect of its property including any action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act);

(d) the recovery of any property by an owner or lessor where such property is occupied by or in the possession of the corporate debtor.

II. That the supply of essential goods or services to the corporate debtor, if continuing, shall not be terminated or suspended or interrupted during moratorium period.

III. That the provisions of sub-section (1) of Section 14 shall not apply to such transactions as may be notified by the Central Government in consultation with any financial sector regulator.

IV. That the order of moratorium shall have effect from 01.02.2018 till the completion of the corporate insolvency resolution process or until this Bench approves the resolution plan under sub-section (1) of section 31 or passes an order for liquidation of corporate debtor under section 33, as the case may be.

V. That the public announcement of the corporate insolvency resolution process shall be made immediately as specified under section 13 of the Code.

VI. That this Bench hereby appoints Mr. Ranjit Dnyanchand Jain, 107, Rachana Sahil Apartment, Ambazari, Nagpur, email ranjitdjain@gmail.com, Registration No. IBBI/IPA-001/IP-P00063/2017-18/10149 as Interim Resolution Professional to carry the functions as mentioned under Insolvency & Bankruptcy Code.

5.2. CP 1398/2017

1. (a) the institution of suits or continuation of pending suits or proceedings against the corporate debtor including execution of any judgment, decree or order in any court of law, tribunal, arbitration panel or other authority;

(b) transferring, encumbering, alienating or disposing of by the corporate debtor any of its assets or any legal right or beneficial interest therein;

(c) any action to foreclose, recover or enforce any security interest created by the corporate debtor in respect of its property including any action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act);

(d) the recovery of any property by an owner or lessor where such property is occupied by or in the possession of the corporate debtor.

II. That the supply of essential goods or services to the corporate debtor, if continuing, shall not be terminated or suspended or interrupted during moratorium period.

III. That the provisions of sub-section (1) of Section 14 shall not apply to such transactions as may be notified by the Central Government in consultation with any financial sector regulator.

IV That the order of moratorium shall have effect from 01.02.2018 till the completion of the corporate insolvency resolution process or until this Bench approves the resolution plan under sub-section (1) of section 31 or passes an order for liquidation of corporate debtor under section 33, as the case may be.

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5.3. Hence forth, ***these Petitions were admitted.***

6. Summing up

Where the loan facility given to the principal borrower on the promise or guarantee given by the Guarantor, the right of stepping into creditors shoes is only ***a residual right*** exercisable by the guarantor provided any security is left after the debt has been realized from the principal borrower and the guarantors. The right given to guarantor cannot be understood that if the security given by the principal borrower is exhausted, the guarantors are not liable to the guarantee given by them. In view of the reasons aforementioned, Sections 140 and 141 of the Indian Contract Act will not have any bearing on the creditor proceeding against these guarantors.

In terms of Section 14 of the Code, the moratorium declared is in respect to the properties of the Corporate Debtor and the security interest created by the Corporate Debtor, since the proceeding against the guarantors not being covered under any of the provisions of Section 14, it can't be said that declaration of moratorium in respect to the properties of the corporate debtor and the proceedings against the corporate Debtor will suspend the right of the petitioner proceeding against the guarantors who have separately given guarantee to pay off the debt of the Creditors in the event the principal borrower defaulted in making repayment.

The liability of the surety to pay the guaranteed amount to the creditor does not extinguish even if liquidation proceedings are initiated against the principal borrower. The Code does not impose a bar against initiating proceedings against the corporate guarantors/surety like in Section 22 of SICCA.

The NCLAT has opined that the pendency of insolvency resolution proceeding against principal borrower company would not have binding effect upon proceeding against guarantors and right of claim against guarantors would not get extinguished after distribution of assets of principal borrower. Where there is existence of debt and it had been defaulted by principal borrower, company petitions against guarantors were fit to be admitted for declaration of moratorium as envisaged under section 14 of the Code. MA

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BLACK SWAN – EMBRACE THE UNAVOIDABLE

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Let us begin with a fabulous quote from the pioneer of Black Swan Events, Prof. Nassim Nicholas Taleb, in the book 'The Black Swan: The Impact of the Highly Improbable' - "The strategy for the discoverers and entrepreneurs is to rely less on top-down planning and focus on maximum tinkering and recognizing opportunities when they present themselves. So I disagree with the followers of Marx and those of Adam Smith: the reason free markets work is because they allow people to be lucky, thanks to aggressive trial and error, not by giving rewards or "incentives" for skill. The strategy is, then, to tinker as much as possible and try to collect as many Black Swan opportunities as you can."

As he rightly says that "The inability to predict outliers implies the inability to predict the course of history"

Simply put in layman's term, Black Swan Event is an outlier event having extreme consequences, which is not foreseen by majority of experts or at times by almost every participant.

In statistical terms, it's a 'fat tail' event.

Knowing what you don't know can't be ignored in this uncertain world, that's for sure.Risk management always yields more effective outcome by brainstorming about the expected probability distribution with various scenarios; and if Black Swan scenario can be included in this distribution then it improves the effectiveness of risk management multifold. Knowing and factoring in the outlier into the possible outcomes would always keep you multiple steps ahead of someone who hasn't thought of such an exceptional scenario. But beware, do not be overconfident, because as experts believe that this could be amongst an outlier but may not be the exact Black Swan, because it is like predicting the unpredictable. Predicting a black swan event is an "unknown-but-unknowable unknowns", as mentioned by Dr. David Hillson, The Risk Doctor in his briefing, 'When are Black swans white?' This statement truly means a lot. But should that stop the most competent risk managers to stop creating a black swan scenario, the answer is obvious 'No'.

Black swan event can be at an individual level to department level to project level to corporate level to society level to country level to global level to the level of solar system. It is appallingly important to think about what could be a massive outlier of extreme significance at each level, even though it can be extremely difficult or next to impossible. History suggests; that Black Swan Events has the potential to completely disrupt, destroy or eliminate its subjects. Therefore, the task of identifying such an event has become unavoidable for individualsand organizations.

Mr. John Summers, the Chief Risk Advisor of mining giant Rio Tinto, in a conference held in 2012 by The Institute of Risk Management (IRM), had pointed out some considerations to identify the Black swan events, as outlined below:

- Think the unthinkable
- Scenario identification
- Horizon scanning – what happens to others
- Broader, more creative risk identification
- Risks that might be known by others (but black swan to us)
- Risk management is largely contingency planning
- Reverse stress testing

Some examples of Black swan events in recent times:

- Asian Financial Crisis in 1997
- Dotcom Bubble in 2001
- Sub-prime crisis & Lehman Bros collapse of US in 2008
- Hyperinflation in Zimbabwe in 2008 (peak inflation rate of around 80 billion percentage)
- Terrorist attack on World Trade Centre in 2011 (9/11)
- Tsunami 2011 (Fukushima Nuclear Disaster)
- Qatar Blockade by Saudi Arabia, United Arab Emirates, Bahrain, Mauritania, and Egypt in 2017

For e.g. in Indian context during the recent times, the unfolding of the PNB-Nirav Modi-Mehul Choksi fraud came across as ablack swan at a corporate and investor level.

What can be possible black swan events??

- Nuclear War
- World War III
- Oil Price hitting USD 150 and sustaining at those levels
- Value of precious metals (Gold/Silver) gets eroded completely
- Credit Bubble Bursts
- Severe Recession preceded by Global Stock Market Crash
- Crypto Currency takes over Fiat currency, leading to an erosion in purchasing power of the most strongest of global currencies USD
- Aliens Attacking Earth
- Some disease spreading rapidly through the usage of phone/internet
- Scientists gets formula for outliving (positive one)
- Oxygen gets a substitute (positive one)
- Robots Taking over Human Beings to an extent that even existence of human beings becomes a question by 2030 (much earlier than expected)

On a lighter note, Saudi Arabia vs. Iran as Russia FIFA World Cup 2018 Finals or for any WC Finals for that matter (neutral one, unthinkable but does not have huge consequences; ideally not a Black Swan)

There can be many more such global situations that can be thought as Black Swan. But what is more important is the answer to the question that "What could be your Black Swan?"

With that thought in mind, let me conclude with another quote from Prof. Taleb **"Remember that you are a Black Swan."**

Sources: 'The Black Swan: The Impact of the Highly Improbable' by Prof. Nassim Nicholas Taleb, 'When are Black swans white?' by Dr. David Hillson, Advanaapp.com, NYTimes, GoodReads.com, Mr. John Summers, Rio Tinto, IRM, MA

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HUMAN RESOURCES PRACTICES & GST

GST is instrumental to make HR policies simpler and reduce the reimbursement and increased in the salary under the heads of "Income from Salary" in accordance with Income Tax Act 1961. It is also likely stated that Human Resource Department has been involved in implementation of new taxation system for statutory compliances also. Let us understand various aspects of employee cost vis-à-vis recovery from employees and impact on GST.

In accordance with Section 7 of CGST Act 2017, "Meaning & Scope of Supply" clearly mentions the inclusion / exclusion of employee providing services to employer or employer is providing services to employee as well as the relation with each other. We give below the brief thereof.

1. Employee providing services to the employer in the course of employment is neither goods nor services. (Schedule III to Section 7-Sr. 1)

2. Employee and employer are related (Explanation (a) (iii) to subsection (5) of section 15 of CGST Act 2017.

3. Supply to related person even without consideration is taxable supply (Schedule I to Section 7 – Sr. 2)

4. Gift to employees exceeding Rs. 50,000/- per employee per year even without consideration is taxable supply. (Schedule I Section 7 – Proviso to Sr. 3)

In view of the above, it is important to analyze any payment made to an employee or any recovery made from employee to ensure 100% statutory compliance under the GST Era.

CMA A. B. Nawal
Council Member and
Chairman, Corporate Law Commitee
The Institute of Cost Accountants of India

Salary / Wages included in Form 16:

This is the salary payment made to employees by the employers in the course of employment and therefore is neither goods nor services and out of the scope of GST

Food Card to Employees:

It is considered for computation of taxable salary under Income Tax and hence out of purview of GST. If its is not considered in taxable salary under the Income Tax Act, 1961 then it will be considered as free supply without consideration and therefore covered under taxable supply and GST will be paid as outward supply by the employer on the open market of value of such food.

Canteen:

Number of companies / factories will have the canteen premises. If such canteen premises is used for cooking and service of the food to the employees at the subsidized value or free, still GST will be payable as follows :

Particular	Option 1 When food is prepared by outdoor caterer and served at the premises of factory / company	Option 2 When food is prepared by outdoor caterer and served at the leased / rented premises owned by factory / company	Option 3 When food is cooked in the factory / company premises by contractor and served the food at the premises of factory / company
Input Tax Rate	18%	5%	5%
Output Tax Rate	5% (without ITC)	5% (without ITC)	5% (without ITC)
Value on which tax is payable	Open Market Value i.e. Value of Inputs or recovery whichever is higher	Open Market Value i.e. Value of Inputs or recovery whichever is higher	Open Market Value i.e. Value of Inputs or recovery whichever is higher
Cost to the Company	No Input Tax Credit i.e. 18% and 5% on value of Inputs or recovery whichever is higher i.e. min 23% of Input value	No Input Tax Credit i.e. 5% and 5% on value of Inputs or recovery whichever is higher i.e. min 10% of Input value	No Input Tax Credit i.e. 18% and 5% on value of Inputs or recovery whichever is higher i.e. min 23% of Input value

It is always better to act as a pure agent for payment to outdoor caterer on behalf of the employee and recovery thereof from the employee. In such circumstances, the cost can be reduced to 18% and if the place is given on rent to outdoor caterer and then he serves the food, payment is made to outdoor caterer on behalf of employees and recovery thereof from the employees, then cost can be reduced to 10%.

Recovery of balance in food card in case of Full & Final Settlement:

Generally, food card is given by the company and if person leaves then recovery of balance food card is made on full & final settlement. GST Applicable as outward supply (B2C), valuation will be amount of balance recovered and GST @18% will be payable.

Invoice to be raised by Employer as outward supply and reported as B2C transaction in GSTR-1.

Canteen Expenses - Recovery from Contract Employees:

GST Applicable as outward supply (B2B considering contractor as registered), valuation will be Transaction Value and GST @12% will be payable. Invoice(B2B and B2C) to be raised by Employer and reported in GSTR-1.

Gifts to Employees:

If exceeds Rs. 50000/- per employee per year then outward supply. Valuation will be at open market value and rate will be @18%.

1) If Exceeds Rs. 50,000/-then Invoice to be raised.

2) If below Rs. 50,000/- it will be treated as Non-taxable supply and ITC reversal to be done.

Cumulative Control Sheet to be maintained for every employee as to evidence it is not exceeding Rs. 50,000/- amount in excess of Rs.50,000 will be taxable as gift to employee.

In case of absence of a control sheet, it will be taxable.

Reimbursement of Training:

If, invoice is in the name of employee and reimbursement is made to him / her then, it should be ensured that such employee should at least mention the GSTN of the company, otherwise whatever GST is charged will become cost, since no ITC can be availed.

It has been clarified by the CBIC that when reimbursement is made to the employee, such amount will not be treated as receipt from unregistered person, since the employee is not providing services in the course of business or furtherance of the business. Hence it is out of the scope of supply and no tax will be payable either employee or employer. However, GST charged on such training invoice will be the cost, since no ITC can be availed, since invoice will be in the name of employee and no GSTN is given. Such transactions will be treated as B2C transaction and not B2B transaction.

Therefore, it is advisable that employee should ensure to take the invoice in the name of company.

Transport Recovery from Employees:

Recovery will be taxable as an outward Supply in GST. Being the related party, valuation will be at open market value. However, if contractor is providing the services of bus for the travel of the employees, then input tax credit can be availed on such services, since employer will be providing outward services to their employees.

Recovery will be taxable as an outward Supply in GST. Being the related party, valuation will be at open market value. GST will be payable @ 5%

Invoice to be raised by Employer

Transport Recovery from Other than Employees:

Recovery will be taxable as an outward Supply in GST. Being the unrelated party, valuation will be at transaction value and GST will be payable @ 5% and Invoice to be raised by Employer and report in GSTR-1 as B2B / B2C transaction.

Higher Education/Certificate Course:

Most of the time, company sponsor employees for higher education / certificate course. In such circumstances, either company pays the fees directly to Institute, therefore such invoice will be in the name of employee alongwith GSTN and company is entitled to take the ITC. It will have to be booked as a training expenses and avail ITC otherwise there are likely chances to consider this as gift. In such circumstances, it should be considered as higher limit of Rs. 50,000/- per employee per year for the cumulative gifts and will be considered as exempted supply being non-taxable and proportionate reversal of credit will have to be made in terms of Rule 42 & 43 of CGST Rules 2017.

However, if it is recovered from the salary, either in installment or otherwise, company will have to raise the invoice on employee and pay the tax on the full amount at one time only. If it is not received from the employee, but employee leaves the employment before agreed time, then certain companies recover such amount or some amount from the employee at the time of full & final settlement. In such circumstance also, it will be considered as outward supply and tax invoice will have to raise and GST has to be paid at the rate of 18% and report such transaction in GSTR-1. If reimbursement is made to the employee against higher education or certificate course, then also no GST will be payable

Stipend to Graduate/post graduates and Expenses related to them:

Stipend is paid to the trainees and they are not considered as employee and if there is a contractual obligation and there is employer and employee relationship. In both the circumstances no GST will be payable, since such training is neither providing services as employee nor providing services in the course of business or furtherance of the business and hence not covered under "Meaning & Scope of Supply".

Notice Pay Recovery - F&F Settlement

Notice Pay Recovery is made on the breach of contract and tolerance of an act of breach of contract is covered as declared services under schedule II to Section 7 of the CGST Act 2017 and therefore, company will be liable to pay GST @ 18% as outward supply being declared service and Invoice to be raised by Employer and such transaction to be reported in GSTR-1 as B2C.

Mobile Expenses:

If it is considered for taxable salary, it will be outside the purview of GST. If mobile is given by the company, it has to be ensured it is for the official use and not for personal use. If it is used for personal use, then proportionate ITC will have to be reversed. If any expenditure is recovered from employee, it will be treated as outward supply and GST will be payable @18%.

If mobile is in the name of employee and reimbursement of such invoice is made to employee then no ITC can be available of GST reflecting on mobile bill of the employee. It will be the cost.

Internet Expenses (Dongal & WiFi):

If invoice is in the name of employer then credit can be availed, otherwise if it is in the name of employee and reimbursement is made, it will be outside the purview of supply and GST on such invoice will be the cost. It has to be ensured that Dongal / Wi-Fi provided by company is used only for official purpose an dif used for personal purpose, proportionate ITC will be required to be reversed.

Recognition Trips for Area Office Employees:

If it is not considered as gift, then it should be included under taxable salary.

If exceeds Rs. 50000/- per employee per year then outward supply. Valuation will be at open market value and rate will be @18%.

1) If Exceeds Rs. 50,000/-, then Invoice to be raised.

2) If below Rs. 50,000/-, it will be treated as Non-taxable supply and ITC reversal to be done.

Referral Bonus

It has to be considered as taxable salary and to be included in Form 16, hence out of GST purview.

Professional Membership Fees

Most of the time, company either pays the professional membership directly or gives the reimbursement to the employee. It can be considered as gift and Cumulative Control Sheet to be maintained for every employee as to evidence it is not exceeding Rs. 50,000/-.

In case of absence of a control sheet, it will be taxable.

If exceeds Rs. 50000/- per employee per year then outward supply. Valuation will be at open market value and rate will be @18%

1) If Exceeds Rs. 50,000/- then Invoice to be raised.

2) If below Rs. 50,000/- it will be treated as Non-taxable supply and ITC reversal to be done.

House Deposit (For new joining and Relocation)

It is in nature of loan and therefore it is not covered under "Meaning & Scope of supply" and hence no GST will be payable.

Health Check Up Expenses (Incurred by Employee & reimbursed by company)

It is covered under sr. no. 2 Schedule I (Gift). Cumulative Control Sheet to be maintained for every employee as to evidence it is not exceeding Rs. 50,000/-.

In case of absence of a control sheet, it will be taxable.

If exceeds Rs. 50,000/- per employee per year then outward supply. Valuation will be at open market value and rate will be @18%.

1)I f Exceeds Rs. 50,000/-, then Invoice to be raised.

2) If below Rs. 50,000/- it will be treated as Non-taxable supply and ITC reversal to be done.

Creche Charges

It is a mandatory requirement. Therefore, no recovery also can be made and hence it is out of "Meaning & Scope of Supply". If Creches charges are paid directly to Creche owner on behalf of employees or reimbursed to the employees then, it will be considered as gift.

It will be covered under sr. no. 2 Schedule I (Gift). Cumulative Control Sheet to be maintained for every employee as to evidence it is not exceeding Rs.50,000/-

In case of absence of a control sheet, it will be taxable.

If exceeds Rs. 50000/- per employee per year then outward supply. Valuation will be at open market value and rate will be @18%

1)If Exceeds Rs. 50,000/-, then Invoice to be raised.

2)If below Rs. 50,000/- it will be treated as Non-taxable supply and ITC reversal to be done.

Access Card Lost recovery

This is the tolerance of an act and in nature of penal penalty and not recovered as value of goods and therefore, company will be liable to pay GST @ 18% as outward supply.

Invoice to be raised by Employer and such transactions to be reported in GSTR-1 as B2C.

Candidate Interview Expenses:

If bills are in the name of probable employee, then also no GST will be payable since such person is not providing service in the course of business or furtherance of business in view of ratio laid down by Govt. of India, Ministry of Finance through their Press Note dtd. 10th July 2017.

If bill is in the name of company and if GSTN is mentioned, then company can avail ITC and if GSTN is not mentioned then it will be the cost.

Per Day Allowance during travel:

No GST will be payable, since such employee is not in the furtherance of business, services rendered by him cannot be considered as Supply in view of ratio laid down by Govt. of India, Ministry of Finance through their Press Note dtd. 10th July 2017

Personal Accident Policy Recovery

If it is not considered as gift, then it should be included under taxable salary.

Cumulative Control Sheet to be maintained for every employee as to evidence it is not exceeding Rs.50,000/-

In case of absence of a control sheet, it will be taxable.

If exceeds Rs. 50000/- per employee per year then outward supply. Valuation will be at open market value and rate will be @18%

1) If Exceeds Rs. 50,000/-, then Invoice to be raised.

2) If below Rs. 50,000/- it will be treated as Non taxable supply and ITC reversal to be done.

Group Medical Insurance recovery

If it is not considered as gift, then it should be included under taxable salary.

Cumulative Control Sheet to be maintained for every employee as to evidence it is not exceeding Rs.50,000

In case of absence of a control sheet, it will be taxable.

If exceeds Rs. 50000/- per employee per year then outward supply. Valuation will be at open market value and rate will be @18%

1) If Exceeds Rs. 50,000/- then Invoice to be raised.

2) If below Rs. 50,000/- it will be treated as Non-taxable supply and ITC reversal to be done.

Awards to Employees

If, it is not considered as gift, then it should be included under taxable salary, but if it is not considered in taxable salary, then it will be considered as a gift.

Cumulative Control Sheet to be maintained for every employee as to evidence it is not exceeding Rs.50,000

In case of absence of a control sheet, it will be taxable.

If exceeds Rs. 50000/- per employee per year then outward supply.Valuation will be at open market value and rate will be @18%

1) If Exceeds Rs. 50,000/- then Invoice to be raised.

2) If below Rs. 50,000/-it will be treated as Non taxable supply and ITC reversal to be done.

Uniform, T-Shirts, Jackets, Mugs, Diaries etc. or such goods given to employees for specific occasions or on yearly basis:

These are given in the course of employment. It is given for the office purpose and suitable note to be put in the employee handbook and thereafter it will not be considered as goods or services.

Recovery from employees against loss of uniforms, safety kits. Etc

This is the tolerance of an act and in nature of penal penalty and not recovered as value of goods and therefore, company will be liable to pay GST @ 18% as outward supply.

Invoice to be raised by Employer and such transactions to be reported in GSTR-1 as B2C.

Relocation Expenses

It should be considered as part of taxable salary, but if it is not considered in taxable salary, then it will be considered as a gift.

Cumulative Control Sheet to be maintained for every employee as to evidence it is not exceeding Rs.50,000

In case of absence of a control sheet, it will be taxable.

If exceeds Rs. 50000/- per employee per year then outward supply. Valuation will be at open market value and rate will be @18%

1) If Exceeds Rs. 50,000/- then Invoice to be raised.

2) If below Rs. 50,000/-it will be treated as Non-taxable supply and ITC reversal to be done.

Recovery of Relocation Expenses (In case of discontinuance)

This is the tolerance of an act and in nature of penal penalty and not recovered as value of goods and therefore, company will be liable to pay GST @ 18% as outward supply.

Invoice to be raised by Employer and such transactions to be reported in GSTR-1 as B2C.

Car Lease Company Policy

If lease asset is not in the books of the company and company is only the guarantor/ facilator there will be no impact in GST.

Issue of Petrol Card / Fuel Coupon to employees:

If Petrol card / fuel coupon is given for filling up petrol & diesel in the car either owned by company / employee, it is generally for the official use and necessary instruction should be made in the employee handbook that such petrol should be used only for official purpose. If used for personal, it will be considered as gift, which will be counted towards overall ceiling of Rs. 50,000/- but even if it cross Rs. 50,000/- for diesel / petrol, no GST will be payable, since petrol / diesel is out of the purview of GST.

Reimbursement of Expenses incurred for the purpose of official use

When the reimbursement is supported by Invoice which is in the name of the company or otherwise, it will be considered as that "Employee acted on behalf of the company" then it will be subjected as "Inward Supply" and if RCM is applicable it will be charged.

Any expenses paid from the corporate card it will be considered as services availed by the company as Inward Supplies and accordingly credit will be available. If RCM is applicable it will be paid. If corporate is used for personal purpose for which recovery is made will not be subjected to GST.

Any reimbursement without supporting but duly approved by competent authority of the company, it will not be treated as supply (because it is not in furtherance of the business of the company) nor Gift (as the reimbursement is as per the contractual agreement) nor it is termed as in the course of employment therefore there will not be any GST on such expenses. This is line with the principal laid down in Press Release issued by Government on Reverse Charge.

When the amount is claimed is in excess of policy entitlement or amount is restricted to the extent of the policy amount then it will not be subjected to GST. It will term as allowance and not taxable.

Each company will have different heads but principle philosophy will remain the same as mentioned in below table :

Included in Taxable salary under the head of salary and reflected in Form 16	It is in the course of employment and hence neither it is goods nor the service.
Gift	If exceeds Rs. 50000/- per employee per year then outward supply. Valuation will be at open market value and rate will be @18%. 1)If Exceeds Rs. 50,000/- then Invoice to be raised. 2)If below Rs. 50,000/-it will be treated as Non-taxable supply and ITC reversal to be done. Cumulative Control Sheet to be maintained for every employee as to evidence it is not exceeding Rs.50,000/- amount in excess of Rs.50,000 will be taxable as gift to employee. In case of absence of a control sheet, it will be taxable.
Any other payment, which is not covered above	It needs to be analyzed and decide on case to case basis.

HR Department needs to appreciate the legal requirement and frame the HR policy which is in the legal framework of labour law as well as GST Law. MA

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SOUTHERN INDIA REGIONAL COUNCIL

The Region organized a Professional Development Meeting on “Latest Developments in Financial Reporting and The Relevance of Ind AS” on February 10, 2018 at its

premises. Shri Gopal Krishna Raju, Tax Consultant, Chennai was the guest speaker of the Meeting. The Tax Research Department of the Institute along with the Board of Advanced Studies has proudly launched a certificate course on GST on February 17, 2018 across India inaugurated by CMA H. Padmanabhan, Vice President of the Institute. CMA P. Raju Iyer, council member and chairman, Cost Accounting Standard Board was the technical coordinator for the entire course. PSG Institute of Management, Coimbatore organised an international seminar on ‘Business Analytics, Block Chain, GST & Monetary Policy’ jointly with Ministry of Corporate Affairs, New Delhi and SIRC, on 21st February, 2018 at its premises. Shri G. Sreenivasa Rao, IRS, Commissioner, GST, Coimbatore was the chief guest and CMA Dr. A. Mayil Murugan, chairman, SIRC of the Institute was the guest of honour. Mr. A. Govindaraj, Asst. Commissioner, GST, Coimbatore, Mr. T. Mohan Rao, CTO Accuracy, Singapore and Mr. Philip Leong, Vice President, APAC, Singapore were the guest speakers, who addressed on ‘Business Analytics’, ‘Block Chain’, ‘GST’ and ‘Monetary

Policy’. SIRC organised a programme for its oral coaching students on 22nd February, 2018. CMA Dr. P.V.S. Jagan Mohan Rao, Vice President, SAFA addressed the students of Foundation, Intermediate and Final Students. During his address, he elaborated on the opportunities available to the CMA Final completed students, in the areas of employment, practicing, Consulting, Advisory Services and its recognition by International Accounting Bodies. As a part of the meet, an ‘Elocution Competition ’ was held between the students’ group and CMA K. Subhashini, Practicing Cost Accountant, Chennai was the chief guest of this event. One more Students Programme was held on 23rd February, 2018 at the SIRC Premises in which CMA Dr. P.V.S. Jagan Mohan Rao, Vice President, SAFA and CMA Dr. I. Ashok, Council Member addressed the students which was followed by a ‘Presentation Programme’ by CMA Students’ Teams on the topic ‘Role of CMAs in Global Warming’. An International Seminar on ‘Business Analytics, Block Chain, Monetary Policy & GST’ was organised by Vellore Institute of Technology, Vellore jointly with Ministry of Corporate

Affairs, New Delhi and SIRC on 22nd February, 2018 at VIT Premises, Vellore. During this seminar, Mr. T. Mohan Rao, CTO, Accuracy, Singapore addressed on ‘Business Analytics’ and Mr. Philip Leong, Vice President, APAC, Singapore spoke on ‘Business Analytics Platforms’. Sessions on ‘Monetary Policy’ & ‘GST’ were handled by Govt. Department officials. On 23rd February, 2018, an international seminar on the topic ‘Business Analytics / Artificial Intelligence / GST’ was organized by Dr. M.G.R. Educational and Research Institute, Maduravoyal, Chennai jointly with Ministry of Corporate Affairs and SIRC. Er. A.C.S. Arun Kumar, President, Dr. M.G.R. Educational & Research Institute presided over the seminar. CMA Dr. P.V.S. Jagan Mohan Rao, Vice President, SAFA was the chief guest and Dr. I. Ashok, Council Member of the Institute was the guest of honour of the seminar. SIRC organised a programme on ‘International Women’s Day

– A Curtain Raiser' titled "Empowered Woman – Nation's Pride" at its premises on 7th March, 2018. Sis. Ranjani, Centre-in-Charge, Brahma Kumaris, Royapettah Branch, Chennai and Miss Vinitha Menon, CEO, allure Dreams - Business Enterprise, Chennai were the special speakers. CMA H. Padmanabhan, Vice President appreciated that women are always empowered to make anything success in their family or professional endeavours. Sis. Ranjani in her thought provoking address highlighted the need for 'Spiritual Intelligence' 'Stress Management', 'Meditation', 'Yoga' & 'Positive Thinking' which will pave ways for happy, stress free living. A Technical Session was also held on the topic, 'Recent Changes in FEMA and Opportunities for CMAs' which was addressed by CMA Dr. Ashish Thatte, Former Chairman, WIRC & Member, CASB Committee of the Institute. During the event, CMA M. Sathya Kumar, Founder CEO, Tycoon+ Advisors, Chennai spoke on ' Women Power, Nation's Power'. The entire programme was well received by the members. SIRC organised communication & soft skills seminar for oral/postal students appearing for June 2018 Examinations at its premises. For Oral Coaching Students, the Seminar was held on 3rd and 10th March, 2018 and for Postal students on 16th and 17th March, 2018. The Institute organised a 12 Day Pre Placement Orientation Programme for its CMA Final passed students (Dec 2017 Batch) at its southern regional office from 19th March to 30th March, 2018. The programme was formally inaugurated on 19th March, 2018 by Dr. Rama Vaidyanathan, Director (R & D), Dr. M.G.R. Educational & Research Institute, Maduravoyal, Chennai. On 29th March, 2018, a valedictory function of the orientation programme was held at SIRC, graced by CMA Manas Kumar Thakur, immediate past president of the Institute, who distributed programme completion certificates to the students. CMA H. Padmanabhan, vice president of the Institute presided over the function. CMA Dr. A. Mayil Murugan, Chairman, SIRC also addressed at the function. SIRC organised Industry Oriented Training for its CMA Final Students who will be appearing in June 2018 Examinations, at its premises from 2nd April to 7th April, 2018. Topics such as 'Indirect Tax', 'Direct Tax', 'Book Keeping including Bank Reconciliation Statement', 'Finalization of Accounts', 'Cost Management', 'Treasury Management & Statutory Compliance', 'Business Etiquette', 'Emotional Intelligence' and ' Advanced Excel' were handled by eminent experts in Industry & Practice and Professional Trainers.

The Institute of Cost Accountants of India -Coimbatore Chapter

The Chapter organized a joint PD programme on 'Budget 2018' on February 3, 2018 with the Auditors' Association of Southern India and Coimbatore Management Association. The Chapter organized an industrial visit for the students on February 17, 2018. The Chapter organized International Women's Day celebrations on March 8, 2018. Mrs. Jayanthi Venkatesan, Director, IIT Study Circle spoke on 'Work – Life' balance for Women and Dr. Lalitha Ramaswamy, Retired Professor of PSG College of Arts & Science gave valuable tips on good health for women. The Chapter conducted a career counselling program at PSG College of Arts & Science, Coimbatore on 12th March, 2018.

The Institute of Cost Accountants of India –Hyderabad Chapter

On March 11, 2018, a GST Certificate Course was held at CMA Bhawan, Himayatnagar and N. Sai Kishore, Deputy Commissioner, was the speaker of the course. Two pre placement orientation programmes were organized on March 2018. A Women's Day Programme 'Unanti Growth of Women in Professions' was held on March 8, 2018 at KLN Prasad Auditorium, FTAPCCI, Red Hills, Hyderabad. Programme on "Strategic Finance from the Perspective of CMA's at CMA Bhavan, Hyderabad was organized on March 19, 2018 and CMA Chivukula Vasudev, Head-Commercial Services, Finance Accounts and Admin Mauritius Metro Express Project L&T Construction, Port Lousis, Mauritius was the speaker of the programme. Another programme on Ind As Road Map, Ind As Financial ITFG Clarifications were organized on March 22, 2018 at CMA Bhavan, Himayatnagar, Hyderabad. Many other programmes were also organized on different dates of March 2018. A seminar on Insolvency and Bankruptcy, 2016 was organized at CMA Bhavan and CS G.V. Subba Rao, Retd AGM Central Bank of India was the speaker of the programme. Many other programmes on Business and Profession, Capital Gains, Insolvency and Bankruptcy, 2016 Rules and Regulations, income from salaries were also organized on different dates of March 2018.

The Institute of Cost Accountants of India -Visakhapatnam Chapter

The Chapter organized a professional development programme on March 23, 2018 at its premises on 'Challenging issues under GST'. Speakers are from Lakshmikumaran & Sridharan Attorneys Mr Anand Nainwati Partner, Mr G Jagannadh, Joint Director and Mr Satya Sai, Principal Associate. Speakers explained in brief about the ISDVS Cross Charge, E-Way Bill, Trade Promotion Scheme etc.

The Institute of Cost Accountants of India -Bangalore Chapter

On March 3, 2018 the Chapter conducted a Work Shop on "Exim Policy, Procedure, Certification and Export Procedure Under GST" at its premises. On March 17, 2018 the Chapter conducted a Professional Development Meet on 'GST & Implications On Construction Industry' at its premises. On March 9, 2018, Practitioners' Meet on Cost Audit of Pharmaceutical Industry was held and CMA Ramaskanda N, Practicing Cost Accountant was the speaker of the Meet. On March 14, 2018 career counselling programme was organized and CMA Sreepada H.R. secretary of the chapter & CMA Vishwanath Bhat, Practicing Cost Accountant were the speakers of the programme. A communication and soft skills training programme was organized from March 15, 2018 till March 17, 2018 at its premises.

WESTERN INDIA REGIONAL COUNCIL

The Region organized inaugural and valedictory session of 12 Days pre campus orientation programme at Mumbai on March 19 and March 30, 2018 respectively. CMA Robin Banerjee, Managing Director, Caprihans India Ltd., CMA Deepak Ukidave, Sr. faculty and CMA Kailash Gandhi, Chairman, WIRC were among the eminent dignitaries present in the inaugural session. CMA Kishore Bhatia. Sr Member of Institute, CMA L Prakash, Sr. Vice President, (Strategies) RIL, CMA Kailash R Gandhi, Chairman, WIRC, CMA Rajesh K Dalmia, Dy Director MCA, Guest of Honour,

CMA Joy M. Shah, Sr. Vice President, RIL and CMA Debasish Mitra, RCM were among the eminent persons present in the valedictory session.

The Institute of Cost Accountants of India –Navi Mumbai Chapter

The Chapter conducted a career counselling programme on January 29, 2018 at Ramsheth Thakur College, Kharghar. CMA L. Prakash, chairman of the chapter briefed the students and other members on the CMA course curriculum and the various levels associated with the course. CMA Sirish Mohate, vice chairman of the chapter motivated the students and emphasised on the importance of hard

work being the key to success. The Chapter organized a one day seminar on GST & Foreign Trade Policy- Recent Amendments & Implications at Navi Mumbai Sports Association, Conference Hall on February 17, 2018. The Chief Guest, Shri R.K. Mishra, I.R.S Commissioner, GST Belapur, Navi Mumbai said that GST will be a value addition for business. The technical session commenced with CMA Amit Sarker stressing on the important recent amendments from the introduction of GST and the deviations from pre-GST regime. The second technical session commenced with Adv Harsh Shah detailing the GST amendments, summary and notifications etc. The third technical session commenced with CA Yanamundra Ravikumar briefing on the importance of exports for the development of India. The Chapter conducted the oral coaching inauguration function on January 28, 2018 at K.B. Patil College, Vashi. Chief Guest for this event was CMA M.K Narayanaswamy, Ex-Sr Director, Sanofi India. The Chapter conducted a session the theme 'Union Budget 2018' on February 7, 2018 at K.B. Patil College, Vashi. The speaker for this event was CMA Vaidyanathan Iyer, secretary of the chapter. The speaker decoded the key economic indicators impacting the Indian economy, GDP/Economy, Agricultural Growth, Manufacturing Growth, Service Growth, Exports & Imports in USD billion, Exports & Imports Growth etc.

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

The Chapter conducted a seminar on 'How to Prepare for IBC 2016 Exam' on 10th March, 2018 at CMA Bhawan, Pimpri and CMA L D Pawar, Insolvency Professional, RCM & vice-chairman WIRC briefly focused on importance of Insolvency & Bankruptcy Code 2016 and their impact in future. CMA Raghavendra Chilveri provided information about online registration of IBC 2016. The Chapter conducted a seminar on 'Audit under Maharashtra Co-operative Society' on 24th March, 2018 at CMA Bhawan. The Chapter conducted a seminar on 'IBC 2016 – Game changer for Corporate & Professional' on 27th March, 2018 at CMA Bhawan. CMA Dhananjay Vatsyayan, Insolvency Professional and CMA L D Pawar, Insolvency Professional, RCM & vice chairman WIRC were the key speakers for the seminar.

The Institute of Cost Accountants of India-Ahmedabad Chapter

The chapter celebrated International Women's day on March 8, 2018. A CEP program on 'Significance & Impact of Ind AS on Statutory Cost Computations & Cost Audit' was organized on March 11, 2018 at Ahmedabad Management Association, Vastrapur. The Chapter organized 12 days Orientation Program for Dec'17 qualified CMAs under guideline of Director Training & Placement, Delhi at its premises from March 19, 2018. Inauguration function of orientation program was presided by Shri S K Johar, CFO of Terram Creosynthetics Pvt. Ltd., Ahmedabad. A National Conference on Bond Market jointly with Assocham based on the theme "Second Generation Reforms for Bond Market" was organized by the chapter on March 23, 2018. A CEP on "Compliance under DPCO-2013" was organized on March 24, 2018 at Chapter's premises. A CEP on "Management of Emotions" was organized on March 30, 2018 at its premises. First Batch of GST Certification course at the Chapter was inaugurated on March 18, 2018 by CMA Prof. S S Shah, Chairman, Training & Placement Committee of the Chapter.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body Under An Act of Parliament)

Ref. No. : CMA/DEL/CPD/2018-19 **April 2, 2018**

NOTICE

Extension of time for CEP Credit Hours for renewal of COP

Dear Members,

As per the Guidelines for Mandatory Training for all Members of The Institute under Continuing Education Programme (Available at http://icmai.in/upload/Institute/Updates/CEPGuidelines-23112016.pdf), it is mandatory for the members holding Certificate of Practice (COP) to undergo minimum mandatory training of 15 hours per year commencing from 1st April to 31st March and 50 hours in a block of 3 years (Block of 3 years ended on 31st March, 2018) and for the members above the age of 65 years it is 7 hours per year and 25 hours in a block of three years.

As per the clause 9.3 of the Guidelines , Members holding Certificate of Practice are required to confirm that they have secured the minimum annual CEP Credit Hours at the time of renewal of membership and Certificate of Practice . Any shortfall on the minimum CEP Credit hours may cause the hardships to the members as the Certificate of Practice (COP) cannot be renewed in case they have not secured minimum CEP credit hours.

In order to accord opportunity to members desirous of renewing their COPs, but are running short on the stipulated CEP credit hours as mentioned above, it is decided by the Council of the Institute to grant an extension upto 30th June, 2018 to complete the requirement of CEP credit Hours for renewal of COP for the year 2018-19.

Arnab Chakraborty

CMA Arnab Chakraborty

Secretary (Acting)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

INTERMEDIATE AND FINAL EXAMINATION TIME TABLE & PROGRAMME – JUNE 2018

	PROGRAMME FOR SYLLABUS 2016	
Day &Date	**Intermediate** **Time: 2.00 P.M. to 5.00 P.M.**	**Final** **Time: 2.00 P.M. to 5.00 P.M.**
Monday, 11th June, 2018	Financial Accounting	Corporate Laws & Compliance
Tuesday, 12th June, 2018	Laws & Ethics	Strategic Financial Management
Wednesday, 13th June, 2018	Direct Taxation	Strategic Cost Management – Decision Making
Thursday, 14th June, 2018	Cost Accounting	Direct Tax Laws and International Taxation
Friday, 15th June, 2018	Operations Management & Strategic Management	Corporate Financial Reporting
Saturday, 16th June, 2018	Cost & Management Accounting and Financial Management	Indirect Tax Laws & Practice
Sunday, 17th June, 2018	Indirect Taxation	Cost & Management Audit
Monday, 18th June, 2018	Company Accounts & Audit	Strategic Performance Management and Business Valuation

EXAMINATION FEES

Group (s)		Final Examination	Intermediate Examination
One Group	(Inland Centres) (Overseas Centres)	₹1400/- US $ 100	₹1200/- US $ 90
Two Groups	(Inland Centres) (Overseas Centres)	₹2800/- US $ 100	₹2400/- US $ 90

1. **Application Forms for Intermediate and Final Examination has to be filled up through online only and fees will be accepted through online mode only (including Payfee Module of IDBI Bank). No Offline form and DD payment will be accepted for domestic candidate.**
2. **STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.**
3. **(a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.**
   (b) Students can also pay their requisite fee through pay-fee module of IDBI Bank.
4. **Last date for receipt of Examination Application Forms is 10th April, 2018.**
5. **The provisions of direct tax laws and indirect tax laws, as amended by the Finance Act, 2017, including notifications and circulars issued up to 30th November, 2017, are applicable for June 2018 term of examination for the Subjects Direct Taxation, Indirect Taxation (Intermediate) , Direct Tax laws and International Taxation and Indirect Tax laws & Practice (Final) under Syllabus 2016. The relevant assessment year is 2018-19. For Paper 11- Indirect Taxation(Intermediate), and Paper 18- Indirect Tax Laws &Practice(Final) please also refer to Notification dated Ref No GST/2/8/2017 dated 16 August 2017. Please also refer to http://icmai.in/upload/Students/Circulars/Relevant-Info-June2018.pdf. For revised contents and study materials please refer to http://icmai.in/studentswebsite/Syl-2016.php**
6. **Companies (Cost Records and Audit) Rules, 2014 as amended till 20th Dec 2017 is applicable for June 2018 examination for Paper 12- Company Accounts and Audit (Intermediate) and Paper 19-Cost and Management Audit (Final) under Syllabus 2016 for June 2018 term examination. Please also refer to http://icmai.in/upload/Students/Circulars/Relevant-Info-June2018.pdf**
7. **The provisions of the Companies Act 2013 are applicable for Paper 6- Laws and Ethics (Intermediate) and Paper 13- Corporate Laws and Compliance (Final) under Syllabus 2016 to the extent notified by the Government up to 31st December 2017 for June 2018 term of examination.**
8. **For Applicability of IND_AS and amended AS for paper 5 –Financial Accounting and Paper 12-Company Accounts and Audit(Intermediate) and Paper 17-Corporate Financial Reporting(Final) refer to relevant circular in website for June 2018 term examination. Please refer to http://icmai.in/studentswebsite/Syl-2016.php**
9. **Pension Fund Regulatory and Development Authority Act, 2013 is being included in Paper 6- Laws and Ethics(Intermediate) and Insolvency and Bankruptcy Code 2016 is being included in Paper 13- Corporate Laws and Compliance (Final) under Syllabus 2016 for June 2018 term of examination. For clarification visit our website www.icmai.in**
10. **Examination Centres: Adipur-Kachchh (Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur (Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Duliajan (Assam), Durgapur, Ernakulam,Erode, Faridabad, Ghaziabad, Guntur, Guwahati, Haridwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottakkal (Malappuram), Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Raipur,Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.**
11. **A candidate who is fulfilling all conditions specified for appearing in examination will only be allowed to appear for examination.**
12. **Probable date of publication of result: Inter & Final – 23rd August, 2018.**

*** For any examination related query, please contact exam.helpdesk@icmai.in**

Arnab Chakraborty
Secretary (Acting)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)

EXAMINATION TIME TABLE & PROGRAMME – JUNE – 2018

FOUNDATION COURSE EXAMINATION

Day & Date	Foundation Course Examination Syllabus-2016 Time 2.00 p.m. to 5.00 p.m.
Monday, 11th June, 2018	Fundamentals of Economics & Management
Tuesday, 12th June, 2018	Fundamentals of Accounting
Wednesday, 13th June, 2018	Fundamentals of Laws & Ethics
Thursday, 14th June, 2018	Fundamentals of Business Mathematics & Statistics

Examination Fees

Foundation Course Examination	**Inland Centres**	**` 1200/-**
	Overseas Centres	**US $ 60**

1. **The Foundation Examination will be conducted in Offline, descriptive (Pen & Paper) mode only. Each paper will be of 100 marks and for 3 hours duration.**

2. Application Forms for Foundation Examination has to be filled up through online and fees will be accepted through online mode (including Payfee Module of IDBI Bank).

3. STUDENTS OPTING FOR OVERSEAS CENTRES HAVE TO APPLY OFFLINE AND SEND DD ALONGWITH THE FORM.

4. (a) Students can login to the website www.icmai.in and apply online through payment gateway by using Credit/Debit card or Net banking.

   (b) Students can also pay their requisite fee through pay-fee module of IDBI Bank.

5. **Last date for receipt of Examination Application Forms is 10th April, 2018.**

6. Examination Centres: Adipur-Kachchh(Gujarat), Agartala, Agra, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhilwara, Bhopal, Bewar City(Rajasthan), Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Duliajan (Assam), Durgapur, Ernakulam, Erode, Faridabad, Ghaziabad, Guntur, Guwahati, Haridwar, Hazaribagh, Howrah, Hyderabad, Indore, Jaipur, Jabalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottakkal (Malappuram), Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Nellore, Neyveli, Noida, Palakkad, Panaji (Goa), Patiala, Patna, Pondicherry, Port Blair, Pune, Raipur,Rajahmundry, Ranchi, Rourkela, Salem, Sambalpur, Shillong, Siliguri, Solapur, Srinagar, Surat, Thrissur, Tiruchirapalli,Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanagar, Waltair and Overseas Centres at Bahrain, Dubai and Muscat.

7. **A candidate who is completing all conditions for appearing the examination as per Regulation will only be allowed to appear for examination.**
8. **Probable date of publication of result: 23rd August, 2018.**

*** For any examination related query, please contact exam.helpdesk@icmai.in**

Arnab Chakraborty
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